



NOTICE OF ANNUAL GENERAL MEETING and EXPLANATORY STATEMENT and PROXY FORM

Date of Meeting:

Tuesday, 29 October 2019

Time of Meeting:

9:30am (WST)

Place of Meeting:

Pan Pacific Hotel
Level 5, Meeting Room 5
207 Adelaide Terrace
Perth, Western Australia

Southern Cross Electrical Engineering Limited
ABN: 92 009 307 046
Established 1978

This Notice of Meeting and Explanatory Statement should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional adviser prior to voting.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Southern Cross Electrical Engineering Limited ABN 92 009 307 046 (**Company**) will be held at 9:30am (WST) on Tuesday, 29 October 2019 at the Pan Pacific Hotel, Level 5, Meeting Room 5, 207 Adelaide Terrace, Perth, Western Australia.

The Explanatory Statement that accompanies and forms part of the Notice of Meeting describes the various matters to be considered at the Annual General Meeting. This also includes a glossary of terms used. Shareholders should read the Explanatory Statement in full before deciding how to vote.

AGENDA

FINANCIAL REPORTS

To receive and consider the financial report of the Company and the reports of the Directors and auditor for the year ended 30 June 2019.

RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

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

That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the year ended 30 June 2019 be adopted.

Note – The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting exclusion

A vote must not be cast on Resolution 1 (and the Company will disregard any such vote) by, or on behalf of, a member of the Key Management Personnel whose remuneration is disclosed in the Remuneration Report or their Closely Related Parties.

However, a vote will not be disregarded if it is cast as a proxy on behalf of a Shareholder entitled to vote on Resolution 1:

- (a) in accordance with a direction on the proxy form; or
- (b) where there is no specified voting direction, by the Chairman of the Meeting who has been expressly authorised to vote on this Resolution, even though it is connected directly or indirectly with remuneration of the Key Management Personnel.

RESOLUTION 2: RE-ELECTION OF MR DAVID HAMMOND AS DIRECTOR

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

That Mr David Hammond, who retires in accordance with Rule 5.1 of the Company's Constitution and Listing Rule 14.4 and, being eligible, offers himself for re-election, be re-elected as a Director of the Company.

RESOLUTION 3: ISSUE OF PERFORMANCE RIGHTS TO MR GRAEME DUNN FOR THE 2019/2020 FINANCIAL YEAR

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

That, for the purposes of Listing Rule 10.14 and for all other purposes, Shareholders approve, as further described in the Explanatory Statement, the issue of 702,806 Performance Rights (and the issue of Shares following any vesting of the Performance Rights) in accordance with the Plan to a Director of the Company, Mr Graeme Dunn (or his nominee), in relation to the 2019/2020 financial year.

Voting exclusions

The Company will disregard votes cast in favour of Resolution 3 by or on behalf of any Director who is eligible to participate in the Plan or an associate of that person.

However the Company need not disregard a vote cast on Resolution 3 if:

- (a) 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
- (b) it is cast by the Chairman of 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.

Further, a member of the Key Management Personnel and their Closely Related Parties cannot cast a vote as a proxy for a Shareholder entitled to vote on this Resolution if the proxy is not directed how to vote, unless the proxy is the Chairman of the Meeting and the Chairman has received express authority to exercise the proxy, even though it is connected directly or indirectly with remuneration of the Key Management Personnel.

RESOLUTION 4: APPROVAL OF 10% PLACEMENT FACILITY

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

That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.

Voting exclusion

The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person.

However, the Company need not disregard a vote cast on Resolution 4 if:

- (a) 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
- (b) it is cast by the Chairman of 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.

By Order of the Board



Colin Harper

Company Secretary
27 September 2019

IMPORTANT INFORMATION FOR SHAREHOLDERS

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. The glossary at the end of the Explanatory Statement contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

Required majorities

Resolutions 1 to 3 are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the resolution.

Resolution 4 is a special resolution. A special resolution requires a 75% majority of votes cast by Shareholders present (in person, by proxy or representative) and entitled to vote on the Resolution.

Proxies

All Shareholders who are entitled to attend and vote at the Meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder. Shareholders holding two or more Shares can appoint either one or two proxies. If two proxies are appointed, the appointing Shareholder can specify what proportion of their votes they want each proxy to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise one-half of the votes (disregarding fractions).

To vote by proxy, please complete and return the proxy form enclosed with this Notice of Meeting as soon as possible.

Details for sending your proxy form are as follows:

By Mail: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia
Facsimile: Australia: 1800 783 447 / International: +61 3 9473 2555
For online voting: Visit www.investorvote.com.au
By mobile: Scan the QR Code on your proxy form and follow the prompts
Custodian voting: For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions

To be effective, a completed proxy form must be received by **no later than 9.30am (WST) on Sunday, 27 October 2019**, being not less than 48 hours prior to the commencement of the meeting.

Where the proxy form is executed under power of attorney, the power of attorney must be lodged in the same way as the proxy form.

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

Corporate representatives

A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any other powers the body corporate can exercise at the meeting. The appointment may be a standing one. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company. An appointment form is included with the meeting materials.

Voting entitlements

The Board has determined that, for the purpose of voting at the Meeting, Shareholders are those persons who are the registered holders of the Company's Shares at 9.30am (WST) on Sunday 27 October 2019.

Further information

If you need any further information about this Notice of Meeting or attendance at the Annual General Meeting please contact Mr Colin Harper, the Company Secretary, on 08 9236 8300.

EXPLANATORY STATEMENT TO SHAREHOLDERS

INTRODUCTION

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be transacted at the Annual General Meeting of the Company to be held at 9.30am (WST) on Tuesday, 29 October 2019. The Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

FINANCIAL REPORTS

The Corporations Act requires the Company to lay before the Annual General Meeting the financial report, the Directors' report (including the remuneration report) and the auditor's report for the last financial year that ended before the Annual General Meeting.

No resolution is required for this item, but Shareholders will be provided with a reasonable opportunity to ask questions or make comments in relation to these reports. The Company's auditor will also be present at the Meeting and Shareholders will be given the opportunity to ask the Auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

The Company's 2019 Annual Report is available from the Company's website at www.scee.com.au.

RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with section 205R(2) of the Corporations Act. The Remuneration Report details the Company's policy on the remuneration of non-executive Directors, the Managing Director and senior executives and is set out in the Company's 2019 Annual Report. The vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be provided with a reasonable opportunity to ask questions and make comments on the Remuneration Report at the Annual General Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 1.

RESOLUTION 2: RE-ELECTION OF MR DAVID HAMMOND AS DIRECTOR

Mr Hammond was elected as a Director of the Company on 31 October 2017. Rule 5.1 of the Company's Constitution requires 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, must retire from office. Rule 5.2 requires that the Director(s) to retire at an annual general meeting are those who have been in office the longest since their election. In addition, Listing Rule 14.4 provides that a director must not hold office (without re-election) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer. Accordingly, Mr Hammond is required to retire and being eligible, has offered himself for re-election as a Director of the Company.

Mr Hammond was a vending shareholder of Heyday5 Pty Ltd and was appointed to the Company's Board as an Executive Director on completion of the acquisition by the Company in March 2017.

Mr Hammond has more than 35 years' electrical contracting experience and has been involved in the Heyday business for over 20 years. During his tenure, Mr Hammond has held various positions up to and including his current role of Executive Director where his responsibilities include driving business development.

The Directors (other than Mr Hammond) recommend that Shareholders vote in favour of Resolution 2.

EXPLANATORY STATEMENT TO SHAREHOLDERS (CONTINUED)

RESOLUTION 3: ISSUE OF PERFORMANCE RIGHTS TO THE MANAGING DIRECTOR FOR THE 2019/2020 FINANCIAL YEAR

Background

Resolution 3 seeks Shareholder approval for the grant of Performance Rights to Mr Graeme Dunn, a Director of the Company, under the Company's Senior Management Long Term Incentive Plan (the **Plan**).

Under his employment agreement as Managing Director and Chief Executive Officer, Mr Dunn is entitled to receive a base salary, inclusive of superannuation of \$688,750. In addition, Mr Dunn is also entitled to a variable Short Term Incentive cash bonus of up to 50% of his base salary (depending on the achievement of certain short term objectives) and a Long Term Incentive in the form of Performance Rights with respect to the Company's performance over the periods from 30 June 2017 to 30 June 2020 and 30 June 2018 to 30 June 2021 respectively. Subject to the approval of Resolution 3, Mr Dunn will also be entitled to Performance Rights in relation to the Company's performance over the period from 30 June 2019 to 30 June 2022.

The Company's executive remuneration structure is set out in more detail in the Remuneration Report in the 2019 Annual Report.

Based on the Plan and as set out below, Shareholder approval is being sought to issue to Mr Dunn (or his nominee) 702,806 Performance Rights with respect to the 2019/2020 financial year. These Performance Rights are subject to specific performance conditions (as set out below) and will not vest into Shares until such time as the performance conditions are met.

The Non-Executive Directors believe that it is appropriate to provide Mr Dunn with a long term incentive element in his remuneration package. The Non-Executive Directors also believe that Performance Rights, rather than Options, are a better alternative to remunerate executives who are tasked with achieving certain specific strategic outcomes. The grant of Performance Rights is intended to align Mr Dunn's performance with successful Company outcomes for the benefit of Shareholders and also to provide him with an incentive to remain in the Company.

The Non-Executive Directors believe that the remuneration for Mr Dunn, including the proposed grant of Performance Rights, is reasonable having regard to the circumstances of the Company, the duties and responsibilities of Managing Director and Chief Executive Officer of the Company and market levels of remuneration for Managing Directors and Chief Executive Officers of similar companies.

The Plan

The Plan was last approved by Shareholders at the 2017 Annual General Meeting. The main features of the Plan that are relevant to the issue of Performance Rights are summarised as follows:

- 1. Consideration Payable:** It is intended that Performance Rights will be granted for no consideration, even though the Plan allows the Board to impose consideration on the grant of Performance Rights. A "Performance Right Invitation" issued by the Board will set out the amount of consideration payable, if any.
- 2. Vesting:** Subject to the satisfaction of the performance conditions set out in the Performance Right Invitation, within 10 Business Days of the exercise of the Performance Rights, the Company shall allot and issue Shares to the eligible participant (or, if applicable, their nominee) without further action being required on the part of the eligible participant.
- 3. Retirement, Permanent Disablement, Redundancy or Death:** Under the Plan, within 30 days of the eligible participant ceasing to be a senior manager by reason of retirement, permanent disablement, redundancy or death, the eligible participant (or their nominee or legal representative as applicable) may exercise the Performance Rights. To the extent that the conditions set out in the Performance Right Invitation have been satisfied, the Performance Rights will vest. All remaining Performance Rights will lapse.

Notwithstanding the above, in the event that a Participant ceases to be a senior manager as a result of retirement, permanent disablement or death then the Board may determine, in its absolute discretion, in relation to all or some of the Performance Rights, to:

- (a) waive the exercise and vesting conditions, in which case the participant (or their nominee or legal personal representative as applicable) may within 30 days of the participant ceasing to be a senior manager, exercise those Performance Rights; or
- (b) allow the Performance Rights to continue to be exercisable until the expiry date, upon the satisfaction of the applicable exercise and vesting conditions.

- 4. Restriction on dealing with Shares:** All Shares issued to a participant under the Plan will be subject to the Company's Share Trading Policy. In addition, the Board has the discretion to impose further restrictions on Shares issued to a participant under the Plan in the Performance Right Invitation.

- 5. Takeover Bid or Change of Control:** In the event of:

- (a) Change of Control of the Company; or
- (b) approval by the court of a merger of the Company by way of scheme of arrangement, an eligible participant may exercise all Performance Rights which have not been exercised or lapsed and will vest notwithstanding the conditions set out in the Performance Right Invitation.

EXPLANATORY STATEMENT TO SHAREHOLDERS (CONTINUED)

Performance Conditions

Subject to Shareholder approval of Resolution 3, the Performance Rights to be issued for the 2019/2020 financial year will not vest (and the underlying Shares will not be issued) unless certain performance conditions have been satisfied. The grant of Performance Rights is designed to reward long term sustainable business performance which is aligned to the long term strategic objectives of the Company.

It is proposed that 50% of Mr Dunn's performance conditions for the 2019/2020 financial year will be performance tested against total shareholder return (TSR) performance, and the other 50% be tested against earning per share (EPS) performance over a 3 year period from a Start Date of 30 June 2019 to a Test Date of 30 June 2022.

Absolute TSR

TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the growth in a company's share price over the period as well as the dividends received during that period. The formula for calculating TSR is:

$$\frac{(\text{Share Price at Test Date} - \text{Share Price at Start Date}) + (\$ \text{ Dividends Received})}{\text{Share Price at Start Date}}$$

A volume weighted average share price (**VWAP**) will be used to determine Share Price at the Start Date and Share Price at the Test Date. The VWAP for the Share Price at Start Date will be based on the VWAP over the one week period prior to the start of the relevant performance period and the VWAP for the Share Price at the Test Date will be based on the VWAP over the one week period for the end of the relevant performance period.

Mr Dunn's TSR performance conditions will include:

- a threshold target of 8% per annum (compounded over the period from the Start Date to the Test Date); and
- a stretch performance of 12% per annum (compounded over from the Start Date to the Test Date).

The percentage of Mr Dunn's Performance Rights that are tested against TSR which vest will be determined as follows:

TSR performance over relevant Performance Period	Performance vesting outcomes (applied to 50% of the total Performance Rights granted)
Less than 8% per annum compounded	0% vesting
8% per annum compounded	50% vesting
Between 8% and 12% per annum compounded	Pro-rata vesting between 50% and 100%.
At or above 12% per annum compounded	100% vesting

EPS

The Company's EPS performance will be measured in the 2022 financial year. EPS measures the portion of a company's profit allocated to each outstanding ordinary share and serves as an indicator of a company's profitability.

For the purposes of performance testing the Performance Rights, EPS in the 2022 financial year will be the Basic EPS for the year, as prescribed by the accounting standards and set out in the Company's financial reports, adjusted to remove the following items from the calculation of profit or loss attributable to ordinary shareholders in the year, in order to reflect the companies underlying profitability:

- (a) amortisation of acquired intangibles;
- (b) unwinding of interest on deferred acquisition consideration payments;
- (c) adjustments to the assessment of deferred consideration payable; and
- (d) acquisition costs.

A threshold target and a stretch target will also be used for Mr Dunn's EPS targets. Mr Dunn will only receive Performance Rights that are tested against EPS if he achieves at least the threshold target. The Performance Rights that are tested against EPS will vest as set out in the following table.

EPS performance in 2022 financial year	Performance vesting outcomes (applied to 50% of the total Performance Rights granted)
Less than 6.8 cents per Share	0% vesting
6.8 cents per Share	50% vesting
Between 6.8 and 7.6 cents per Share	Pro-rata vesting between 50% and 100%.
At or above 7.6 cents per Share	100% vesting

Regulatory information

Related party transaction

The grant of the Performance Rights to Mr Dunn, a Director of the Company, is a financial benefit for the purposes of the related party provisions in Chapter 2E of the Corporations Act. However, the Non-Executive Directors have determined that the remuneration package for Mr Dunn, including the grant of the Performance Rights, is reasonable having regard to the circumstances of the Company and Mr Dunn (including the responsibilities involved in his office). Accordingly, and in reliance on this statutory exception to the related party requirements, Shareholder approval under Chapter 2E of the Corporations Act is not being sought in this case.

EXPLANATORY STATEMENT TO SHAREHOLDERS (CONTINUED)

Listing Rules

In accordance with Listing Rule 10.14, the acquisition of securities by a Director under an employee incentive scheme requires shareholder approval. The following information is provided for the purposes of Listing Rule 10.15:

- (a) The maximum number of Performance Rights that can be acquired by Mr Dunn is 702,806 Performance Rights for the 2019/2020 financial year.
- (b) The price payable on the exercise of each Performance Right is nil and no price is payable for any Shares issued on exercise of the Performance Rights.
- (c) Since the 2017 Annual General Meeting, being the last approval of the Plan, Mr Dunn is the only person under Listing Rule 10.14 who has received Performance Rights. Mr Dunn has received a total of 1,034,461 Performance Rights for nil consideration under the Plan.
- (d) Mr Dunn is currently the sole person referred to in Listing Rule 10.14 who is entitled to participate in the Plan.
- (e) There is no loan proposed in relation to the proposed acquisition of the Performance Rights by Mr Dunn.
- (f) The Performance Rights will be granted as soon as practicable following the date of the Meeting, and in any event, no later than 12 months after the date of the Meeting.

The Directors (other than Mr Dunn) recommend that Shareholders vote in favour of Resolution 3.

RESOLUTION 4: APPROVAL OF 10% PLACEMENT FACILITY

Background

Listing Rule 7.1A enables eligible entities to seek shareholder approval to have the capacity to issue “Equity Securities” (being shares, options and other securities as defined in the Listing Rules) up to 10% of their issued capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company’s 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that as at the date of the relevant annual general meeting is not included in the SGP/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The actual number of Equity Securities that the Company will have capacity to issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as described below).

Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to Shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any Equity Securities under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice of Meeting, has on issue one class of Equity Securities, being ordinary shares. The number of ordinary shares currently on issue is 234,722,442.

(c) Formula for calculating 10% Placement Facility

Listing Rule 71A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

(A x D) - E

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

- (a) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the 12 months;
- (c) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
- (d) less the number of fully paid shares cancelled in the 12 months.

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

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 71A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue 234,722,442 Shares. The Company will have a capacity to issue:

- (i) 35,208,366 Equity Securities under Listing Rule 7.1; and
- (ii) 23,472,244 Equity Securities under Listing Rule 7.1A, subject to the Shareholder approval being granted under this Resolution.

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

(e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the Volume Weighted Average Price (**VWAP**) of Equity Securities in the same class calculated over the 15 ASX trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

EXPLANATORY STATEMENT TO SHAREHOLDERS (CONTINUED)

Listing Rule 7.1A

The effect of Resolution 4 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 ASX trading days immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the following table. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

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

The following table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 (as described above) as at the date of this Notice, subject to Resolution 4 being approved by Shareholders.

The table also shows:

- (i) two examples where variable 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

		Dilution		
		\$0.298 50% decrease in Issue Price	\$0.595 Issue Price	\$1.190 100% increase in Issue Price
Variable 'A' in Listing Rule 7.1A.2				
Current Variable 'A' 234,722,442	10% Voting Dilution	23,472,244 Shares	23,472,244 Shares	23,472,244 Shares
	Funds Raised	\$6,982,993	\$13,965,985	\$27,931,971
50% increase in current Variable 'A' 352,083,663	10% Voting Dilution	35,208,366 Shares	35,208,366 Shares	35,208,366 Shares
	Funds Raised	\$10,474,489	\$20,948,978	\$41,897,956
100% increase in current Variable 'A' 469,444,884	10% Voting Dilution	46,944,488 Shares	46,944,488 Shares	46,944,488 Shares
	Funds Raised	\$13,965,985	\$27,931,971	\$55,863,941

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting.
 - (iv) The table shows only the effect of issue of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (v) The issue of Equity Securities under the 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes options, it is assumed that those options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
 - (vi) As at the date of this Notice, there are currently 234,722,442 Shares on issue.
 - (vii) The issue price is \$0.595, being the closing price of the Shares on the ASX on 13 September 2019.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 4 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company has a publicly stated strategy of growing through expansion into adjacent and complementary sectors both organically and through acquisitions. Accordingly, and subject to paragraph (c) above, the Company may seek to issue the Equity Securities for the following purposes:
- (i) as non-cash consideration for any acquisitions, in which circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) as cash consideration in which case the Company intends to use funds raised towards the consideration for any acquisitions and general working capital purposes. The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.
- (e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed Issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including, but not limited to, the following:
- (i) the identification of appropriate acquisition opportunities and consideration of the appropriate ways in which to fund the consideration for such acquisitions;
 - (ii) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
 - (iii) the financial situation and solvency of the Company;
 - (iv) the effect of the issue of the Equity Securities on the control of the Company; and
 - (v) advice from corporate, financial and broking advisors (if available).
- The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company. If the Company is successful in acquiring new businesses, assets or investments, the allottees under the 10% Placement Facility may include vendors of the new businesses, assets or investments.
- (f) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2017 annual general meeting and issued 18,713,909 Shares under Listing Rule 7.1A.

EXPLANATORY STATEMENT TO SHAREHOLDERS (CONTINUED)

(g) The total number of Equity Securities issued by the Company in the 12 months before the date of this Notice was 1,665,659, being 655,034 Shares and 1,010,625 Performance Rights, which represents 0.7% of the total number of Equity Securities on issue at the commencement of this 12 month period. In accordance with Listing Rule 7.3A.6, the following details are provided in respect of all issues of securities in the 12 months preceding the date of the Notice:

- (i) 655,034 Shares were issued to senior executives including Mr Graeme Dunn for no consideration on the vesting and exercise of Performance Rights granted under the Plan. The Shares were issued at an issue price of \$0.595, being the closing market price on 10 September 2019. The total value of the non cash consideration in respect of these Shares as at the date of issue was \$389,745. The total value of the non cash consideration as at the close of trade on 16 September 2019 (the closing price at that date being \$0.62) was \$406,121; and
- (ii) 1,010,625 Performance Rights were issued under the Plan with respect to the 2018/2019 financial year. On vesting of the Performance Rights the Company will issue fully paid ordinary shares which will rank equally with all other ordinary shares on issue.

The Performance Rights were issued to senior executives including Mr Graeme Dunn, the Managing Director of the Company, on 9 November 2018 pursuant to the Plan which received Shareholder approval at the Company's 2017 annual general meeting (a summary of the Plan is set out in the Explanatory Statement to Resolution 3).

The Performance Rights were issued for no consideration (accordingly, there was no discount to closing market price on the date of issue) and no consideration is required to be paid on vesting. The total notional value of the non cash consideration in respect of the Performance Rights granted is \$447,202. This was calculated using the binomial tree method with respect to those Performance Rights that are subject to the EPS performance condition and the Monte-Carlo simulation method with respect to those Performance Rights that are subject to the TSR performance condition.

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

The Directors recommend that Shareholders vote in favour of Resolution 4.

GLOSSARY

The following terms and abbreviations used in this Explanatory Statement have the following meaning:

ASX:	means the Australian Securities Exchange or ASX Limited, as appropriate.
Board:	means the board of directors of the Company.
Change of control	means if: <ul style="list-style-type: none">(a) if a person becomes a legal or beneficial owner of 50% or more of the issued capital of the Company; or(b) a person becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the issued share capital of the Company.
Closely Related Parties	means those parties of the Key Management Personnel are as defined in the Corporations Act and include certain of their family members, dependents and companies they control.
Company:	means Southern Cross Electrical Engineering Limited (ABN 92 009 307 046).
Constitution:	means the constitution of the Company.
Corporations Act:	means the Corporations Act 2001 (Cth).
Director:	means a member of the Board.
Explanatory Statement:	means this Explanatory Statement.
Key Management Personnel	means the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The remuneration report identifies the key management personnel for the financial year ended 30 June 2019.
Listing Rules:	means the listing rules of the ASX and any other rule of the ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended or replaced from time to time, except to the extent of any express, written waiver by ASX.
Managing Director:	means the managing director of the Company.
Meeting or	
Annual General Meeting:	means the meeting convened by the Notice.
Notice or	
Notice of Meeting:	means the notice convening the Annual General Meeting which accompanies this Explanatory Statement.
Option	means an option to acquire a Share subject to payment of an exercise price and satisfaction of any other conditions.
Performance Right:	means an entitlement to one Share, subject to vesting and satisfaction of performance conditions, granted in accordance with the Plan.
Plan:	means the Southern Cross Electrical Engineering Limited Rules of the Senior Management Long Term Incentive Plan.
Related Party:	means a "related party" as defined in section 9 of the Corporations Act.
Remuneration Report	means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.
Resolution:	means a resolution included in the Notice.
Shares:	means fully paid ordinary shares in the capital of the Company.
Shareholders:	means holders of Shares.
WST:	means Western Standard Time, being the time in Perth, Western Australia.



Southern Cross Electrical Engineering Ltd
ABN 92 009 307 046



SXE

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

Need assistance?



Phone:
1300 307 262 (within Australia)
+61 3 9415 4671 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:30am (WST) Sunday, 27 October 2019.**

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.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at 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: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to 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 Southern Cross Electrical Engineering 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 Annual General Meeting of Southern Cross Electrical Engineering Limited to be held at the Pan Pacific Hotel, Level 5, Meeting Room 5, 207 Adelaide Terrace, Perth, Western Australia on Tuesday, 29 October 2019 at 9:30am (WST) 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 Resolutions 1 and 3 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 3 are 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 Resolutions 1 and 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
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr David Hammond as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Issue of Performance Rights to Mr Graeme Dunn for the 2019/2020 Financial Year	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of 10% Placement Facility	<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 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director 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

