

2016 Annual
General Meeting
Friday, 4 November 2016
2:30pm (Adelaide time)

ABN 35 007 573 417

HILLS.TM

Letter from the Chairman

Dear Shareholder,

I am pleased to invite you to attend the 2016 Annual General Meeting (**AGM** or **Meeting**) of Hills Limited (**Hills** or the **Company**).

The AGM will be held on Friday, 4 November 2016 at 2:30pm at:

Flinders University Building
1284 South Road
Clovelly Park SA 5042

A map with directions to the venue appears on page 10 of this booklet.

Items of Business

The following pages contain details on the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

At this year's AGM the following items will be voted on:

- the re-election of Ms Fiona Bennet as a Director of the Company;
- the election of Mr Ken Dwyer as a Director of the Company; and
- the proposed amendment of the Company's Constitution relating to the inclusion of proportional takeover provisions which are detailed in the enclosed Notice of Meeting.

You will also be asked to cast a non-binding vote in respect of the adoption of the Remuneration Report as set out in pages 15 to 31 of the 2016 Annual Report.

All resolutions are explained in more detail in the Notice of Meeting and Explanatory Notes.

Approval of Proportional Takeover Provisions

At the Extraordinary General Meeting of Shareholders on 19 April 2013, Shareholders voted to approve the insertion of proportional takeover provisions in the Company's Constitution. Such provisions benefit Shareholders as it means bidders cannot seize control of your Company without an ordinary resolution being passed by Shareholders to approve the bid. Under the Corporations Act, these provisions ceased to apply on 19 April 2016.

The Board unanimously recommends that Shareholders vote for the insertion of proportional takeover provisions to ensure that:

1. existing Shareholders do not become minority Shareholders without their approval in the event of a proportional takeover; or
2. enable control of the Company to be acquired by a party holding less than a majority position without Shareholders having the opportunity to dispose of all or their shares.

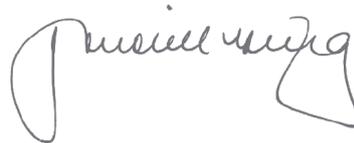
All resolutions are explained in more detail in the Notice of Meeting and Explanatory Notes.

Questions

We encourage you to submit questions for the Company (or the Company's external auditor) in advance of the AGM. We request that you use the enclosed question sheet to submit any questions that you would like answered at the 2016 AGM. Please return this question sheet in the reply paid envelope or email it to info@hills.com.au by 2.30pm (Sydney time) Thursday 20 October 2016.

If you are unable to attend the AGM in person, you may vote directly or appoint a proxy to act on your behalf. You may register voting instructions electronically at www.linkmarketservices.com.au or complete and return the enclosed voting form by facsimile or by using the reply paid envelope provided.

We look forward to welcoming you to the 2016 AGM.



Jennifer Hill-Ling
Chairman

Notice of meeting

Notice is hereby given that the 59th Annual General Meeting (2016 **AGM**) of Shareholders (Shareholders) of Hills Limited (ABN 35 007 573 417) (Hills or the Company) will be held at Flinders University Building, 1284 South Road, Clovelly Park SA 5062 on Friday, 4 November 2016, commencing at 2:30pm, to conduct the following items of business:

ITEMS OF BUSINESS

Ordinary Business

1. Receipt of Financial Statements and Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report for the Company for the financial year ended 30 June 2016.

2. Re-election of Ms Fiona Bennett as a Director of the Company

Resolution 1: To consider and, if thought fit, pass the following as an ordinary resolution:

"that, Ms Fiona Bennett, being a Director of the Company who retires by rotation in accordance with Rule 10.3 of the Constitution and, being eligible for re-election, is re-elected as a Director of the Company".

3. Election of Mr Ken Dwyer as a Director of the Company

Resolution 2: To consider and, if thought fit, pass the following as an ordinary resolution:

"that, Mr Ken Dwyer, being a Director of the Company who was appointed by the Directors as an additional Director of the Company, being eligible for election, is elected as a Director of the Company".

4. Adoption of Remuneration Report

Resolution 3: To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"that the Remuneration Report contained within the Annual Report of the Company, for the year ended 30 June 2016, be adopted."

Voting Exclusion Statement

In accordance with sections 250R and 250BD of the Corporations Act:

1. Subject to paragraph 2, a vote must not be cast (in any capacity) on this Resolution 3 by or on behalf of the Company's key management personnel (KMP) (including the Directors), details of whose remuneration are included in the Remuneration Report, or their closely related parties, whether as a Shareholder or as a proxy. However, a vote may be cast on this Resolution 3 by a KMP, or a closely related party of a KMP, if:
 - (a) the vote is cast as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution 3; and
 - (b) the vote is not cast on behalf of a KMP or a closely related party of a KMP.
2. If you appoint the Chairman of the 2016 AGM as your proxy, and you do not direct your proxy how to vote on this Resolution 3 on the proxy form and the proxy appointment expressly authorises the Chairman of the 2016 AGM to exercise your proxy even if Resolution 3 is connected directly or indirectly with the remuneration of a member of the KMP, which includes the Chairman of the 2016 AGM.

The Chairman of the 2016 AGM intends to vote undirected proxies in favour of Resolution 3.

Special Business

5. Approval of Proportional Takeover Provisions

Resolution 4: To consider and, if thought fit, pass the following resolution as a special resolution:

"That, from the close of the Meeting, the proportional takeover provisions set out in Annexure A to the Explanatory Statement be inserted into the Constitution as Rules 6.9 to 6.14."

Please refer to the Explanatory Statement for further information on the items of business. The Explanatory Statement forms part of this Notice of Meeting.

By Order of the Board



Gai Stephens

Company Secretary

27 September 2016

Notice of meeting

VOTING AND PROXY INSTRUCTIONS

- (a) Shareholders, who are unable to attend and vote at the 2016 AGM or any adjournment thereof, are entitled to appoint a proxy. Shareholders can appoint a body corporate or an individual as their proxy.
- (b) A Shareholder who is entitled to cast at least two or more votes at the 2016 AGM is entitled to appoint one or two proxies. Where a Shareholder is entitled to, and does, appoint more than one proxy, each proxy must be appointed to represent a specified portion of the Shareholder's voting rights. If a Shareholder appoints two proxies but does not specify how many votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a Shareholder of the Company.
- (c) Should a Shareholder desire to direct the proxy how to vote, the Shareholder should place a mark in the appropriate box, otherwise the proxy form will be deemed to constitute a direction to vote as the proxy decides.
- (d) Proxies will only be valid and accepted by the Company if they are received by the Share Registry of the Company by electronic lodgement by visiting www.linkmarketservices.com.au or by forwarding a hard copy to c/- Link Market Services, Locked Bag A14, Sydney South NSW 1235 Australia or by fax +61 2 9287 0309 or by Hand to 1A Homebush Bay Drive, Rhodes, NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000 so as to be received not later than 48 hours before the 2016 AGM.
- (e) If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy) must also be received by the Share Registry of the Company not less than 48 hours before the time of the 2016 AGM or at the time of any adjourned meeting, unless it has previously been provided to the Company's Share Registry.
- (f) If you appoint a proxy, you may still attend the 2016 AGM. However, your proxy's right to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the 2016 AGM.
- (g) If a representative of a corporation is to attend the 2016 AGM, an appropriate document appointing the representative should be produced prior to admission.
- (h) The Company has determined in accordance with regulation 7.11.37 of the Corporations Regulations 2001 and ASX Settlement and Operating Rule 5.6.1 that for the purpose of voting at the 2016 AGM, shares of the Company will be taken to be held by the persons who appear on the Company's share register as holding them at 7.00pm (Sydney time) on Wednesday, 2 November 2016.

EXPLANATORY NOTES

The following Explanatory Notes explain the items of business to be considered at Hills 2016 AGM and form part of the Notice of Meeting. The Explanatory Notes are set out in the order of items in the Notice of Meeting and should be read with the notice.

ORDINARY BUSINESS

1. Consideration of Reports

Section 317(1) of the Corporations Act 2001 (Cth) (Corporations Act) requires a public company to lay before its Annual General Meeting the financial report, the Directors' report and the Auditor's report for the financial year that ended before the Annual General Meeting.

Shareholders may access a copy of the Annual Report, which includes the financial report, the Directors' report and the Auditor's report, on the Company's website at <http://www.corporate.hills.com.au/investors>.

Shareholders will be given a reasonable opportunity to consider, comment on and ask questions of the Directors and the Auditor of the Company about the management of the Company, the conduct of the audit and the preparation and content of the financial statements and reports for the financial year ended 30 June 2016.

There is no vote on this item.

2. Re-election of Ms Fiona Bennett as a Director of the Company

Under the provisions in the Company's Constitution for the rotation of Directors, Ms Fiona Bennett will retire at the 2016 AGM and offers herself for re-election.

Ms Fiona Bennett was appointed as a Director in May 2010 and was last re-elected as a Director of the Company at its 2013 Annual General Meeting of the Company. She is the Chair of the Audit, Risk and Compliance Committee.

Ms Bennett is a Chartered Accountant with over 30 years' experience in business and financial management, corporate governance, risk management and audit. She has previously held senior executive positions at BHP Billiton Limited and Coles Group Limited and has been a Chief Financial Officer at several organisations in the health sector. She is also currently a Director of Beach Energy Limited and Chairman of the Victorian Legal Services Board.

Further details of Ms Bennett's experience is outlined on page 12 of the 2016 Annual Report.

Recommendation

The Board (with Ms Bennett abstaining) unanimously recommends that Shareholders vote in favour of Ms Bennett's re-election, either by attending the 2016 AGM in person or by placing an "X" in the box marked "For" and submitting your proxy form in accordance with the instructions in the note to the Notice of Meeting ("Voting and Proxy Instructions") (Note) and the instructions contained in the proxy form.

3. Election of Mr Ken Dwyer as a Director of the Company

Mr Ken Dwyer offers himself for election.

Mr Ken Dwyer was appointed by the Directors as a Director of the Company on 20 September 2016, pursuant to Rule 10.7 of the Constitution which allows the Board to appoint an additional Director, provided the total number of Directors does not exceed 10. Mr Dwyer retires as a Director and offers himself for election. If Mr Dwyer is not elected he will cease to be a Director from the conclusion of the 2016 AGM. Mr Dwyer is a member of the Audit Risk and Compliance Committee.

Mr Dwyer brings to the Board over 25 years' experience in the audio industry having founded, built and ultimately sold two significant private businesses, including a market leading distribution business Audio Products Group Pty Ltd in Australia and New Zealand. Prior to the audio industry Mr Dwyer had ten years' investment bank experience specialising in mergers and acquisitions and corporate finance with the Australian investment bank subsidiary of PNC Financial Services Group Inc., a major US bank holding company, where he became General Manager Corporate Finance. For fifteen years Mr Dwyer was a Non-executive Director of private company Peter Law Australia Pty Ltd, a significant Australian distributor of premium European textile machinery. Mr Dwyer is now active in investment and venture capital

Recommendation

The Board (with Mr Dwyer abstaining) unanimously recommends that Shareholders vote in favour of Mr Dwyer's election, either by attending the 2016 AGM in person or by placing an "X" in the box marked "For" and submitting your proxy form in accordance with the instructions in the Note and the instructions contained in the proxy form.

4. Adoption of Remuneration Report (Non-binding resolution)

The Company's Remuneration Report for the 2016 (FY16) financial year is set out in pages 15 to 31 of the 2016 Annual Report. The Remuneration Report explains the Company's approach to executive remuneration, performance and remuneration outcomes for the Company and its Key Management Personnel (**KMP**) for the year ended 30 June 2016. The Remuneration Report has been audited as required by Section 308 (3C) of the Corporations Act.

During this item of business, members as a whole will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report.

Remuneration Policy and Practice

The following paragraphs outline key developments in remuneration matters at Hills during FY16. A full report is provided in the Remuneration Report contained within the Directors report in the Annual Report which is on the Hills website at www.hills.com.au/investors/reports.

During the year Hills has continued to evolve its remuneration structure as the Company becomes simpler and has a more streamlined organisational structure. The number of employees has reduced from 734 to 673. Modest pay increases were provided to most staff although higher paid employees had their salaries frozen unless they were promoted or their roles changed. As new executives are recruited their salaries are benchmarked with salaries of executives from companies of a similar size to Hills. You will see the impact of this with the appointment of Hills new CEO on 1 September 2016 whose target remuneration of \$550,000 is a reduction relative to prior CEOs but is in line with similar companies.

The new CEO will also receive 200,000 performance rights issued on his appointment with 50% vesting in 12 months and 100% vesting in 2 years. The rationale for this grant was to ensure that the new CEO was immediately aligned to Shareholder value. Your Board wanted to ensure that the new CEO did not have to wait 12 months to receive his first performance grants under the new variable pay structure which is outlined below. Once the performance rights vest shares will be purchased on market to satisfy the Company's contractual obligation subject to the Company's cash position at the time.

From the Remuneration Report, you will see that the short term incentive (STIs) that were paid in FY16 were 19% of the target opportunity reflecting under achievement in the Group results.

In addition, given the restructuring of the Company during its transformation stage the LTI was suspended during FY16 for all KMPs. For FY17 a new variable pay structure has been introduced which will replace the existing STI and LTI benefits. This new structure is outlined below and the rationale is outlined further in the Remuneration Report in the Annual Report.

Notice of meeting

As Hills completes its transition to a simpler more focussed Company, we needed a remuneration structure which suited today's environment and our business moving forward. Your Board believes that Shareholders and executives are best aligned when executives are also significant Shareholders so that the "rise and fall" of the Hills share price will impact the earnings of the leadership team. Hills has now developed a model based on base pay and variable pay:

Base salary	consistent with the market
Variable pay	made up of cash and shares, paid annually

In respect of variable pay, at the end of each year, an executive's performance is assessed based upon financial and non-financial criteria. The executive is then paid an amount representing 50% of the pay in cash and 50% in shares which vest over three years.

Given that this is a new plan design for our executives and to fast track the amount of equity executives will have in the Company your Board have decided to set the vesting periods for the shares as follows:

20%	vest after one year
30%	vest after two years
50%	vest after three years

During this 3-year period any dividends paid by the Company would be provided to the employee.

The Board has agreed that shares that vest will be purchased on market to satisfy contractual obligations subject to the Company's cash position.

If an employee resigns (or is dismissed) prior to vesting, then they forfeit the shares that have not vested. If an employee retires or due to ill-health, leaves the business, then they will receive the shares as they vest.

Within 3-5 years, executives would be expected to hold:

CEO	1.0 to 1.5 times base pay
Other executives	0.5 times base pay

This plan closely aligns the variable pay to the outcomes of the Company. The Board has decided to heavily weight key performance indicators to financial outcomes at this stage, as this aligns closely with the milestones of the Company and should drive enhanced Shareholder returns. The accumulation of shares by executives is also an important element.

In accordance with section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2016 is put to the vote of Shareholders for adoption.

Shareholders will be given a reasonable opportunity to ask questions about, and make comments on, the Remuneration Report at the 2016 AGM.

The Corporations Act provides that the vote on this resolution is advisory only and does not bind the Directors of the Company. However, if at least 25% of the votes cast at two consecutive Annual General Meetings are against the adoption of the Remuneration Report, a resolution must be put to Shareholders at the second Annual General Meeting as to whether an extraordinary general meeting (called a Spill Meeting) should be held to consider the election of the Directors.

If that resolution at the Spill Meeting is passed, the Directors (other than the Managing Director) who were Directors when the 25% 'no' vote was passed at the second Annual General Meeting will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The Remuneration Report resolution was passed with a vote of 94% in favour at the 2015 Annual General Meeting. A 25% 'no' vote at the 2016 AGM will not result in a Spill Meeting but could result in such a meeting if 25% or more votes are also against the Remuneration Report at the 2017 Annual General Meeting.

Voting

The vote on this resolution is advisory only and does not bind the Directors of the Company. The Board will take the outcome and comments made by Shareholders into consideration when reviewing the remuneration practices and policies of the Company.

Recommendation

The Board unanimously recommends that Shareholders vote in favour of this resolution, either by attending the 2016 AGM in person or by placing an "X" in the box marked "For" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

The Chairman of the Meeting intends to vote all available proxies in favour of the adoption of the Remuneration Report.

SPECIAL BUSINESS

5. Approval of Proportional Takeover Provisions

Under the Corporations Act, a company may include provisions in its Constitution which prohibit the registration of shares acquired under a proportional takeover bid unless a resolution approving the bid is passed by the Shareholders of the company. A proportional takeover bid is a takeover bid under which the offer is made to each Shareholder only for a proportion of that Shareholder's shares.

Once approved, the provisions relating to proportional takeovers have effect for 3 years from the date of adoption and will then cease to apply unless renewed by special resolution of the Company.

The proportional takeover provisions approved at the General Meeting of the Company's Shareholders on 19 April 2013 as contained in Rules 6.9 to 6.14 of the Company's Constitution, were not renewed and ceased to apply on 19 April 2016. In accordance with section 648G(3) of the Corporations Act, the Company's Constitution was, at that date, altered by omitting the provisions.

Approval is sought to include proportional takeover provisions in the Constitution and the Corporations Act requires that certain information is provided to Shareholders. That information is set out below.

Effect of the proposed provisions

If the proportional takeover provisions are renewed and a proportional takeover bid is made, the Directors must ensure that a resolution of Shareholders to approve the takeover bid is voted on at least 14 days before the last day of the bid period. The vote will be decided on a simple majority and each person (other than the bidder and their associates) who, as at the end of the day on which the first offer under the bid was made, held bid class securities, is entitled to vote, on the basis of one vote for each bid class security held at that time.

If the resolution to approve the bid is not passed, transfers resulting from acceptances for the proportional takeover bid will not be registered and the bid will be taken to have been withdrawn. If a resolution to approve the bid is not voted on by the required time, the bid will be taken to have been approved.

If the bid is approved (or taken to have been approved), the transfers resulting from acceptances for the proportional takeover bid must be registered by the Company (provided they comply with other provisions of the Corporations Act and the Constitution).

The proportional takeover approval provisions do not apply to full takeover bids and will only apply until 4 November 2019, unless renewed again by special resolution of the Company's Shareholders.

Reasons for proposing the resolution

The Board considers that Shareholders should have the opportunity to vote on any proportional takeover bid for the Company.

A proportional takeover bid for the Company may enable control of the Company to be acquired by a party holding less than a majority position and without Shareholders having the opportunity to dispose of all or their shares, so that Shareholders could be at risk of being left as part of a minority interest in the Company. Shareholders may also be exposed to the risk of being left as a minority in the Company with a bidder being able to acquire control of the Company without payment of an adequate premium for all of their shares.

If the Constitution includes these proportional takeover provisions, it will minimise this risk to Shareholders by permitting Shareholders in a general meeting to decide whether a proportional takeover bid should be permitted to proceed.

Knowledge of any acquisition proposals

As at the date of this Explanatory Statement, none of the Directors are aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proposed provisions

Potential advantages

The proposed proportional takeover provisions will enable the Directors to formally ascertain the views of the Shareholders on a proportional takeover bid. Apart from this, the Directors consider that the proposed proportional takeover provisions have no potential advantages or potential disadvantages for the Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved.

The potential advantages for Shareholders of the proportional takeover provisions include:

- Shareholders will have the right to determine by majority vote whether an offer under a proportional takeover bid should proceed;
- they may help Shareholders to avoid being left as a minority in the Company where a bidder is able to acquire control of the Company without payment of an adequate premium for all of their shares;
- they increase Shareholders' bargaining power and may assist in ensuring that any proportional takeover bid is structured to be attractive to a majority of independent Shareholders; and
- knowing the view of the majority of Shareholders may help each individual Shareholder assess the likely outcome of the proportional takeover bid and decide whether to accept or reject an offer under the bid.

Notice of meeting

Potential disadvantages

The potential disadvantages for Shareholders of the proposed proportional takeover provisions include:

- proportional takeover approval provisions may make a proportional takeover bid more difficult to achieve which may have the effect of discouraging proportional takeover bids. This in turn may possibly reduce opportunities for Shareholders to sell some of their shares at an attractive price to persons seeking to secure control of the Company and may reduce an element of takeover speculation from the Company's share price, although this effect may be negligible given the rarity of proportional takeover bids over the last decade; and
- the provisions may constitute a potential restriction on the ability of Shareholders to deal freely with their shares.

However, on balance, the Directors do not perceive those or any other possible disadvantages as justification for not renewing the proportional takeover provisions for a further three years.

Review of potential advantages and disadvantages

Since the current Constitution was adopted and while proportional takeover provisions have been in effect under the Company's Constitution, no takeover bids for the Company have been made, either proportional or otherwise. Accordingly, there are no actual examples against which the advantages or disadvantages of the existing proportional takeover provisions could be reviewed for the Directors and Shareholders of the Company. While it may be argued that during the period from 2013 to 2016 when the existing proportional takeover provisions were in effect, they had the disadvantage of discouraging proportional takeover bids, the Board is not aware of any potential takeover bid that was discouraged by these provisions during that period.

The Board does not believe the potential disadvantages outweigh the potential advantages of including the proportional takeover provisions in the Constitution. Approving the proportional takeover approval provisions in the Constitution will not confer any particular advantages or disadvantages on the Directors in their capacity as Directors of the Company.

Recommendation

The Board considers that it is in the interest of Shareholders to have a continuing right to vote on any proportional takeover and unanimously recommends that you vote in favour of this resolution, either by attending the Meeting in person or by placing an "X" in the box marked "For" and submitting your proxy form in accordance with the instructions in the Note to the Notice of Meeting and the instructions contained in the proxy form.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

Annexure A – Proportional takeover provisions

6.9 Resolution required for proportional takeover provisions

Despite articles 6.1, 6.2 and 6.3, if offers are made under a proportional takeover bid for securities of the Company in accordance with the Corporations Act:

- (a) articles 6.9 to 6.13 apply;
- (b) the registration of a transfer giving effect to a takeover contract resulting from acceptance of an offer made under the takeover bid is prohibited unless and until a resolution (an “approving resolution”) to approve the bid is passed or taken to be passed in accordance with article 6.12 or article 6.13; and
- (c) the Directors must ensure that an approving resolution is voted on in accordance with articles 6.10 to 6.11 before the fourteenth day before the last day of the bid period.

6.10 Procedure for resolution

The Directors may determine whether the approving resolution is voted on:

- (a) at a meeting of persons entitled to vote on the resolution convened and conducted, subject to the provisions of article 6.11, as if it were a general meeting of the Company convened and conducted in accordance with this Constitution and the Corporations Act with such modifications as the Directors determine the circumstances require; or
- (b) by means of a postal ballot conducted in accordance with the following procedure:
 - (i) a notice of postal ballot and ballot paper must be sent to all persons entitled to vote on the resolution not less than 14 days before the date specified in the notice for closing of the postal ballot, or such lesser period as the Directors determine the circumstances require;
 - (ii) the non-receipt of a notice of postal ballot or ballot paper by, or the accidental omission to give a notice of postal ballot or ballot paper to, a person entitled to receive them does not invalidate the postal ballot or any resolution passed under the postal ballot;
 - (iii) the notice of postal ballot must contain the text of the resolution and the date for closing of the ballot and may contain any other information the Directors consider appropriate;
 - (iv) each ballot paper must specify the name of the person entitled to vote;

- (v) a postal ballot is only valid if the ballot paper is duly completed and:

(A) if the person entitled to vote is an individual, signed by the individual or a duly authorised attorney; or

(B) if the person entitled to vote is a corporation, executed under seal or as permitted by the Corporations Act or under the hand of a duly authorised officer or duly authorised attorney;

- (vi) a postal ballot is only valid if the ballot paper and the power of attorney or other authority, if any, under which the ballot paper is signed or a copy of that power or authority certified as a true copy by statutory declaration is or are received by the Company before close of business on the date specified in the notice of postal ballot for closing of the postal ballot at the Registered Office or share registry of the Company or at such other place as is specified for that purpose in the notice of postal ballot; and
- (vii) a person may revoke a postal ballot vote by notice in writing which to be effective must be received by the Company before the close of business on the date for closing of the postal ballot.

6.11 Persons entitled to vote

The only persons entitled to vote on the approving resolution are those persons who, as at the end of the day on which the first offer under the bid was made, held bid class securities. Each person who is entitled to vote is entitled to one vote for each bid class security held by that person at that time.

Neither the bidder nor any associate of the bidder is entitled to vote on the resolution.

6.12 Resolution passed or rejected

If the resolution is voted on in accordance with articles 6.9 to 6.11, then it is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one-half, and otherwise is to be taken to have been rejected.

6.13 Resolution taken as passed

If a resolution to approve the bid has not been voted on as at the end of the day before the fourteenth day before the last day of the offer period, then a resolution to approve the bid is taken to have been passed in accordance with articles 6.10 to 6.12.

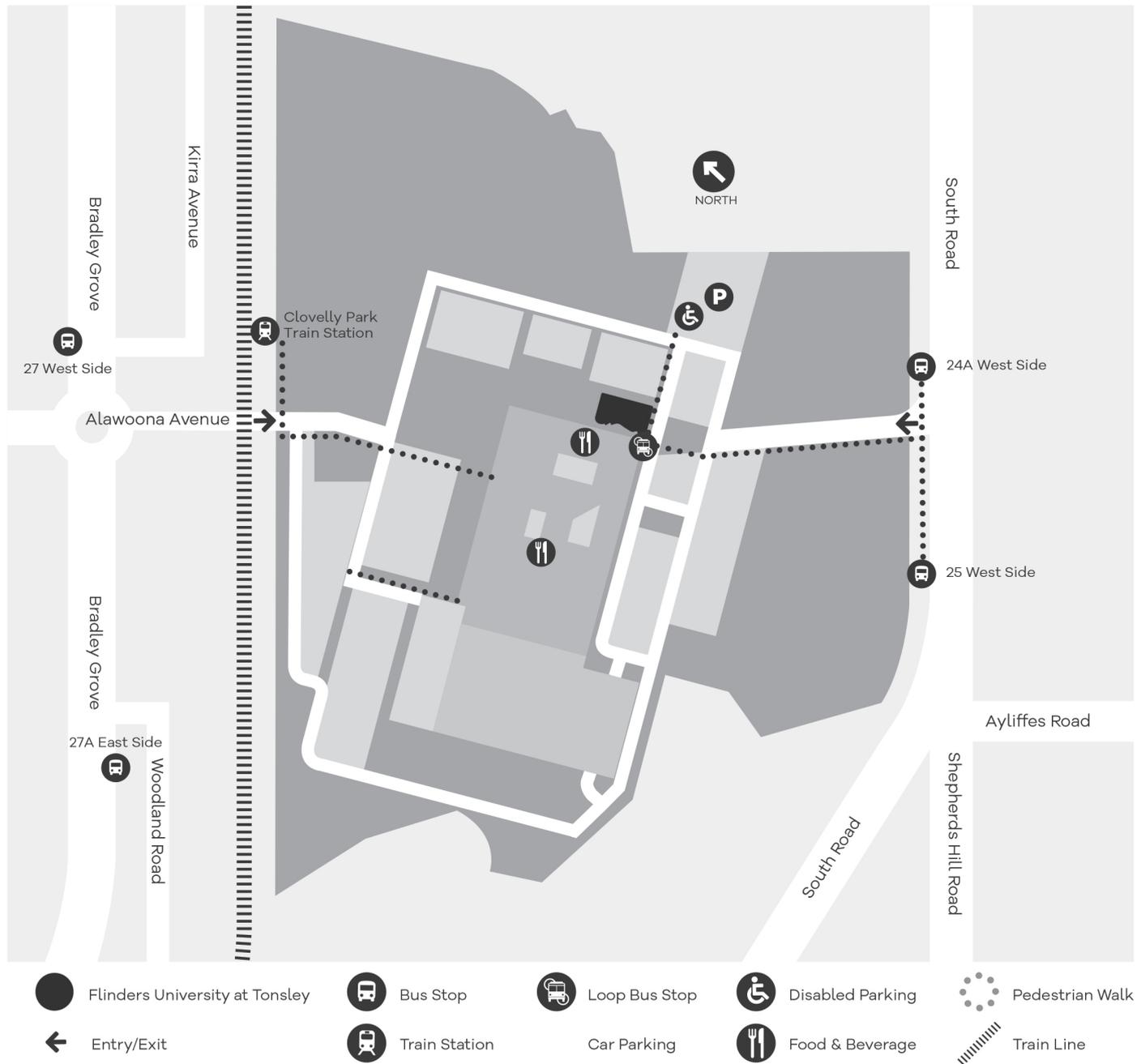
6.14 Takeover articles cease to have effect

Articles 6.9 to 6.13 cease to have effect on the day three years after the later of their adoption or last renewal.

Where it is and where to park

The AGM will be held at Flinders University Building, Main Theatre, 1284 South Road, Clovelly Park, South Australia on Friday, 4 November 2016, commencing at 2:30pm (Adelaide time).

Tonsley precinct map



Questions from Shareholders

Your questions regarding any matter relating to the Company are important and we encourage you to raise them with us. We request that you use this question sheet to submit any questions that you would like answered at the 2016 AGM.

Please email this question sheet to info@hills.com.au or return in the reply paid envelope by 2.30pm (Sydney time) Thursday 20 October 2016.

We will endeavour to answer as many of the frequently asked questions as possible at the 2016 AGM, in the Chairman's and Chief Executive Officer's addresses.

Name: _____

Security Reference Number (SRN) or Holder Identification Number (HIN): _____

Address: _____

Questions

Matter subject: _____

Question: _____

Matter subject: _____

Question: _____

Matter subject: _____

Question: _____

Matter subject: _____

Question: _____

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
 Hills Limited
 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
 1A Homebush Bay Drive, Rhodes NSW 2138; or
 Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
 Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Hills Limited (the **Company**) 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 **2:30pm on Friday, 4 November 2016 at Flinders University Building, 1284 South Road, Clovelly Park SA 5042 (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 3: 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 Resolution 3, even though the Resolution is 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*
1 Re-election of Ms Fiona Bennett as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Mr Ken Dwyer as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Proportional Takeover Provisions	<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 Resolution is 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:

- (a) 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
- (b) 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 **2:30pm on Wednesday, 2 November 2016**, 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 MAIL

Hills Limited
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*
1A Homebush Bay Drive
Rhodes NSW 2138
or
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.**