

NOTICE OF 2012 ANNUAL GENERAL MEETING

Notice is hereby given that Graziers' Investment Company Limited ('GIC') will hold its Annual General Meeting on **Monday, 26 November 2012** in the Kirralaa Room, at The Grace Hotel, 77 York Street, Sydney NSW 2000, commencing at 2.00 pm for the purpose of transacting the business set out in this notice.

ITEMS OF BUSINESS

1. GIC's Annual Financial Report

To consider the Annual Financial Report, Directors' Report and Auditor's Report for GIC and of the Group for the year ended 30 June 2012.

Note: There is no requirement for Shareholders to approve these reports but there will be an opportunity for members to ask questions on the reports.

2. Re-Election of Directors

To consider, and if thought fit, pass the following resolutions as separate ordinary resolutions:

- (a) 'That Mr Barry Walker, being eligible, be re-elected as a Director'; and
- (b) 'That Mr Philip Attard, being eligible, be re-elected as a Director'.

The Chairman of the meeting intends to vote undirected proxies in favour of the re-election of Barry Walker and Philip Attard.

Refer to the Explanatory Notes for information regarding voting on the election of Directors.

3. Retirement Benefits for Directors

To consider, and if thought fit, pass the following resolutions as separate ordinary resolutions:-

- (a) 'That for the purposes of section 200B and Chapter 2E of the Corporations Act 2001 (Cth) and for all other purposes approval is given for the payment to Current Directors of GIC upon their retirement from GIC in accordance with the following formula:

$$\frac{\text{Years of Service (Capped at 10 years)}}{10 \text{ Years (ie 120 months)}} \times \text{Annual Directors Remuneration at Retirement Date} \times 2 = \text{Retirement Benefit}$$

The terms used in this formula are defined in the Explanatory Notes accompanying this Notice of Meeting.

- (b) 'That for the purposes of Chapter 2E of the Corporations Act 2001 (Cth) and in particular section 208 approval is given for the making of a contract between GIC and each Current Director containing an obligation for GIC to make a payment to its Current Directors upon their retirement from GIC in accordance with the formula contained in item 3(a)'.

PROXIES AND VOTING

Eligibility to Vote

You will be eligible to vote at the meeting if you are registered as a holder of GIC shares at 7 pm (AEDST) on Friday, 23 November 2012.

Appointing a Proxy

If you are entitled to attend and vote at the meeting, you can appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder of GIC and may be an individual or a body corporate. A personalised Proxy Form is included with this Notice of Meeting. If you are entitled to cast two or more votes, you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If you require a second Proxy Form, please contact Link Market Services on 1300 554 474.

Lodging your Proxy Form

You can lodge your completed Proxy Form by:

- Mailing it to Link Market Services Limited using the reply paid envelope;
- Posting it to Locked Bag A14, Sydney South, Sydney NSW 1235;
- Lodging it online at the Link Market Services website www.linkmarketservices.com.au (you will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions on the website);
- Faxing it to +61 (2) 9287 0309; or
- Hand delivering [only available during business hours (Monday to Friday, 8.30am to 5.30pm)] it to Link Market Services, Level 12, 680 George Street, Sydney NSW 2000.

Your completed Proxy Form (and any necessary supporting documentation) must be received by Link Market Services no later than 2.00 pm (AEDST) on Saturday 24 November 2012, being 48 hours before the commencement of the meeting. 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 Link Market Services by 2.00 pm AEDST on Saturday, 24 November 2012 unless it has been previously provided to Link Market Services. If you appoint a proxy, you may still attend the meeting. However, your proxy's rights to speak and vote are suspended while you are present. Accordingly, you will be asked to revoke your proxy if you register at the meeting.

How the Chair of the Meeting will Vote Undirected Proxies

The Chairman of the meeting will vote undirected proxies in favour of all of the motions except for business item 3 (see voting exclusions). GIC encourages all Shareholders who submit proxies to direct their proxy how to vote on each item of business.

Questions from Shareholders

In addition to asking questions at the meeting, written questions to the Chairman about the management of GIC or GIC's auditor about the content of the Auditor's Report and the conduct of the audit may be submitted no later than Wednesday 14 November 2012 to:

Mail: Graziers' Investment Company Limited
369 Royal Parade, Parkville, Vic 3052
Australia
Facsimile: +61 3 9340 1610
Email: elaine_beever@graziersinvestco.com.au

Attending the Meeting

If you attend the meeting, please bring your personalised Proxy Form with you. The bar code at the top of the form will help you to register. If you do not bring your form with you, you will still be able to attend the meeting but representatives from Link Market Services will need to verify your identity. You will be able to register from 1.30 pm (AEDST) on the day of the meeting.

Corporate Shareholders

Corporate Shareholders who wish to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the company's representative. The authorisation may be effective either for this meeting only or for all meetings of GIC. Shareholders can download and fill out the 'Appointment of Corporate Representation' form from the Link website: www.linkmarketservices.com.au

Voting Exclusions

Voting exclusions apply to business item 3 as set out in the Explanatory Notes.

By Order of the Board of Directors



Peter J J McKeown
Company Secretary
16 October 2012

EXPLANATORY NOTES

These Explanatory Notes have been prepared for the information of Shareholders in connection with the business to be conducted at the 2012 Annual General Meeting of Graziers' Investment Company Limited to be held in the Kirralaa Room, at The Grace Hotel, 77 York Street, Sydney NSW 2000, on Monday, 26 November 2012 at 2.00pm.

The purpose of these Explanatory Notes is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions in the Notice of 2012 Annual General Meeting (of which these Explanatory Notes forms a part).

Item 1. GIC's Annual Financial Report

The Annual Financial Report, Directors' Report and Auditor's Report for GIC for the year ended 30 June 2012 will be laid before the meeting. There is no requirement for Shareholders to approve these reports. However the Chairman of the meeting will allow a reasonable opportunity for Shareholders to ask questions about or make comments on the management of GIC. Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the Auditor's Report.

Item 2. Re-Election of Directors

The GIC Board ('Board') considers that individually and collectively the Directors need to bring a level of skill, knowledge and experience that enables the Board to discharge its responsibilities effectively. All current serving Directors have an understanding of financial markets. The extensive financial markets experience among the Board members spans involvement in a diverse range of trading, asset management, financing, corporate advisory, public policy and regulatory activities.

The Board's policy on Board composition is to ensure that at all times, and through succession planning, there will be an appropriate mix of skills and experience so as to provide, on an ongoing basis, the necessary breadth and depth of knowledge which is required to meet the company's responsibilities and objectives.

Under clause 13.3(a) of the company's Constitution not less than one-third of Directors retiring from office is satisfied by the retirements of Mr Barry Walker and Mr Philip Attard. A Director who retires in accordance with these requirements is eligible for re-election. Accordingly, Mr Barry Walker and Mr Philip Attard are due to retire at the end of the meeting and offer themselves for re-election to the Board.

Background on Mr Walker and Mr Attard is as follows:

2(a): Mr Barry Walker, OAM

Mr Walker was elected to the Board of Graziers' Investment Company Limited in October 2003 and as Chairman in 2006. He is Chairman of GIC Holdings Pty Ltd and GIC (NZ) Limited. Mr Walker was also a non-executive director for three years and Chairman of The Woolmark Company Pty Ltd from September 2006 until its sale on 5 October 2007.

Mr Walker is a Director of the wool broking business Australian Wool Network Pty Ltd. He is a partner in a family grazier business running 15,000 merinos. He was a Director of the Australian Wool Testing Authority until 2001 and board member of the Australian Wool Research and Promotion Organisation. Mr Walker is a former Wool Council of Australia member representative and has held positions on the NSW Farmers Wool Committee and as a General Councillor. He has held numerous agricultural, community and local government positions including Past President of the Australian Superfine Wool Growers' Association and Executive Committee member.

On 8 June 2009 Mr Walker was awarded a Medal of the Order of Australia for his service to the wool industry as a producer, and to the community of the Yass district.

2(b): Mr Philip Attard

Mr Attard is a Sydney-based businessman who also owns and operates a superfine and ultrafine merino enterprise, Gostwyck, in the New England tablelands. Mr Attard has extensive experience building successful and profitable businesses in the Information Technology world holding senior executive roles in sales, marketing, strategic planning and general management. He has worked with European, American and Australian companies in Australia and Asia.

Mr Attard is now focusing his attention on the family businesses, successfully developing grazing systems, pastures and merino quality. He is Chairman of Andar Tool and Press Limited and, a non-executive Director of both GIC Holdings Pty Ltd and GIC (NZ) Limited. Chairman Director of Gostwyck Group Pty Ltd, Goslan Pty Ltd, Huglipulken Pty Ltd and UNE Partnerships Pty Ltd. Chairman of the Sheep Genetics Advisory Council and formerly a non-executive Director of The Woolmark Company Pty Limited.

Board Recommendation

The Board (other than the relevant Directors in relation to his own re-election) recommends the re-election of Mr Barry Walker and Mr Philip Attard.

The Chairman of the meeting intends to vote undirected proxies in favour of the re-election of Mr Barry Walker and Mr Philip Attard.

Item 3. Retirement Benefits for Directors

Proposal

The proposal before the meeting is to approve a payment to the Current Directors' of GIC upon their Retirement as a Director. The payment is to be calculated in accordance with the following formula:

$$\begin{array}{r} \text{Years of Service (capped at 10 years)} \\ \hline 10 \text{ Years (ie 120 months)} \\ \times \\ \text{Annual Directors' Remuneration at Retirement Date} \\ \times \\ \text{Multiplier of 2} \\ = \\ \text{Retirement Benefit} \end{array}$$

For the purpose of this formula the following apply:

Annual Directors' Remuneration at Retirement Date means Current Directors' Remuneration as at 30 June 2012, adjusted annually for CPI increases, commencing 30 June 2013, up to the date of retirement.

CPI means the 'All groups' consumer price index as published by the Australian Bureau of Statistics.

Current Directors' means Messrs Barry Walker, John Patten, Philip Attard and Ms Robbie Sefton.

Multiplier is usually applied for retirement benefits to reflect years of service such as 'four weeks' of pay for every year of service up to a ceiling, or for a multiplier of average earnings 'either absolute or average' again up to a ceiling over a specific timeframe, (ie up to two times average annual earnings (calculated on monthly stays) incrementally over a ten year or 120 month period).

Remuneration means the Current Directors remuneration as at 30 June 2012

Barry Walker	\$70,850 per annum
John Patten	\$59,950 per annum
Philip Attard	\$50,000 per annum
Robbie Sefton	\$21,800 per annum

Retirement Date means the date a Current Director retires from the office of GIC.

Years of Service means the continuous period from the date that the Current Director commenced as Director of GIC until the date of retirement as a Director.

Background and Justification

The Current Directors commenced as Directors on the following dates:

Barry Walker	1 November 2003
John Patten	29 January 2001
Philip Attard	15 November 2006
Robbie Sefton	1 July 2010

Assuming a retirement date of 30 June 2012 the Directors Years of Service would have been

Barry Walker	8.7 years
John Patten	11.4 years, (capped at 10 years)
Philip Attard	5.6 years
Robbie Sefton	2.0 years

Applying the proposed formula, to the above Directors and Directors' fees, as at 30 June 2012, would have resulted in a total retirement payment of \$307,727, as follows:-

Barry Walker	\$122,833
John Patten	\$119,900
Philip Attard	\$56,274
Robbie Sefton	\$8,720

This would have reduced the net asset value per share by \$0.15 as at same date.

One of the success stories and achievements by your current Board was the compromise reached with the IWS Retirement Benefit Fund and the resultant sale of The Woolmark Company to Australian Wool Innovation Limited. Without that achievement your Directors believe that there would currently be no asset value. Your Directors remain committed to improving Shareholder value and preserving Shareholder wealth.

The Board has previously considered, and informed Shareholders at the previous two Annual General Meetings, that at the appropriate time they would seek shareholder approval for GIC to pay retirement benefits to its Directors.

The Board, particularly in light of the challenges and difficulties associated with its management of the inherited legacy issues, in particular the IWS Retirement Benefits Pension Fund, in its view established directors fees below market rates. This was partly due to the expectation that the Directors' success in managing the legacy issues would be recognised at their respective retirement

dates as Directors by a retirement benefit payment. The Board in its view believes that the formula to determine the retirement benefits payment is fair and reasonable.

The Board also recognises that a payment by the company of a retirement benefit to GIC's Current Directors creates an individual and collective conflict of interest and on that basis it is not appropriate for the Directors to make a recommendation to shareholders on this item. Shareholders attention is also drawn to the voting exclusion statement contained in the concluding paragraph of this item below.

Corporations Act 2001 (Cth) Approvals

(a) Section 200B

Section 200B requires member approval, pursuant to section 200E, before GIC are permitted to pay a Director a benefit in connection with his or her retirement as a Director of GIC.

Section 200E establishes three conditions to be satisfied for member approval:

- (i) The giving of the benefit is approved by a resolution passed at a general meeting of the company.
- (ii) The details of the benefit are set in, or accompany, the notice of general meeting that is to consider the resolution.
- (iii) That at the general meeting a vote on the resolution must not be cast in any capacity by or on behalf of the retiree or an associate of the retiree.

Condition (i) is satisfied by the proposed resolution. Condition (ii) is satisfied by the details provided above, and elsewhere in these Explanatory Notes. Condition (iii) is satisfied by the voting exclusion detailed above and below.

(b) Chapter 2E

Chapter 2E of the Corporations Act 2001 (Cth) and in particular section 208 requires prior Shareholder approval before GIC provides a financial benefit to a related party and that the benefit is provided within 15 months after the approval. It also provides that if Shareholder approval is obtained to the making of a contract obliging the company to provide the financial benefit to the related party and that the contract was made within 15 months of Shareholder approval member approval for giving of the benefit is taken to have been given and the benefit need not be given within 15 months.

For the purposes of Chapter 2E the Current Directors are related parties of GIC by virtue of sections 228(2) and 228(5) of the Corporations Act 2001 (Cth) and the retirement benefit constitutes the giving of a financial benefit. As the date of the retirement of the Current Directors is not known approval is sought for the making of a contract obliging GIC to provide a retirement benefit to Directors which may be a date more than 15 months after the date of approval.

Information for Shareholders in Respect of Chapter 2E

For the purposes of obtaining Shareholder approval for business item 3 and in accordance with the requirements of Chapter 2E of the Corporations Act 2001 (Cth), and in particular sections 219 and 221, the following information is provided to Shareholders to allow them to assess whether or not to approve the proposed payment of retirement benefits to Current Directors under business item 3.

(a) Identity of related party

The related party of GIC to which a financial benefit may be given under business item 3 is Mr Barry Walker, Mr John Patten, Mr Philip Attard and Ms Robbie Sefton ('Current Directors').

(b) Nature of the financial benefit

The nature of the financial benefit to be given to the Current Directors is the payment of the retirement benefit in accordance with the formula.

(c) Reason and basis for giving financial benefit

The reason for proposing the payment of retirement benefits to Current Directors is, as specified above, to recognise the services and the achievements of the Current Directors, particularly in resolving the inherited legacy issues.

(d) Value of the financial benefit

The value of the financial benefit proposed to be provided to the Current Directors is uncertain as the date of retirement is currently unknown. However, as the example illustrates above, if all Current Directors had retired on 30 June 2012, the value would have been \$307,727.

(e) Advantages and disadvantages of Shareholders approving the proposal

The Board considers the advantages to Shareholders of approving business item 3 are as follows.

It will:-

- (i) Recognise the Current Directors involvement and assistance in resolving the inherited legacy issues.
- (ii) Be evidence that GIC and its Shareholders will honour and give effect to providing fair and just remuneration and compensation for services, assistance and acts benefiting GIC.

The Board considers the disadvantage to Shareholders of approving business item 3 is the nominal financial impact of reducing the cash reserves by \$307,727, representing a 1.72% dilution of net Shareholder value, or \$0.15 per share.

(f) Related parties existing interest

Details regarding the securities in the company in which the Current Directors hold an interest and the current voting power of the Current Directors as at the date of this notice are set out below.

	Number of Shares	Voting Power
Barry Walker	690	0.033%
John Patten	Nil	Nil %
Philip Attard	614	0.029%
Robbie Sefton	121	0.0058%

Implications if Approvals Not Provided

If Shareholders do not approve retirement benefit payments to Current Directors pursuant to the Corporations Act 2001 (Cth) then the payment cannot be made to the Directors. However, the Directors may consider other alternatives such as increasing Directors fees.

Voting Exclusions

GIC will disregard any votes cast on business item 3 by, or on behalf of:-

- the Directors; and
- any associates of the Directors,

unless the vote is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution and is not cast on behalf of any Directors or an associate of any Directors.

Overview

We are pleased to inform you that the 'Clean Break' with the International Wool Secretariat ('IWS') Pension Fund' has been accomplished. The next step as previously foreshadowed was that all remaining assets would be sold. That commenced with the sale of the Mumbai Property, followed by the NZ Business Assets of ANDAR.

We are continuing to evaluate the business opportunities available in respect of the remaining assets, principally Andar Tool & Press Limited and cash investments, in an attempt to preserve shareholders wealth.

In relation to the repatriation of the Mumbai Property proceeds GIC in conjunction with AWI have progressed this matter. However, approval by the Reserve Bank of India ('RBI'), which has been sought, is required prior to the release of the funds. The application was lodged with the RBI in October 2011 but due to the complicated history associated with property, which was acquired in 1973, the RBI's investigation and resulting enquiries, all of which have been duly answered, progress has been slow which based on previous experience, is not unusual. Despite the protracted time taken by the RBI, based on professional advice, we are expecting a favourable response. As foreshadowed last year the delay in repatriating the funds has exposed the company to further foreign exchange movements of \$735k for the year, and accumulated exchange loss of \$1.4m since sale of the property in May 2010. However, until the funds are repatriated the exchange loss is unrealised and has the potential to be reduced if the AUD continues to weaken.

In respect of the sale of the NZ Business assets, the contract has been concluded but there are some settlement issues which the purchaser is disputing, but are being progressed.

The other key remaining legacy which remains to be resolved is the dissolution of IWS which includes the settlement of the Paris Tax.

Financial Highlights

The results differentiate between the legacy issues and the group's continuing operations, being the operation of the Andar Tool & Press engineering business and interest income. Distinctly the continuing operations, which reflects the ongoing business activities of the group, have continued to be profitable, almost double that of the previous year despite difficult economic times in the industrial sector.

Principally, the discontinued loss stems from two legacy issues – the volatility of the AUD against the Indian Rupee has resulted in net exchange loss of \$735k for the year on the cash held in trust by AWI, on behalf of GIC, from the sale of the Mumbai Property. The other item is the settlement of an Indian Tax claim pertaining to the Indian activities pre sale of The Woolmark Company. The courts ruled unfavourably against the company and to prevent further legal costs and fines from being incurred in appealing the matter, the claim of \$437k was settled.

The results for GIC are summarised below:

	2012	2011
	\$'000	\$'000
Revenue	4,073	3,862
Operating expenses	(3,725)	(3,677)
Profit before income tax	348	185
Tax	(106)	(71)
Profit from Continuing Operations	242	114
Discontinued operations		
ANDAR (including gain on sale)	-	1,701
Legacy Issues		
- Service Tax	(427)	-
- Exchange loss <i>(Cash (net) held in trust by AWI ex Mumbai Property)</i>	(735)	(932)
- Other legacy issues	(37)	(461)
Profit/(loss) for the year	(957)	422
<i>Exchange differences – ANDAR</i>	80	(335)
<u>Total comprehensive (loss)/income for the year</u>	<u>(877)</u>	<u>87</u>

Shareholders' Equity

The financial statements disclose cash reserves of \$22.188m however, this does not represent the total shareholder's funds as it does not take into account any remaining contingent net liabilities to be paid which have been provided for in the accounts. On this basis the Equity of \$17.928m reflects shareholders value as at 30 June 2012.

In August 2007 it was estimated that the Net Assets / Shareholders Funds available to shareholders once all remaining assets of the company had been sold would be \$22.74m. Since then the reduction in shareholders' funds of \$4.812m can in the main be attributed to the following:-

	\$'000
Paris Tax *	\$1,486
Service Tax	\$ 427
Exchange loss	\$1,400
Woolmark Settlement adjustment	\$1,402

* This matter is currently being contested by GIC, based on legal advice sought, and if successful this amount will be reversed, thereby increasing shareholders equity accordingly.

Notwithstanding, as explained in the 2007 Explanatory Statement without resolution of the IWS Pension Fund liability the business was steadily deteriorating and was unsustainable.

Outlook

We confirm our position as reported last year that the future direction of the company remains unchanged to that advised to shareholders at the General Meeting on 28 August 2007 when your approval, as shareholders of the company was obtained for the sale of selected assets of the company to Australian Wool Innovation Limited.

At the meeting in 2007 we outlined a process ultimately leading to the windup of the company subject to shareholders' approval at the relevant time. Following the clean break with the IWS Pension Fund and sale of the NZ Business Assets of ANDAR we continue to focus on evaluating options to preserve shareholder value in respect of the remaining assets. At the same time we continue to progress the outstanding inherited legacy issues.

As mentioned in last year's report following the sale of the Woolmark business in 2007 your board of directors expected that time spent on GIC's activities would reduce and on that basis reduced directors' fees. However, with the complexity associated with finalising the legacy issues and the sale of assets considerably more time has been spent by your Board in addressing and managing that process. Rather than increasing directors fees your Board considered that a separate decision would be sought from shareholders to approve a formula for payment of retirement benefits to directors.

Contained in the Notice of Meeting and explained in the accompanying notes is a resolution requiring your approval of retirement benefits for current directors.

I would like to thank John Patten as Deputy Chairman, Philip Attard and Robbie Sefton for their contribution to the Board. Finally, I would like to thank the management of the group for their guidance.

Your Board and management will continue to resolve the outstanding legacy issues and to protect your investment in GIC.

The consolidated financial position of GIC , as at 30 June 2012, is summarised below:

Graziers' Investment Company Limited
Consolidated balance sheet
As at 30 June 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	20,843	22,188
Trade and other receivables	1,492	1,707
Inventories	110	69
Current tax receivables	31	13
Total current assets	22,476	23,977
Non-current assets		
Receivables	-	36
Property, plant and equipment	289	319
Deferred tax assets	24	24
Intangible assets	-	11
Total non-current assets	313	390
Total assets	22,789	24,367
LIABILITIES		
Current liabilities		
Trade and other payables	1,643	1,866
Borrowings	8	4
Current tax liabilities	570	794
Provisions	2,280	2,395
Total current liabilities	4,501	5,059
Non-current liabilities		
Borrowings	-	8
Provisions	360	419
Total non-current liabilities	360	427
Total liabilities	4,861	5,486
Net assets	17,928	18,881
EQUITY		
Contributed equity	57,334	57,334
Reserves	(543)	(623)
Accumulated losses	(39,121)	(38,137)
Capital and reserves attributable to owners of Graziers' Investment Company Limited	17,670	18,574
Non-controlling interests	258	307
Total equity	17,928	18,881