

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Australian Vintage Limited ('Company') will be held in Room 2, Deloitte Touche Tohmatsu, Level 9, Grosvenor Place, 225 George Street, Sydney, on Wednesday 23rd November, 2016 at 3:00pm Sydney time.

Ordinary Business

A. Accounts

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

Australian Vintage Limited 30 June 2016 Annual Report is now available at:

www.australianvintage.com.au/Investors

B. Re-election of a Director

Resolution 1

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

"That Perry Gunner is re-elected as a non-executive director of the Company."

C. Adoption of Remuneration Report

Resolution 2

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

"That the Remuneration Report of the Company for the year ended 30 June 2016 be adopted."

Note:

The vote on this item is advisory only and does not bind the Directors or the Company. Shareholders should note that as a result of amendments to the Corporations Act 2001 (as amended), the result of the vote on this item may affect how next year's Annual General Meeting is run.

Voting Exclusion Statement (*Corporations Act 2001* (as amended)):

The Company will not accept any votes cast on this item by or on behalf of a person who is disclosed in the Remuneration Report as one of the Key Management Personnel of the Company (including the directors), or a Closely Related Party of that person (as these persons are not entitled to vote on the resolution in their own capacity). However, such a person may cast a vote on this resolution if they do so as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form.

If you have appointed the Chairman of the meeting as your proxy and you do not mark either "For", "Against" or "Abstain" on the proxy form, you expressly authorise the Chairman to exercise any proxies held by him. The Chairman intends to vote any undirected proxies in favour of Resolution 2 (Remuneration Report).

Special Business

D. Grant of Options to the CEO and Executive Director, Neil McGuigan

Resolution 3

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

"That approval is given as required by the Corporations Act and Australian Stock Exchange ('ASX') Listing Rules ('LR') for:

- (i) The grant of 2,000,000 options ('Options') under the AVG Performance Rights and Options Plan ('Plan') to the CEO and Executive Director, Neil McGuigan, in accordance with the terms of the 2016 LTI Award as described in the Explanatory Statement accompanying this Notice of Meeting; and*
- (ii) The pro rata vesting of the Options under the Plan granted to Neil McGuigan in the event of cessation of his employment as described in the Explanatory Statement accompanying this Notice of Meeting."*

Notes

1. Entitlement to Attend and Vote

For the purposes of the meeting, those shareholders who are registered members as at the close of business (7:00pm Sydney time) on 21 November 2016 will be voting members for the meeting. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the meeting.

Voting Exclusion Statements

The Company will disregard any votes cast on **Resolution 3** by a Director of the Company entitled to participate in the Plan and, if under rule 10.14.3 of the ASX Rules the ASX requires approval for participating in the Plan by anyone else, that person and an associate of those persons.

The Company will disregard any votes cast on **Resolution 3** by Neil McGuigan (being the only director eligible to participate in the Plan) and his associates.

The Company need not disregard a vote on **Resolution 3** if:

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

A vote on **Resolution 3** must not be cast as a proxy by or on behalf of any of the following persons:

- (i) a member of the Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (ii) a Closely Related Party of such a member.

However, a person described above may cast a vote on **Resolution 3** as a proxy if the vote is not cast on behalf of a person described above and either:

- (i) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (ii) the person is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company.

2. Appointment of Proxies

A member entitled to attend and vote at the above meeting is entitled to appoint a person as its proxy to attend and vote for the member at the meeting. An appointed proxy need not be a member of the Company and may be an individual or a body corporate.

A proxy appointed to attend and vote for a member has the same rights as the member to speak at the meeting and to join in a demand for a poll. An appointment may specify the number or proportion of the member's votes that the proxy is to exercise.

If you are entitled to cast two or more votes on a resolution at the meeting, you may appoint two separate proxies to vote on your behalf. Where two proxies are appointed, you may specify the number or proportion of votes that each may exercise, failing which each may exercise half of your votes. Fractions of votes will be disregarded.

A proxy form has been included with this Notice of Meeting. Further instructions on proxy voting are located on the back of the proxy form. If you wish to appoint a second proxy, please contact the Company's Share Registry, Computershare Investor Services Pty Limited, to acquire a second form. Contact details are located on the proxy form accompanying this notice.

The Proxy Form must be sent and received in accordance with Note 4 below.

3. Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting (or if a proxy form is signed by an attorney), the power of attorney, or a certified copy of the power of attorney, must be sent and received in accordance with Note 4 below.

4. Proxy Form and Power of Attorney Delivery

To be effective either the original or a facsimile transmission of the proxy and any power of attorney, or a certified copy of the power of attorney, (if any) under which the proxy is signed must be received at the Company's Share Registry, Computershare Investor Services Pty Limited in the envelope provided (if mailing within Australia) or at GPO Box 242, Melbourne VIC 3000 (facsimile 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)), no later than 3:00pm Sydney time on Monday 21 November 2016.

Online voting – You can submit your proxy appointment online by visiting www.investorvote.com.au. To use the online facility you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

Custodian voting - For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Notes (continued)

5. Corporate Representatives

If a corporate representative is to attend the meeting on behalf of a corporate member, a formal notice of appointment must be brought to the meeting. A copy of a valid form of appointment can be obtained from the Company's Share Registry or at www.computershare.com.au.

6. Questions and Comments by Members

Questions regarding Company management and the Remuneration Report

In accordance with the *Corporations Act 2001* (as amended), the chairperson of the meeting will allow a reasonable opportunity for members – as a whole – at the meeting to ask questions about, or make comments on, the management of the Company and the Remuneration Report.

Questions regarding the Company's audit and accounting policies

The chairperson will allow a reasonable opportunity for members at the meeting to ask questions of a representative of the Company's Auditor, Deloitte Touche Tohmatsu, relevant to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the Financial Statements and the independence of the Auditor in relation to the conduct of the audit.

Pursuant to the *Corporations Act 2001* (as amended), members may submit written questions to the Company's Auditor relevant to the content of the Auditor's Report to be considered at the Annual General Meeting or the conduct of the audit of the Financial Report to be considered at the Annual General Meeting.

Questions to the Company's Auditor must be given to the Company no later than Wednesday, 16 November 2016. The Company may examine the contents, and make a copy, of any question so submitted. A list of relevant written questions prepared for the Company's Auditor will be made available to members attending the Annual General Meeting before the start of the meeting.

The chairperson of the Annual General Meeting will allow a reasonable opportunity at the meeting for a representative of the Company's Auditor to answer any written questions submitted in accordance with the above procedure. If the Company's Auditor has prepared written answers to written questions, the chairperson may allow these to be tabled at the meeting and such written answers will be made available to members as soon as practicable after the meeting.

Please send any written questions for the Company's Auditor to the Company at its registered office at 275 Sir Donald Bradman Drive, Cowandilla SA 5033 or by facsimile on (08) 8172 8399 by no later than 5:00pm Sydney time on Wednesday, 16 November 2016.

Dated: 6th October 2016



Michael Noack
Company Secretary
By Order of the Board

Explanatory Notes on Items of Business

ORDINARY BUSINESS

Resolution 1:

Re-election of Perry Gunner

Perry Gunner retires in accordance with the rotation procedure in Rule 89 of the Company's Constitution and, being eligible, offers himself for re-election.

Mr Gunner has been a non-executive director of the Company since 2002 and currently holds the position of Chairman of the Risk Management Committee.

Mr Gunner has over 30 years' experience in the wine industry as former Chairman and Chief Executive Officer of Orlando Wyndham Group Pty Ltd.

Resolution 2:

Adoption of Remuneration Report

The Remuneration Report for the year ended 30 June 2016 is contained within the Directors Report of the company for the financial year ended 30 June 2016.

Pursuant to section 250R(2) of the *Corporations Act 2001* (as amended), a resolution that the Remuneration Report be adopted will be put to the vote at the Company's Annual General Meeting. The vote on the proposed resolution is advisory only and does not bind the directors or the Company.

The chairperson of the Annual General Meeting will allow a reasonable opportunity for members to ask questions about, or make comments on, the Remuneration Report.

Explanatory Notes on Items of Business (continued)

SPECIAL BUSINESS

Resolution 3:

Approval of the Long Term Incentive ('LTI') Invitation Grant of Options to the CEO and Executive Director, Neil McGuigan ('McGuigan Options')

Resolution 3 seeks Shareholder approval for the granting of 2,000,000 Options to the CEO and Executive Director, Neil McGuigan, under the Plan subject to the terms and conditions of the 2016 LTI Award.

Shareholder approval is also being sought for the pro rata vesting of the McGuigan Options in certain circumstances and in the event that Mr McGuigan ceases employment with the Company.

Mr McGuigan is the only Director eligible to participate in the Plan.

Why Shareholder approval is being sought

ASX LR 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without Shareholder approval given by ordinary resolution. The purpose of Resolution 3 is to obtain Shareholder approval for the proposed grant of the McGuigan Options, pursuant to the Plan and the 2016 LTI Award terms and conditions.

In addition, the Company seeks Shareholder approval pursuant to section 200E of the Corporations Act for the pro rata vesting of the McGuigan Options in limited circumstances and in the event that Mr McGuigan ceases to be employed by the Company, as specified in the terms of the 2016 LTI Award and the rules of the Plan ('Plan Rules'). These circumstances include retirement, redundancy, death or permanent incapacity.

Under sections 200B of the Act, a Company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the Company if it is approved by Shareholders under section 200E of the Act or an exemption applies. The term 'benefit' may include the pro rata vesting of Options in the limited circumstances outlined above where Mr McGuigan ceases to be employed by the Company. This pro rata vesting of the McGuigan Options, in these circumstances, may amount to the giving of a termination benefit requiring Shareholder approval, and as such, approval is sought for this purpose.

The number of Options that may vest on cessation of Mr McGuigan's employment can be calculated as follows:

$$\frac{(\text{Date of Grant} - \text{Date of termination})(\text{in days})}{(\text{Date of Grant} - \text{Intended Vesting Date})(\text{in days})} \times \text{No. of Options held on cessation}$$

The value of the Options may be affected by:

- the market price of Company Shares at the time the employment ceases;
- the exercise price applicable to the Options;
- the performance against the performance hurdles at the time the employment ceases;
- the part of the service period has elapsed at the time the employment ceases; and
- the number of Options that lapse on cessation of employment.

Long term incentive arrangements and the Grant of Options to Mr McGuigan

Mr McGuigan's performance has been reviewed by the Company's Remuneration Committee in accordance with the Company's Remuneration Policy. The outcome of that review was that the Company should issue the McGuigan Options, pursuant to the Plan and the 2016 LTI Award subject to Shareholder approval being sought and obtained in accordance with ASX LR 10.14, for the grant of the McGuigan Options to Mr McGuigan.

The remuneration arrangements for Mr McGuigan are based on the Company's Total Remuneration Plan ('TRP') framework which seeks to provide fair and appropriate rewards, comprised of fixed and 'at risk' elements, designed to attract, retain and motivate employees. The issue of the McGuigan Options under the 2016 LTI Award comprises a substantial component of the 'at risk' component of Mr McGuigan's TRP.

The Company's Remuneration Committee has concluded that the remuneration package for Mr McGuigan (including the proposed McGuigan Options) is reasonable and appropriate having regard to the circumstances of the Company and Mr McGuigan's duties and responsibilities. For full details of Mr McGuigan's other remuneration entitlements please refer to the 2016 Annual Report.

Explanatory Notes on Items of Business (continued)

Maximum number of Options to be issued to Mr McGuigan

If Shareholder approval is granted, the maximum number of Options that may be granted to Mr McGuigan is 2,000,000 and was determined based on the intended LTI opportunity calculated using a conventional binomial option pricing model. See input variables used below:

Price of McGuigan Options

The McGuigan Options will be granted at no cost to Mr McGuigan. Once the performance hurdles are met (or waived), the McGuigan Options will be exercisable at the applicable Exercise Price.

The Exercise Price for the McGuigan Options is \$0.5277 calculated as the five day Volume Weighted Average Price (VWAP) for AVG shares for the five trading days up to and including 31 August 2016 being after the release of the 30 June 2016 financial statements.

The estimated gross contract value of these Options based on the following inputs is as follows:

McGuigan Options - AGM 2016 - Input Variables	
Valuation Date	26-Sep-16
Share Price (Valuation Date)	\$0.56
Exercise Price	\$0.5277
Risk free rate (%)	1.95%
Standard Deviation (%)	35.0%
Expected Life	1,804
Dividend Rate	0.00%
Estimated Value per Option	\$0.20069
Estimated Total Gross Contract Value	\$401,381

Importantly, no value will be received by Mr McGuigan if the McGuigan Options lapse prior to the vesting date, or if the market value of AVG shares fails to exceed the Exercise Price.

The 'fair value' for accounting purposes will be determined at the grant date and the value expensed over the relevant service periods after taking account of the market and non-market vesting conditions, in accordance with AIFRS-2.

Number of equity incentives issued under the Plan, persons entitled to participate in the Plan, the date that the Company will grant these equity securities and loans

As at 30 June 2016 the Plan has 2,539,914 unvested Performance Rights held by nine senior executives (including Mr McGuigan who holds 652,260 Performance Rights). It is unlikely that any of these unvested Performance Rights will vest.

As at 30th June 2016 the Plan also has 4,000,000 unvested Options held by seven executives (including Mr. McGuigan who holds 2,000,000 Options).

It is intended that only senior executives and executive directors be eligible to participate in the Plan.

Subject to shareholder approval, it is anticipated that the McGuigan Options will be granted to Mr McGuigan shortly after the AGM to coincide with the issue of long term incentive grants to other Company executives. Irrespective of these intentions, Option grants approved by Shareholders under this resolution will be issued within 12 months of the date of this Meeting.

No loan will be provided by the Company in relation to the grant or exercise of the McGuigan Options.

Conditions and Important Dates

The Vesting Dates for the McGuigan Options will be as follows:

- Tranche 1 (30% of grant – 600,000 Options): 1 July 2020;
- Tranche 2 (30% of grant – 600,000 Options): 31 August 2019; and
- Tranche 3 (40% of grant – 800,000 Options): 31 August 2019.

All Options will lapse 1 November 2021, if not lapsed or forfeited earlier.

Vesting Conditions

The number of Options which will vest in accordance with the Plan Rules and the invitation is dependant on and subject to the 2016 LTI Award Service and Performance Vesting Conditions as follows:

Tranche 1: Service Condition and Performance Condition

In order for the 600,000 Options of this Tranche to vest, Mr McGuigan need only satisfy the Service Condition for this Tranche being continuous employment with the Company from Grant Date to 1 July 2020. There are no Performance Conditions.

Explanatory Notes on Items of Business (continued)

Tranche 2: Service Condition and Performance Condition

Internal Measure: EPS (Earnings per Share) Target

In addition to meeting the Service Condition for this Tranche (continuous employment with the Company from Grant Date to 31 August 2019), the 600,000 Options of this Tranche will vest if the Company's Earnings Per Share (EPS) achieves the following Compound Annual Growth Rate (CAGR) for the three financial years 2017 to 2019 inclusive:

AVG EPS CAGR	% of Tranche 2 Options to vest
Less than 7.5% per annum	None
At least 7.5% per annum	25%
Between 7.5% and 15.0% per annum	Interpolated vesting on a straight line basis between 7.5% and 15%.
At least 15% per annum	100%

Calculation of CAGR shall be based on the cumulative EPS results for the three financial years 2017 to 2019 inclusive using the EPS results for the 2016 financial year (excluding the one off vineyard lease termination costs) as the base year. EPS is defined as Basic EPS released in the Company's audited financial statements.

Tranche 3: Service Condition and Performance Condition

External Measure: TSR (Total Shareholder Return) Target

In addition to meeting the Service Condition for this Tranche (continuous employment with the Company from Grant Date to 31 August 2019), the 800,000 Options of this Tranche will vest if the Company's Total Shareholder Return (TSR) achieves the following Compound Annual Growth Rate (CAGR) over the period 1 July 2016 to 30 June 2019:

AVG TSR CAGR	% of Tranche 3 Options to vest
Less than 10% per annum	None
At least 10% per annum	25%
Between 10% and 15% per annum	Interpolated vesting on a straight line basis between 10% and 15%.
At least 15% per annum	100%

Any Options which fail to meet the relevant Vesting Conditions before the relevant Vesting Date shall immediately lapse. There will be no re-testing.

Other Conditions

Change of control: On a takeover or change in control of the Company any unvested Options will vest on a pro-rata basis based on the most current financial reports available at the time the change of control occurs (unless otherwise determined by the Board). The pro-rata period will be calculated from the Option grant date to the change of control date. If Mr McGuigan remains employed with the Company after a change of control has occurred, and assuming the Company remains listed, any unvested rights will remain available for vesting at the original vesting dates.

Termination of employment: If Mr. McGuigan ceases employment before the vesting conditions are vested the Options will automatically lapse (unless the Board determines otherwise).

Other Information

- The Company will not apply to the ASX for official quotation of the Options granted under the Plan.
- Shares issued pursuant to the vesting of Options will rank equally with Shares then on issue.
- There is no loan scheme in relation to the Options or the Plan.
- Any dealing in Shares is subject to the constraints of Australian insider trading laws and the Company's Share Trading Policy. Participants are specifically prohibited from hedging their Company share price exposure in respect of their Options during the vesting period.
- If, in the Board's opinion, Mr McGuigan has acted fraudulently or dishonestly or is in breach of his material obligations to the Company, the Board may determine that any or all of this Options which have not yet vested, lapse.
- Details of the Options granted to Mr. McGuigan will be provided in the Remuneration Report for the years ended 30 June 2017, 2018, 2019 and 2020.

Director's recommendation

The Board, other than Neil McGuigan, consider the grant of Options to Neil McGuigan to be appropriate in all circumstances and unanimously recommends that shareholders vote in favour of the grant of Options to Neil McGuigan.