

TOWER AUSTRALIA GROUP LIMITED

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM

ANNUAL GENERAL MEETING INFORMATION:

Date: 10 February 2010
Time: 2.00pm
Location: The Barnet Long Room
Customs House
Level 1, 31 Alfred Street
Circular Quay
Sydney
AUSTRALIA

LETTER FROM THE CHAIRMAN

11 DECEMBER 2009

Dear Shareholder

I am pleased to invite you to the third Annual General Meeting of TOWER Australia Group Limited to be held at the Barnet Long Room, Customs House, Level 1, 31 Alfred Street, Circular Quay, Sydney on 10 February 2010 commencing at 2.00pm (Sydney time).

The Annual General Meeting is an important event on TOWER Australia's calendar and provides the opportunity to update shareholders on TOWER Australia's performance and business initiatives. As a key part of TOWER Australia's approach to governance it also offers the opportunity for shareholders to ask questions of the Board and management and to vote on the items of business.

At the forthcoming Annual General Meeting, you will be asked to vote on the adoption of TOWER Australia's Remuneration Report (this vote is advisory only and does not bind the Directors or the Company), the re-election of two Directors who retire by rotation, an increase in the maximum annual aggregate remuneration cap for Non-Executive Directors and the grant of Performance Share Rights to the Managing Director. Further background material on these items is set out in the Notice of Annual General Meeting and Explanatory Memorandum.

TOWER Australia invites shareholders to submit any questions prior to the Annual General Meeting either by completing the enclosed form headed "Questions from Shareholders" or emailing your questions to investor.relations@toweraustralia.com.au. We will attempt to answer as many as possible of the more frequently asked questions at the Annual General Meeting.

If you cannot attend, the Annual General Meeting will be shown live on the TOWER Australia website www.toweraustralia.com.au. An archive of the webcast will be available for viewing on demand shortly after the meeting ends.

Enclosed is your Notice of Meeting together with a personalised voting form. The personalised voting form allows shareholders who are not attending the meeting to either lodge their vote directly, or, as in past years, appoint a proxy to vote on their behalf. Please refer to the back of your voting form for more information on voting.

Your Directors believe these resolutions are in the best interests of the Company and its shareholders.

Yours sincerely,



Rob Thomas
Chairman

NOTICE OF ANNUAL GENERAL MEETING

THE THIRD ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF TOWER AUSTRALIA GROUP LIMITED (THE COMPANY) WILL BE HELD AT THE BARNET LONG ROOM, CUSTOMS HOUSE, LEVEL 1, 31 ALFRED STREET, CIRCULAR QUAY, SYDNEY, AUSTRALIA ON 10 FEBRUARY 2010 COMMENCING AT 2.00PM (SYDNEY TIME).

The Explanatory Memorandum that accompanies and forms part of this Notice of Annual General Meeting provides shareholders with information in relation to each of the matters to be considered at the meeting, and will assist shareholders to make an informed decision regarding the Resolutions that are set out in this Notice. It also contains a glossary of defined terms.

The business of the Annual General Meeting is as follows:

ADDRESS

The Chairman and the Managing Director will address the shareholders on the Company's performance for the financial year ended 30 September 2009.

RECEIPT OF FINANCIAL REPORTS

"To receive and consider the Financial Report of the Company and its controlled entities for the financial year ended 30 September 2009 and the related Directors' Report, Directors' Declaration and Audit Report".

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

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

"That the Remuneration Report (which forms part of the Directors' Report) for the financial year ended 30 September 2009 be adopted".

RESOLUTION 2 - RE-ELECTION OF ROBERT THOMAS

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

"That Robert Thomas being a Non-Executive Director of the Company, who retires by rotation in accordance with the Company's Constitution, and being eligible offers himself for re-election as a Director, be re-elected as a Director".

RESOLUTION 3 - RE-ELECTION OF RALPH PLINER

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

"That Ralph Pliner, being a Non-Executive Director of the Company, who retires by rotation in accordance with the Company's Constitution, and being eligible offers himself for re-election as a Director, be re-elected as a Director of the Company".

RESOLUTION 4 - INCREASE IN NON-EXECUTIVE DIRECTORS' FEE CAP

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

"That the maximum annual aggregate amount of remuneration that Non-Executive Directors are entitled to be paid for their

services as Directors out of the funds of the Company under paragraph 21.1 of the Constitution be increased by A\$200,000 to \$1,100,000 for the purposes of paragraph 21.1 of the Company's Constitution and ASX Listing Rule 10.17".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by any Director or any associate of a Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 - APPROVAL OF GRANT OF PERFORMANCE SHARE RIGHTS TO JIM MINTO

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

"That for the purposes of ASX Listing Rule 10.14 and all other purposes, the shareholders of the Company approve the grant of 288,000 Performance Share Rights to Jim Minto, Managing Director of the Company, under the TOWER Executive Share and Option Plan (Plan), subject to the Rules of the Plan and in the manner described in the Explanatory Memorandum".

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by Jim Minto or any associate of Jim Minto. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

SHAREHOLDER QUESTIONS AND COMMENTS

The Chairman will open the Annual General Meeting to shareholder questions and comments.

By Order of the Board



Philippa Ellis
Company Secretary

11 December 2009

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by persons who are registered as holding Shares at 7.00pm (Sydney time) on 8 February 2010 (the **Entitlement Time**). Accordingly, only those persons registered as holders of Shares at the Entitlement Time will be entitled to attend and vote at the Annual General Meeting.

APPOINTING A PROXY

A shareholder entitled to attend and vote at a general meeting may appoint a proxy. A shareholder, who is entitled to cast two or more votes, may appoint up to two proxies to attend the meeting and vote on behalf of the shareholder. A proxy need not be a shareholder. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion or number of the shareholder's votes. If no such proportion is specified, each proxy may exercise half of the shareholder's votes.

To appoint a proxy to act generally at the meeting on your behalf and to vote in accordance with your instructions, you should complete **Section A** of the voting form. If you are appointing a second proxy you will need to complete a second voting form.

A proxy may decide whether to vote on an item of business, except where the proxy is required by law or the Company's Constitution to vote or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.

If a shareholder appoints the Chairman of the meeting as their proxy and does not specify how the Chairman is to vote on an item of business, the Chairman intends to vote, as proxy for the shareholder, in favour of that item.

DIRECT VOTING

A shareholder is also able to vote their intentions directly by marking Section B of the voting form. If you mark **Section B** you are voting your Shares directly and do not appoint a third party such as a proxy, to act on your behalf. Shareholders who wish to vote their Shares directly should mark either the "for" or "against" boxes next to each item on the voting form. **Do not mark the "abstain" box.**

If no direction is given on all of the items, or if you complete both Section A and Section B, your vote may be passed to the Chairman of the Meeting as your proxy. If you mark the "abstain" box for an item, your vote for that item will be invalid.

LODGING VOTING FORMS

The deadline for lodging voting forms is 2.00pm (Sydney time) on 8 February 2010. Voting forms may be lodged using any of the following methods:

Postal deliveries: TOWER Australia Share Registrar

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

Facsimile:

TOWER Australia Share Registrar
Computershare Investor Services Pty Limited
+61 3 9473 2118

Online voting: www.investorvote.com.au

For further information on lodging a direct vote or proxy vote please refer to the back of the voting form enclosed with this Notice of Annual General Meeting.

ACCESS YOUR ANNUAL REPORT ONLINE

TOWER Australia's Annual Report for the year ended 30 September 2009 and the 2009 Shareholder Review are available for shareholders to access and download on the Company's website at www.toweraustralia.com.au.

Forum for Shareholder Questions and Comments

At the conclusion of the formal business of the Annual General Meeting, the Chairman will open the meeting to shareholder questions and comments.

Shareholders may also ask questions of PricewaterhouseCoopers, the Company's external auditor, about the conduct of its external audit and the preparation and content of its audit report. The auditor will also be present at the Annual General Meeting.

If you have a question that you would like to raise for discussion by the external auditor at the Annual General Meeting please send your question to the Company at:

Postal deliveries: TOWER Australia Share Registry
C/- Computershare Investor Services Pty Ltd
GPO Box 242
Melbourne VIC 3001

OR

The Company Secretary
TOWER Australia Group Limited
80 Alfred Street
MILSONS POINT NSW 2061

Fax Number: TOWER Australia Group Limited
+ 61 2 9929 5792

OR

Computershare Investor Services Pty Ltd
+ 61 3 9473 2118

Written questions submitted to the auditor, must relate to the content of the auditor's report or the conduct of the audit. A list of qualifying questions received will be made available at the Annual General Meeting.

Please note that questions must be received at least five business days before the Annual General Meeting, that is, by no later than 5pm on 3 February 2010.

EXPLANATORY MEMORANDUM

THIS EXPLANATORY MEMORANDUM HAS BEEN PREPARED FOR THE INFORMATION OF SHAREHOLDERS IN CONNECTION WITH THE THIRD ANNUAL GENERAL MEETING OF THE COMPANY TO BE HELD AT THE BARNET LONG ROOM, CUSTOMS HOUSE, LEVEL 1, 31 ALFRED STREET, CIRCULAR QUAY, SYDNEY, AUSTRALIA ON 10 FEBRUARY 2010 COMMENCING AT 2.00PM.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting. A glossary of defined terms is contained at the end of this memorandum.

RECEIPT OF FINANCIAL REPORTS

The financial results for the financial year ended 30 September 2009 are set out in the Company's 2009 Annual Report.

The Corporations Act requires that the Financial Report, the Directors' Report, Directors' Declaration and the Audit Report be received and considered at the meeting. Each of the reports and the declaration are contained in the 2009 Annual Report which is available on the Company's website at www.toweraustralia.com.au.

Shareholders will be provided with the opportunity to raise questions or make comments on the reports and the management of the Company. The Company's auditor will be present and will answer qualifying questions during the discussion of this Item.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires the Company to include in the Directors' Report, a detailed Remuneration Report which sets out certain prescribed information relating to Directors' and executives' remuneration, and submit this Report for adoption by resolution of the shareholders at the Annual General Meeting.

The Remuneration Report is set out on pages 10 – 22 of the 2009 Annual Report and discusses matters including, but not limited to:

- Board policy for determining remuneration of Directors and executives;
- remuneration details for the Directors and executives of the Company;
- a discussion of the link between Directors' and executives' remuneration and the Company's performance; and
- details of any element of remuneration of Directors and executives that is dependent on the satisfaction of a performance condition.

Consistent with section 250R of the Corporations Act, the Company submits to shareholders for consideration and adoption, the Remuneration Report for the financial year ended 30 September 2009. The shareholder vote is a non-binding resolution undertaken for advisory purposes only and does not bind the Directors or the Company.

There will be reasonable opportunity for discussion of the Remuneration Report at the Annual General Meeting.

Board Recommendation: The Board considers that the remuneration framework and policies adopted by the Company are appropriate and fair, satisfy current regulatory requirements and are aligned with shareholders' interests. The Board will continue to reassess these policies in light of any new APRA standards and the outcomes of the Productivity Commission. On this basis, the Board recommends that shareholders vote in favour of Resolution 1.

RESOLUTIONS 2 - 3 – RE-ELECTION OF DIRECTORS

Under clause 19.12 of the Company's Constitution, at each Annual General Meeting of the Company one-third of the Directors (other than the Managing Director) are subject to retirement by rotation (or, if the number of Directors is not three or a multiple of three then the number nearest to one-third must retire). Any other Director who has held office for three years or more since the Director's last election or re-election, must also retire from office at each Annual General Meeting.

Such Directors, being eligible, are entitled to offer themselves for re-election as a Director at the Annual General Meeting which coincides with their retirement.

At this meeting, the following Directors automatically retire and being eligible, offer themselves for re-election.



Resolution 2 – Re-election of Robert Thomas

Robert Thomas is the independent Non-Executive Chairman of the Company, Chairman of the Remuneration and Nominations Committee and a member of the Investment Committee.

Robert Thomas has in excess of 35 years experience in the investment and securities industry. He was Chief Executive Officer and subsequently Chairman of Citigroup Australia and New Zealand Corporate and Investment Bank from the late 1990's until his retirement in 2004.

Robert Thomas is presently the Non-Executive Chairman of Heartware International Limited and a Non-Executive Director of Virgin Blue Holdings Limited and O'Connell Street Associates Pty Limited. He is also Chairman of the Stockbrokers Association of Australia and President of the Library Council of New South Wales.

Robert Thomas retires by rotation and offers himself for re-election. Accordingly, Resolution 2 seeks to re-elect Robert Thomas to the Board.

Board recommendation: The Board (excluding Mr Thomas because of his interest) endorses the re-election of Robert Thomas as a Director.



Resolution 3 – Re-election of Ralph Pliner

Ralph Pliner is an independent Non-Executive Director of the Company and a member of the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.

Ralph Pliner was a partner at Baker & McKenzie for over 20 years where he was involved in a wide range of corporate and merger and acquisition transactions and also advised a number of Boards of public listed companies. He has been a financial journalist in South Africa and a lecturer in law at Melbourne University.

Ralph Pliner is presently the Non-Executive Chairman of Clean TeQ Holdings Limited and a Non-Executive Director of Australian Char Pty Limited, Saipem Australia Pty Limited, Herzog Services Pty Limited and Iroko Cardio (Australia) Pty Limited. He is also a Board member of the Public Interest Advocacy Centre Limited, a not-for-profit organisation and a facilitator for the Australian Institute of Company Directors in Sydney on Directors duties in the Directors Course.

Ralph Pliner retires by rotation and offers himself for re-election. Accordingly Resolution 3 seeks to re-elect Ralph Pliner to the Board.

Board recommendation: The Board (excluding Mr Pliner because of his interest) endorses the re-election of Ralph Pliner as a Director.

RESOLUTION 4 – INCREASE IN NON-EXECUTIVE DIRECTORS' FEE CAP

In accordance with the ASX Listing Rules and the Company's Constitution, the maximum aggregate amount of cash remuneration that may be provided to Non-Executive Directors is the amount determined by shareholders.

Currently the maximum annual aggregate cash amount which may be provided as remuneration to all Non-Executive Directors of the Company for their services as Directors out of the funds of the Company is A\$900,000 as approved by shareholders at an Extraordinary General Meeting in November 2006.

The remuneration provided to each Non-Executive Director for the year ended 30 September 2009 is detailed in the 2009 Remuneration Report which forms part of the Directors' Report. The total aggregate value of remuneration provided to all Non-Executive Directors during the 2009 financial year was A\$824,574.

Shareholder approval is now sought for an increase of A\$200,000 in the maximum annual aggregate cash amount of remuneration that may be provided to Non-Executive Directors, taking the maximum annual aggregate cash amount to A\$1,100,000. The current base fees for individual Non-Executive Directors are detailed in the Remuneration Report included in the 2009 Annual Report. No material increase in these levels is planned.

The financial services industry in which the Company operates is complex, competitive and regulated. The demands on and responsibilities of Directors and their potential exposure is significant. The increase in the maximum annual aggregate remuneration is considered necessary to provide scope for the appointment of additional Non-Executive Directors and to make additional payments to Non-Executive Directors in relation to one-off due diligence or other activities as appropriate.

The increase in the maximum annual aggregate amount of remuneration will:

- (i) ensure the Board and its Committees continue to have available Directors with the appropriate mix of skills, expertise and experience; and
- (ii) enable appropriate succession at the Board.

Board recommendation: The Directors believe this proposal is in the best interests of the Company but will not vote their Shares given the personal interest of the Non-Executive Directors. The Chairman intends to vote undirected proxies in favour of this resolution.

RESOLUTION 5 – APPROVAL OF GRANT OF PERFORMANCE SHARE RIGHTS TO JIM MINTO

ASX Listing Rule 10.14 provides that the Company may only permit a Director to acquire securities under an employee incentive scheme where that Director's participation has been approved by an ordinary resolution of shareholders.

The Plan is an important feature of the Company's remuneration policy in terms of retaining the strong skill base currently within the Company's businesses and Jim Minto is the only Director currently entitled to participate in the Plan.

The Board has approved the grant of 288,000 Performance Share Rights to the Managing Director, Jim Minto under the Plan in August 2009 and the Company seeks shareholder approval for this grant.

The performance Share Rights relate to the three year period commencing 1 October 2008 and the grant was intended to be made in early 2009 but was deferred pending clarification of various regulatory reviews of remuneration. The Board approval for the grant did not occur until August 2009.

If shareholder approval is granted, the Performance Share Rights will be granted at no cost to Mr Minto and each Performance Share Right entitles him to one Share, subject to the satisfaction of performance criteria specified by the Board. The grant will take place shortly after the meeting, but no later than 12 months after the meeting.

The Plan was approved by shareholders at the Annual General Meeting of the Company on 6 February 2008 and provides for eligible employees to be offered conditional entitlements to Shares (Performance Share Rights) subject to meeting specified performance criteria within a set performance period.

Under the Rules of the Plan, a recipient of Performance Share Rights has no rights or entitlements in relation to the underlying Shares until the Shares vest according to satisfaction of the performance criteria. If the recipient ceases to be employed by the Company or its related body corporate other than because of a "qualifying reason" (ie death or total and permanent disability or other qualifying reason as determined by the Board), then any rights to the underlying unvested Shares will lapse immediately. Where the recipient ceases to be employed by the Company or its related body corporate because of a qualifying reason, the Board may determine that the recipient will become immediately entitled to the underlying unvested Shares notwithstanding that the performance criteria have not yet been satisfied. In the event of a takeover or change of control of TOWER Australia, the recipient may within 90 days require the Trustee to transfer all of the offered shares to him/her even though the performance criteria have not been satisfied.

The Board will review all long term incentive schemes and remuneration plans based on the outcome of current government related reviews of remuneration matters.

If shareholder approval is obtained, and subject to the Rules of the Plan, Mr Minto will become entitled to Shares (ie the Performance Share Rights will "vest") subject to the achievement of compound annual growth targets in the underlying earnings per share (EPS) over the three year performance period to 30 September 2011 (from an underlying EPS at 30 September 2008 of \$0.20) based on the following vesting scale:

Compound annual growth in underlying EPS	LTI vesting %
15% or more	100
10%	50
10% - 15%	Pro rata straight line interpolation
Less than 10%	0

Underlying EPS = Underlying profit/average shares on issue

Underlying profit = net profit after tax adjusted for discount rate changes; investment timing mismatches; normalised investment income; amortisation and impairment charges; and other items where the accounting does not align with the changes in economic value.

The following table shows the calculation of underlying profit for the year ended 30 September 2008 (the start of the three year performance period).

	\$m	Explanation
FY2008 Reported Profit	68.7	
Risk discount rate	(6.8)	Falling interest rates increased reported profit – non-economic gain
Investment timing mismatches	(5.6)	Non-economic revaluation gains under IFRS
Investment income normalisation	6.8	Adjustment to align with long term investment earnings rates – ensures consistency from period to period
Amortisation	4.8	PrefSure and InsuranceLine acquisitions – non-economic losses
FY2008 Underlying Profit	67.9	

The average shares on issue at 30 September 2008 was 337.5 million resulting in underlying eps for the year ended 30 September 2008 of \$0.202.

Underlying EPS for the year ended 30 September 2009 increased 3% over 2008 to \$0.207 reflecting the impact of the additional shares and convertible notes issued as part of the acquisition of InsuranceLine and the impact of the global financial crisis. In order for 100% of these proposed Performance Share Rights to vest in August 2012, the growth in underlying EPS for the period 30 September 2009 through to 30 September 2011 will need to be 48%, to \$0.307 underlying EPS. For 50% of the Performance Share Rights to vest the growth over the two years will need to be 30%, to \$0.269 Underlying EPS.

The Board considers it reasonable and appropriate to grant Mr Minto 288,000 Performance Share Rights in the Company for the following reasons:

- (i) the grant of Performance Share Rights recognises Mr Minto's strong performance and leadership of the Company during the 2009 financial year and since it listed on ASX in November 2006;
- (ii) the Performance Share Rights provide a strong motivation and retention element; and
- (iii) the Performance Share Rights align Mr Minto's interests with shareholders and help to drive a longer term focus on shareholder value creation.

The following options and Shares have previously been awarded to Mr Minto under the Plan:

Grant Date	No of Options/ Performance Shares granted	Exercise Price	Value of Options/ Performance Shares at Grant Date	Date Options/ Performance Shares can be exercised	Date exercised	Expiry Date
30-Jun-08	250,000	\$0.00	\$3.00	30-Jun-11	–	29-Jun-13
27-Feb-07 ¹	4,000,000	\$1.88	\$0.65	21-Nov-09	–	20-Nov-12
27-Feb-07 ¹	1,049,783	\$1.21	\$0.35	09-Aug-08	Dec-08	09-Aug-11
27-Feb-07 ¹	539,267	\$0.79	\$0.29	01-Apr-07	Dec-08	31-Mar-10

1. Options transferred as part of the separation of TOWER Limited and TOWER Australia Group Limited in November 2006.

Details of all options and Shares issued under the Plan and the applicable performance hurdles are outlined in the 2009 Annual Report on pages 15 – 18.

Board recommendation: The number of Performance Share Rights to be granted to Mr Minto was determined in consultation with independent remuneration advisers and is considered by the Board to be reasonable and appropriate having regard to his performance

during the 2009 financial year and the desire to motivate and retain Mr Minto as the Managing Director. The Board considers Mr Minto's remuneration package as a whole is appropriately structured and that the significant portion of "at-risk" performance based remuneration is an essential driver of the Company's performance. Accordingly the Board (excluding Mr Minto because of his interest) recommends that shareholders vote in favour of Resolution 5.

GLOSSARY

ASX Listing Rules	means the Listing Rules of Australian Securities Exchange
Board	means the Board of Directors of the Company
Company	means TOWER Australia Group Limited ACN 003 401 698
Corporations Act	means the <i>Corporations Act 2001 (Cth)</i>
Directors	means the Directors of the Company
Plan	means the TOWER Executive Share and Option Plan
Shares	means fully paid ordinary shares in the capital of the Company



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ABN 79 003 401 698