

**Quantum Graphite Limited (Subject to Deed of Company Arrangement)
ACN 008 101 979**

Notice of Annual General Meeting

An Annual General Meeting of the Company will be held at 11:00am at Institute of Chartered Accountants, L18, 600 Bourke Street, Melbourne, Victoria, 3000 (AEDT) on 18 December 2017

In considering the Resolutions, Shareholders must consider the the current financial circumstances of the Company.

If Resolutions 5 and 6 (**Recapitalisation Resolutions**) are passed and the recapitalisation proposal contained in Schedule 1 (**Recapitalisation Proposal**) is completed, the Company will be in a position to seek reinstatement of the quotation its securities on the ASX. The completion of the Recapitalisation Proposal will be subject to further ASX and Corporations Act regulatory requirements.

Resolutions 1 through 4 do not form part of the Recapitalisation Proposal. If these Resolutions are not passed, it will not affect the completion of the Recapitalisation Proposal.

If Shareholders do not approve the Recapitalisation Resolutions, the Administrator will, in the absence of any other deed of company arrangement or a variation to the terms of the DOCA, have no other option but to recommend to creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders.

This notice of general meeting, explanatory statement and proxy form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, solicitor or other professional advisor prior to voting.

Quantum Graphite Limited (Subject to Deed of Company Arrangement)
ACN 008 101 979

Notice of Annual General Meeting

An Annual General Meeting of shareholders of Quantum Graphite Limited (Subject to Deed of Company Arrangement) (**Company**) will be held at **11:00am** at Institute of Chartered Accountants, L18, 600 Bourke Street, Melbourne, Victoria, 3000 (AEDT) on **18 December 2017 (Meeting)**.

The Explanatory Memorandum which accompanies this notice (**Notice of Meeting**) (and forms part of it) provides additional information on a number of matters to be considered at the Meeting.

AGENDA

Ordinary Business

Annual Financial Report – 2016

“To receive and consider the Annual Financial Report of the Company and its controlled entities and the reports of the Directors and of the Auditors for the financial year ended 30 June 2016.”

The Company’s auditor will be present at the Meeting to answer questions regarding the Auditor’s Report.

Resolution 1. – Adoption of Remuneration Report – 2016

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

*“To adopt the Remuneration Report for the year ended 30 June 2016 submitted as part of the Directors’ Report for the financial year ended 30 June 2016, pursuant to sections 250R(2) and 250R(3) of the Corporations Act 2001 (**Corporations Act**).”*

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

Voting Exclusion Statement: *In accordance with section 250R of the Corporations Act, a vote on Resolution 1 must not be cast by, or on behalf of, a member of the Company’s Key Management Personnel whose remuneration details are included in the Remuneration Report (“KMP”) or a closely related party of a KMP, whether the votes are cast as a shareholder, proxy or in any other capacity, and the Company will disregard any such vote.*

However, the Company will not disregard a vote cast by a KMP or closely related party of a KMP if:

- (a) *the person is acting as proxy appointed by writing that specifies how the proxy is to vote on the resolution, and the vote is not cast on behalf of a person who is otherwise excluded from voting on the resolution as described above; or*
- (b) *the person is the Chair voting an undirected proxy which expressly authorises the Chair to vote the proxy on a resolution connected with the remuneration of a member of the Company’s KMP.*

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as described above), you may commit an offence by breaching the voting restrictions that apply to you under the Corporations Act.

A closely related party of a member of the Company’s KMP means any of the following:

- *a spouse or child of the member;*
- *a child of the member’s spouse;*
- *a dependant of the member or of the member’s spouse;*

- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this Notice, no such regulations have been prescribed).

The proxy form accompanying this Notice contains detailed instructions regarding how to complete the proxy form if a shareholder wishes to appoint the Chairman as his or her proxy and to authorise the Chairman to vote on the resolution to adopt the Remuneration Report. You should read those instructions carefully.

Resolution 2. – Election of Director – Mr Sal Catalano

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

“That Mr Sal Catalano, who, having been appointed as a Director in accordance with the Company’s Constitution, being eligible, is elected as a Director of the Company in accordance with of the Company’s Constitution.”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 3. – Election of Director – Mr Bruno Ruggiero

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

“That Mr Bruno Ruggiero, who, having been appointed as a Director in accordance with the Company’s Constitution, being eligible, is elected as a Director of the Company in accordance with of the Company’s Constitution.”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Resolution 4. – Election of Director – Mr Steven Chadwick

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

“That Mr Steven Chadwick, who, having been appointed as a Director in accordance with of the Company’s Constitution, being eligible, is elected as a Director of the Company in accordance with of the Company’s Constitution.”

Information about the candidate is set out in the Explanatory Memorandum accompanying this Notice of Meeting.

Special Business

Resolution 5. – Approval for issue of Shares to Unsecured Creditors

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

“That for the purpose of ASX Listing Rule 7.1, and for all other purposes, approval be given to the Company to issue a maximum of 500,000,000 Shares to Unsecured Creditors on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 5 by any person to whom Shares are proposed to be issued pursuant to this Resolution, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form;
- (b) if it is cast by a custodian or nominee, to the extent only that those holders ("Nominee Holders") are acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of beneficiaries who did not or will not participate in the issue; or
- (c) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

Resolution 6. – Approval for issue of Shares and Options to Secured Creditor Beneficiaries

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

"That for the purpose of ASX Listing Rules 7.1 and for all other purposes, approval be given to the Company to issue up to a total of:

- a) 7,000,000,000 Shares; and*
- b) 800,000,000 Options*

to the Secured Creditor Beneficiaries as notified to the Company by the Joint and Several Deed Administrators of the Company on the terms and conditions set out in the Explanatory Memorandum provided that the aggregate number of shares and options shall not exceed 7,000,000,000."

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 6 by any person to whom Shares are proposed to be issued pursuant to this Resolution, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form;
- (b) if it is cast by a custodian or nominee, to the extent only that those holders ("Nominee Holders") are acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of beneficiaries who did not or will not participate in the issue
- (c) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.

Resolution 7. – Approval of Proposed Issue of Shares to Directors

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

"That for the purpose of Listing Rule 10.11 and for all other purposes, and subject to any applicable ASX waiver, shareholder approval is given for the Company to issue to the Directors of the Company (or their nominees) fully paid ordinary shares in satisfaction of annual directors' fees payable to them, for the period 1 January 2018 to 31 December 2018 and on the basis set out in the accompanying Explanatory Memorandum."

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 6 by any person to whom Shares are proposed to be issued pursuant to this Resolution, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (d) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form;*
- (e) if it is cast by a custodian or nominee, to the extent only that those holders (“Nominee Holders”) are acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of beneficiaries who did not or will not participate in the issue*
- (f) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Resolution 8 - Subsequent approval under ASX Listing Rule 7.4 of securities issued under ASX Listing Rules 7.1 and 7.1A

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the securities issued without Shareholder approval under ASX Listing Rule 7.1 and ASX Listing Rule 7.1A for the 12 month period ending on the date of this Notice of Meeting, outlined in the Explanatory Notes accompanying this Notice of Meeting, be approved.”

Voting Exclusion Statement: *The Company will disregard any votes cast on Resolution 6 by any person to whom Shares are proposed to be issued pursuant to this Resolution, any other person who will obtain a benefit (except a benefit solely in the capacity of a holder of securities), and any of their associates.*

However, the Company will not disregard a vote if:

- (g) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form;*
- (h) if it is cast by a custodian or nominee, to the extent only that those holders (“Nominee Holders”) are acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of beneficiaries who did not or will not participate in the issue*
- (i) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form to vote as the proxy decides.*

Voting and Proxies

- 1) For the purposes of the Meeting, the Directors have determined that shares will be taken to be held by the persons who are registered as shareholders of the Company at 7.00pm on 15 December 2017.
- 2) A Proxy Form accompanies this Notice of Meeting.
- 3) A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. A proxy need not be a shareholder. Where the Chairman is appointed proxy, he will vote in accordance with the shareholder's directions given on the Proxy Form or, in the absence of a direction or an acknowledgement referred to below, in favour of the resolutions contained in the Notice of Meeting (except where on the particular resolution he is excluded from voting).
- 4) The Proxy Form has provision for the shareholder to acknowledge that the Chairman may exercise the proxy even if he has an interest in the outcome of the resolution and that votes cast by him, other than as proxy holder, would be disregarded because of that interest.
- 5) Where a shareholder wishes to appoint two proxies an additional Proxy Form may be obtained by contacting the Company's share registry. Alternatively a photocopied form, duly completed, will be acceptable. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify the proxies voting rights the rights will be deemed to be half each. Fractions of votes will be disregarded.
- 6) A body corporate appointed as a proxy will need to appoint a representative to exercise the powers that body corporate may exercise as the member's proxy at the Annual General Meeting, in accordance with section 250D of the Corporations Act and provide a "Certificate of Appointment of Representative" to the Company prior to the commencement of the Annual General Meeting. A form of the certificate may be obtained from the Company's Registered Office at Level 4, 349 Collins Street, Melbourne, Victoria, 3000.
- 7) A proxy document or form is valid if it is signed by the member of the Company making the appointment and contains the member's address, the Company's name, the proxy's name or the name of the office held by the proxy and the meeting at which the appointment may be used and is received in accordance with note 8 below.
- 8) The Proxy Form, and a certified copy of any authority or power of attorney under which the Proxy Form is signed, must be received either (a) at the Company's Registered Office at Level 4, 349 Collins Street, Melbourne, Victoria, 3000.

By Order of the Board

EXPLANATORY MEMORANDUM

1. Introduction

1.1. General

The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company, which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting. This Explanatory Memorandum should be read in conjunction with the Notice of Meeting.

A copy of the Notice of Meeting (including this Explanatory Memorandum) was lodged with ASX Limited (ASX) on 17 November 2017. No responsibility is taken for the content of this Notice of Meeting (including this Explanatory Memorandum) by ASX.

This Explanatory Memorandum should also be read in conjunction with the Accounts attached to this Notice.

Shareholders are advised to read this document carefully and in full before the Meeting is held. If you are in any doubt as to how to deal with this document, please consult your legal, financial or other professional advisor.

1.2. Purpose of Meeting

The Meeting has the following two main purposes:

- a) to consider Resolutions relating to the ordinary business of the Company required to be conducted at the 2016 annual general meeting of the Company, including the adoption of accounts, the approval of remuneration reports, and the election of Directors;
- b) to give effect to the Deed of Company Arrangement agreed by the joint and several Administrators of the Company, Mr Laurie Fitzgerald and Mr Michael Humphries; and
- c) to consider a number of Resolutions relating to issues of securities in the Company to creditors who have agreed to forgive debts owed by the Company.

The Resolutions are being proposed as part of the process to end the suspension of trading in the Company's securities on ASX. See section 3 below, "Background", for further information.

1.3. Forward looking statements

This Explanatory Memorandum may contain forward looking statements. Shareholders should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the Company as well as general economic conditions and conditions in the financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. Neither the Company, any of its officers or any person named in the Notice of Meeting and the Explanatory Memorandum or involved in the preparation of the Notice of Meeting and the Explanatory Memorandum makes any representation or warranty (either express or implied) as to accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and Shareholders are cautioned not to place undue reliance on those statements. To the extent that there are any forward looking statement in this Notice of Meeting and the Explanatory Memorandum, such statements reflect views held only as at the date of this Notice of Meeting.

1.4. Glossary:

In this Notice of Meeting and Explanatory Statement, unless the context otherwise requires:

Accounts means the Company's full-year financial reports for the years ended 30 June 2016.

Administrators means Mr Laurence Andrew Fitzgerald and Mr Michael James Humphris of William Buck

ASX means Australian Securities Exchange Limited ACN 008 624 691 or the financial market conducted by it, as applicable.

Board means the current board of directors of the Company.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Current Advance means a maximum of \$13,000,000.

Deed Administrators means Mr Laurence Andrew Fitzgerald and Mr Michael James Humphris of William Buck

Director means a director of the Company.

Director Entitlement means the amount of \$72,000 being each director's annual director's fees for the period 1 January 2018 to 30 June 2019.

DOCA means the deed of company arrangement approved by creditors on 27 October 2016 and further amended with creditors approval on 5 October 2017 and pursuant to deeds executed between the Company, the Trustee and the Deed Administrators.

Further Advance means a minimum of \$2,500,000 and a maximum of \$4,500,000.

Listing Rules means the listing rules of ASX, as amended or varied from time to time.

Secured Creditor means the Trustee.

Secured Creditor Beneficiaries means the beneficiaries of the Trust notified to the Company by the Deed Administrators.

Secured Debt Conversion Shares means the Shares to be issued to the Secured Creditor upon conversion of its debt to equity.

Share(s) means a fully paid ordinary share(s) in the capital of the Company.

Shareholder means a person registered as a holder of Shares as at 7.00pm (AEST) on 15 December 2017.

Suspension Date means the date the Company's securities were suspended from official quotation being 17 November 2015.

Trustee means Chimaera Capital Limited (ACN 074 577 647) as trustee of of the Trust.

Unlisted Option means an American style option in the Company to receive Shares of the Company with a final date for exercise of 31 December 2020 and an exercise price of \$1.00 per million options such options only being able to be exercised in increments of 1,000,000.

Unsecured Creditor means an unsecured creditor of the Company or Valence Industries Operations (ABN 46 004 947 004).

Unsecured Creditor Balance means a maximum of \$8,000,000.

Trust means the VXL General Liquidity Trust

2. Background

The Company's securities have been suspended from official quotation since 17 November 2015 after entering a trading halt on 13 November 2015, pending an announcement on a proposed capital raising.

On 15 July 2016, the Company appointed administrators following the failed attempt to raise up to \$18m under an equity entitlements issue. The Company was placed in 'caretaker mode' while the Administrators undertook a review of the Company's affairs with a view to a restructure.

In October 2016, the Trustee put forward a proposal for the restructure and recapitalisation of Valence Industries Limited and Valence Industries Operations Pty Ltd (the **Group**) by way of the DOCA. The DOCA was approved by creditors on 27 October 2016 and further amendments were approved by creditors on 5 October 2017. The key terms of which included:

- (a) All unrelated unsecured creditors of the Group (which, at the date of this notice are owed approximately \$8,000,000) having their debts converted in to ordinary shares in the Company at a price of \$0.016 per share (\$0.02 issued at a discount of 20%);
- (b) Subject to paragraph (c) below, the Trustee shall convert the total amount owing to it, being the sum of the Current Advance and the Further Advance, to Shares and Unlisted Options in the Company at a price of \$0.00252 per Share and Unlisted Option respectively, such Shares and Unlisted Options to be issued directly to the Secured Creditor Beneficiaries;
- (c) In the event that a Secured Creditor Beneficiary's entitlement (together with associates) to a relevant interest is greater than 19.5% of the issued capital of the Company, the Secured Creditor Beneficiary shall receive any entitlement above 19.5% as Unlisted Options; and
- (d) Upon ASX's approval of the quotation of the Shares and the recommencement of trading in the Company's Shares, the Trustee shall release and extinguish the security interests and the loan respectively under the secured loan facilities. In addition, the parties shall mutually release each other from any claims arising from the implementation of the DOCA and the secured loan facilities.

Further details of the DOCA are set out in Schedule 1.

The Directors urge all Shareholders to read the Explanatory Notes in their entirety in order to fully understand the Recapitalisation Proposal and its effects on the Company and their shareholding.

3. Explanatory Notes to Resolutions

3.1. 2016 Annual Financial Report

Pursuant to the Corporations Act, the Directors of a public company that is required to hold an Annual General Meeting must table the financial statements and reports of the Company for the previous year before the members at that Annual General Meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements in the Annual Report of the Company for the year ended 30 June 2016. A copy of the Annual Report has been forwarded or made available to each Shareholder and may also be found online at

www.quantumgraphite.com and as announced to ASX. A copy of the financial statements and the associated reports will also be tabled at the Meeting.

Shareholders should note that the sole purpose of tabling the financial statements of the Company at the Annual General Meeting is to provide Shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements at the Meeting. It is not the purpose of the meeting that the financial statements be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt the Company's financial statements will be put to Shareholders at the Meeting.

Shareholders will be allowed a reasonable opportunity to ask questions about, or make comments on, the management of the Company.

It is proposed that the Company's auditors will be present at the meeting. Shareholders present at the meeting will be allowed a reasonable opportunity to ask the Chairman of the Company questions about the management of the Company or ask the auditors questions relevant to:

- a) the conduct of the audit;
- b) the preparation and content of the auditor's report;
- c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d) the independence of the auditors in relation to the conduct of the audit.

Written questions to the Chairman about the management of the Company, or to the Company's auditor about the above matters, may be submitted by no later than 5 business days before the meeting to the Company Secretary at the Company's registered office.

3.2. Resolution 1: Remuneration Report 2016

Section 300A of the Corporations Act requires that the Directors' Report must contain a Remuneration Report containing prescribed information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. The Remuneration Report is set out in pages 12 of the Company's 2016 Annual Report.

The Corporations Act requires that the Remuneration Report be submitted to shareholders for adoption by a non-binding resolution.

The Remuneration Report contains information regarding such matters (among others) as:

- the Board's policy for determining the nature and levels of remuneration of the Company's senior management personnel;
- the relationship between the Board's remuneration policy and the Company's performance;
- prescribed information regarding the remuneration paid to each member of the Company's key management personnel, including the amount of the remuneration paid to those personnel; and
- where any element of the remuneration of a member of the key management personnel depended on the satisfaction of a performance condition, a summary of that performance condition and an explanation of why it was adopted in relation to the relevant personnel.

Section 250R(2) of the Corporations Act provides that the Company is required to put the Remuneration Report to the vote of shareholders.

Section 250R(3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company. Of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements described in the respective Remuneration Report.

However, sections, 250U and 250Y, among others of the Corporations Act, give shareholders the opportunity to remove the Board if the Remuneration Report receives a “no” vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a “no” vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the Managing Director) who were in office at the date of approval of the applicable Director’s Report must stand for re-election (**Spill Resolution**).

In addition, if comments are made on the Remuneration Report at the AGM, the Company’s remuneration report in respect of the following financial year will be required to include an explanation of the Board’s proposed action in response to those comments or, if no action is proposed, the reasons why.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Reports.

The Chairman will cast all available proxies in favour of Resolution 1. Shareholders may also choose to direct the Chairman to vote against Resolution 1 or to abstain from voting.

3.3. Resolution 2: Election of Director – Mr Sal Catalano

Mr Sal Catalano offers himself for election to the Board in accordance with the Company’s Constitution.

Mr Catalano has over 25 years’ experience in investment banking and the capital markets. He was a former head of the Asian Securities Financing and Derivative business for Donaldson Lufkin & Jenrette and Director of Credit Suisse First Boston’s Alternative Capital Group. He is a founder and director of Chimaera Capital Limited.

Mr Catalano was appointed to the Board on 18 November 2016.

The Chairman will cast all available proxies in favour of Resolution 2.

Shareholders may also choose to direct the Chairman to vote against Resolution 2 or to abstain from voting.

Each Director, other than Mr Catalano, recommends that Shareholders vote in favour of Resolution 2.

3.4. Resolution 3: Election of Director – Mr Bruno Ruggiero

Mr Bruno Ruggiero offers himself for election to the Board in accordance with the Company’s Constitution.

Mr Ruggiero is a Mechanical Engineer with over 30 years experience in the minerals and related industries completing a number local and international projects.

He is a founder of Lycopodium and, with expertise in both mechanical and process design, has undertaken diverse roles within the broader Lycopodium Group. He is an executive director of Lycopodium Minerals, a non-executive director of ECG Pty Ltd, a company in which Lycopodium is a major shareholder.

Mr Ruggiero is currently the Technical Director of Lycopodium Minerals, responsible for setting the technical direction and standards for the Lycopodium Group’s projects worldwide.

Mr Ruggiero was appointed to the Board on 18 November 2016.

The Chairman will cast all available proxies in favour of Resolution 3.

Shareholders may also choose to direct the Chairman to vote against Resolution 3 or to abstain from voting.

Each Director, other than Mr Ruggiero, recommends that Shareholders vote in favour of Resolution 3.

3.5. Resolution 4: Election of Director – Mr Steven Chadwick

Mr Steven Chadwick offers himself for election to the Board in accordance with the Company's Constitution.

Mr. Chadwick is a Metallurgical Graduate of the WA School of Mines with over 40 years' experience in the mining industry, incorporating technical, operating and management roles, as well as a strong metallurgical background.

Mr. Chadwick is now a metallurgical consultant specialising in project management with a range of local and international clients. He was a founding Director of BC Iron and a former Managing Director of Coventry Resources, PacMin Mining and, Northern Gold. Steven brings extensive industry and operating experience to the board.

Mr Chadwick was appointed to the Board on 18 November 2016.

The Chairman will cast all available proxies in favour of Resolution 4.

Shareholders may also choose to direct the Chairman to vote against Resolution 4 or to abstain from voting.

Each Director, other than Mr Chadwick, recommends that Shareholders vote in favour of Resolution 4.

3.6. Resolution 5: Issue of Shares to Unsecured Creditors

Resolution 5 seeks, for the purposes of ASX Listing Rule 7.1, shareholder approval for the issue of Shares to Unsecured Creditors in relation to the conversion of their debt into equity in accordance with the terms of the DOCA.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12-month period.

By approving the issue of shares that is the subject of Resolution 5, the Company will maintain the ability to issue equity securities in the future up to the 15% limit without the requirement to obtain prior Shareholder approval to take advantage of opportunities which may arise to raise additional capital.

The following information is provided in relation to the Share Placement:

- (a) Up to 500,000,000 Shares would be issued and allotted;*
- (b) the issue price of the Shares would be \$0.016 per Share;*
- (c) the shares issued would all be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;*
- (d) the Shares would be allotted and issued to the Unsecured Creditors in accordance with the DOCA; and*
- (e) no funds will be raised by the Company pursuant to the issue of Shares. However, the issue of Shares will result in the cancellation of a liability owing by the Company.*

A voting exclusion statement is set out in the Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of Resolution 5.

The Chairman intends to vote available undirected proxies in favour of Resolution 5.

3.7. Resolution 6: Issue of Shares and Unlisted Options to Secured Creditor Beneficiaries

Resolutions 6 seeks the approval of the Shareholders for the issue of Shares and Unlisted Options to the Secured Creditor Beneficiaries in accordance with the DOCA in the amount set out in Schedule 2. The entitlements of individual Secured Creditor Beneficiaries shall be determined by the Trustee and the Deed Administrators pursuant to the terms of the Trust and the DOCA.

A Secured Creditor Beneficiary's entitlement to Shares (Shares Entitlement) and Unlisted Options (Unlisted Options Entitlement) shall be governed by the following:

- (a) Determination of General Entitlement: A Secured Creditor Beneficiary shall be attributed a General Entitlement on the basis that it is entitled exclusively to Shares;
- (b) Determination of Shares Entitlement: If the General Entitlement of a Secured Creditor Beneficiary represents an interest in the Company of:
 - i) No more than 19.5%, the Secured Creditor Beneficiary's Shares Entitlement shall be the General Entitlement; or
 - ii) If more than 19.5%, the Secured Creditor Beneficiary's Shares Entitlement shall be limited to 19.5%;
- (c) Determination of Unlisted Options Entitlement: If the General Entitlement represents an interest in the Company of more than 19.5%, the Secured Creditor Beneficiary shall receive any entitlement above 19.5% as Unlisted Options

Upon ASX's approval of the quotation of the Shares and the recommencement of trading in the Company's Shares, the Trustee shall release and extinguish the security interests and the loan respectively under the secured loan facilities. In addition, the parties shall mutually release each other from any claims arising from the implementation of the DOCA and the secured loan facilities.

The requirement for Shareholder approval for the proposed issue described in Resolution 6 arises under ASX Listing Rule 7.1. which provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12-month period.

In effect, the rule requires that the approval of the holders of ordinary securities be obtained in respect of any proposal to issue more equity securities in any 12 month period than the number which exceeds 15% of the number of Shares on issue 12 months before the date of the issue or agreement (as determined in accordance with the formula set out in ASX Listing Rule 7.1).

By approving the issue of shares that is the subject of Resolution 6, the Company will maintain the ability to issue equity securities in the future up to the 15% limit without the requirement to obtain prior Shareholder approval to take advantage of opportunities which may arise to raise additional capital.

The Company provides Shareholders the following information regarding Resolutions 6:

- (a) *The Shares and Unlisted Options will be issued to the Secured Creditor Beneficiaries for and in respect of the Trustee releasing and extinguishing the security interests and the loan respectively under the secured loan facilities;*
- (b) *The number of Shares and Unlisted Options to be issued is set out in Schedule 2;*

- (c) *The issue price of the Shares and Unlisted Options issued by the Company under this Resolution 6 will be \$0.00252 per Share and Unlisted Option respectively.*
- (d) *The Shares will be fully paid ordinary shares in the Company and will rank equally with all other Shares on issue in the Company.*
- (e) *A voting exclusion statement is included in the Notice of Meeting.*
- (f) *The issue of Shares and Unlisted Options will result in the cancellation of a liability (including the release of associated securities) owing by the Company to the Trustee.*
- (g) *Funds will be raised by the Company pursuant to the issue of Shares to the extent of the Further Advance only.*

A voting exclusion statement is set out in the Notice of Meeting.

The Directors unanimously recommend that shareholders vote in favour of Resolution 6.

The Chairman intends to vote available undirected proxies in favour of Resolution 6.

3.8. Resolution 7: Approval of Proposed Issue of Shares to Directors

Resolution 7 of the Notice seeks shareholder approval for the purpose of Listing Rule 10.11 and all other purposes for the issue each quarter in advance commencing on 1 January 2018 of Shares equivalent in value to one quarter of the Directors Entitlement.

The deemed issue price of the Shares is the higher of \$0.001 (0.1 cents) or the monthly VWAP for the month immediately preceding the month of issue of Shares. This table below has been prepared on the basis of the minimum issue price of \$0.001 (0.1 cents) which represents the maximum dilution.

It is the view of Directors that the proposed issue of shares pursuant to Resolution 7 falls within the exception under section 211 of the Corporations Act (reasonable remuneration) given the circumstances of the Company and the position held by the Directors. Accordingly, the Directors are not seeking shareholder approval under section 208 of the Corporations Act, although shareholder approval must be obtained pursuant to ASX Listing Rule 10.11.

Director	Foregone quarterly remuneration	Minimum Issue Price	Maximum no. of shares per quarter	Maximum no. of shares for the year
Steven Chadwick	\$18,000	\$0.001	18,000,000	72,000,000
Sal Catalano	\$18,000	\$0.001	18,000,000	72,000,000
Bruno Ruggiero	\$18,000	\$0.001	18,000,000	72,000,000

Subject to any applicable ASX waiver, the Company shall issue the Shares in three tranches (i.e., each quarter), with the final tranche shall be issued on or before 1 September 2018.

A voting exclusion statement is set out in the Notice of Meeting.

The Chairman intends to vote available undirected proxies in favour of Resolution 7.

3.9. Resolution 8: Subsequent approval under ASX Listing Rule 7.4 of securities issued under ASX Listing Rules 7.1 and 7.1A

- (a) ASX Listing Rule 7.1 provides that a listed company may only issue or agree to issue up to 15% of the company's ordinary issued capital in any 12-month period, unless shareholder approval is obtained (subject to certain exceptions).

- (b) ASX Listing Rule 7.1A enables certain eligible entities to seek shareholder approval to issue equity securities up to 10% of its issued share capital over a 12-month period after the annual general meeting at which a resolution regarding Listing Rule 7.1A is passed by special resolution. At the Company's last AGM on [insert date], the Company obtained approval from Shareholders to issue Equity Securities under Listing Rule 7.1A.
- (c) ASX Listing Rule 7.4 allows a company in a general meeting to subsequently approve an issue of securities under ASX Listing Rule 7.1, provided the company did not breach the 15% capacity, and also approve an issue of securities under ASX Listing Rule 7.1A, provided the company did not breach the 10% capacity.
- (d) Resolution 8 seeks subsequent shareholder approval of the securities issued during the 12 month period ending on the date of this Notice of Meeting as described below, pursuant to ASX Listing Rule 7.4. These securities were issued without Shareholder approval under ASX Listing Rule 7.1 or ASX Listing Rule 7.1A. If such approval is given, the Company will be entitled under ASX Listing Rule 7.1 to issue up to 15% of its ordinary issued capital, if required, in the next 12 months without shareholder approval. In addition, the approval of Resolution 3 would fully reinstate the Company's placement capacity under Listing Rule 7.1A.
- (e) ASX Listing Rule 7.5 requires the following information to be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to ASX Listing Rule 7.4:
- On 29 September 2017 - 24,877,000 Shares (ranking equally with all existing Shares) were issued at a deemed price of \$0.0252 to Tony Harbrow (or his nominee);
 - On 29 September 2017 - 2,985,240 Shares (ranking equally with all existing Shares) were issued at a deemed price of \$0.0252 to Thornton Group (Australia) Pty Ltd (or its nominee);
 - On 29 September 2017 - 1,990,160 Shares (ranking equally with all existing Shares) were issued at a deemed price of \$0.0252 to Robert Mencil.
- (f) A voting exclusion statement is set out in the Notice of Meeting.
- (g) The Directors unanimously recommend that shareholders vote in favour of Resolution 8.
- (h) The Chairman intends to vote available undirected proxies in favour of Resolution 8.

SCHEDULE 1

Key Terms of Deed of Company Arrangement

At a subsequent meeting of Creditors held on 19 October 2016, Creditors approved VXL and VIO entering into Interlocking Deeds of Company Arrangement (DOCA) substantially in the form proposed by the Trustee. It was resolved that Valence Industries Services Pty Ltd would be placed into liquidation. The DOCA was amended with the approval of the creditors on 27 October 2016 and 5 October 2017.

The key terms of the DOCA are as follows:

- (a) All Unsecured Creditors which, at the date of this notice are owed the Unsecured Creditor Balance, shall have their debts converted to ordinary shares in the Company at a price of \$0.02 per share, issued at a discount of 20%, i.e., \$0.016 per share;
- (b) Subject to paragraph (c) below, the Trustee shall convert the total amount owing to it, being the sum of the Current Advance and the Further Advance, to Shares and Unlisted Options in the Company at a price of \$0.00252 per Share and Unlisted Option respectively, such Shares and Unlisted Options to be issued directly to the Secured Creditor Beneficiaries; and
- (c) In the event that a Secured Creditor Beneficiary's entitlement (together with associates) to a relevant interest is greater than 19.5% of the issued capital of the Company, the Secured Creditor Beneficiary shall receive any entitlement above 19.5% as Unlisted Options.
- (d) All Shares issued pursuant to the abovementioned Resolutions and all other Shares issued since the Suspension Date, must be approved by the ASX for quotation;
- (e) The Trustee shall release its security over the assets of VXL and VIO upon the issue of the Shares and Unlisted Options to the Secured Creditor Beneficiaries and the re-commencement of trading of the Company's Shares including the Shares referred to in paragraph (d) above; and
- (f) The Deed also provides for all Deed Administrator, legal, accounting, audit and administrative costs as well as mining site care and maintenance costs to be covered from the Further Advance.

SCHEDULE 2

Capital structure if all Resolutions are passed and Shares are issued

The details of the Unsecured Creditor Balance, the Further Advance and the respective proportion of Shares and Unlisted Options cannot be finalised until the full implementation of the DOCA. There is a range of possibilities for the the capital structure of the Company. Assuming the maximum value for the Unsecured Creditor Balance and a range of values (i.e., \$2.5m, \$3.5m and \$4.5m) for the Further Advance the possible capital structure outcomes include:

Scenario	\$2.5M Raised		\$3.5M Raised		\$4.5M Raised	
Existing	228,868,614	3.8%	228,868,614	3.5%	228,868,614	3.2%
Unsecured Creditors (Res 5)	500,000,000	8.2%	500,000,000	7.6%	500,000,000	7.1%
Secured Creditor Beneficiaries Res 6)	5,370,536,873	88.0%	5,863,487,682	88.9	6,356,438,491	89.7%
	6,099,405,487	100.00%	6,592,356,296	100.00%	7,085,307,105	100.00%
Options	775,000,000		679,000,000		583,000,000	