

28th October 2020

Dear Shareholders,

IMPACT OF COVID-19 RESTRICTIONS ON THE COMPANY'S ANNUAL GENERAL MEETING

The shareholder meeting is scheduled to be held virtually on Friday, 27 November 2020 at 9.00am (WST) (Meeting). The Company invites shareholders to attend and participate in a virtual Meeting through an online meeting platform powered by 'Zoom' (Virtual Meeting).

Shareholders who attend the Virtual Meeting will be able to watch, listen, submit written questions and participate in all poll votes put to the Meeting.

In accordance with temporary modifications to the Corporations Act 2001 (Cth) via the Corporations (Coronavirus Economic Response) Determination (No. 1) 2020, the Company will not be sending hard copies of the Notice of Meeting to shareholders. The Notice of Meeting can be viewed and downloaded from the following

https://www.valmec.com.au/investors/announcements/

Alternatively, a complete copy of the important Meeting documents has been posted on the Company's ASX market announcements page (ASX: VMX).

All resolutions will be decided on a poll. The poll will be conducted based on votes submitted by proxy and at the Meeting by shareholders who have indicated that they intend to vote at the Meeting in accordance with the instructions set out below.

Venue – Virtual Meeting

If you wish to virtually attend the AGM (which will be broadcast as a live webinar), please pre-register in advance for the Virtual Meeting here:

https://us02web.zoom.us/webinar/register/WN 6SXfKyZNR3OcHd-Z36vS-A

After registering, you will receive a confirmation containing information on how to attend the Virtual Meeting on the day of the AGM.

The Company encourages shareholders to submit their votes and questions in advance of the Meeting as this will provide management with the best opportunity to prepare for the meeting, for example in preparing answers to members questions.

Questions must be submitted in writing to Harry Singh, Company Secretary at hsingh@valmec.com.au at least 48 hours before the AGM.

However, votes and questions may also be submitted during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

All questions will be submitted to the Chair, who will then direct them to be answered by the most appropriate member of management during the Meeting.

Voting online on the day of the Virtual Meeting

Shareholders who wish to vote virtually on the day of the AGM will need to login to the Automic website (https://investor.automic.com.au/#/home) with their username and password.



Shareholders who do not have an account with Automic are strongly encouraged to register for an account as soon as possible and well in advance of the Virtual Meeting to avoid any delays on the day of the Meeting.

How do I create an account with Automic?

To create with an account Automic, please to the Automic website go (https://investor.automic.com.au/#/home), click on 'register' and follow the steps. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

I have an account with Automic, what are the next steps?

Shareholders who have an existing account with Automic (Note: with a username and password) are advised to take the following steps to attend and vote virtually on the day of the AGM:

- 1. Login to the Automic website (https://investor.automic.com.au/#/home) using your username and password.
- 2. (Registration on the day) If registration for the Virtual Meeting is open, click on 'Meeting open for registration' and follow the steps.
- 3. (Live voting on the day) If live voting for the Virtual Meeting is open, click on 'Meeting open for voting' and follow the steps.

Voting by proxy

Shareholders who wish to participate at the AGM are strongly encouraged to complete and submit their proxies as early as possible.

To vote by proxy:

- 1. please lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the below instructions:
 - Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'Meetings'
 - 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form; or
- 2. please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

Further details of any teleconference or online meeting facilities, including detailed instructions on how to access such facilities, will be made available to Shareholders on the Company's website at www.valmec.com.au and the ASX Company's Announcement Platform at asx.com.au (ASX: VMX) prior to the Meeting.

Sincerely,



Harry Singh Company Secretary & CFO

VALMEC LIMITED

ABN 94 003 607 074

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9.00am (AWST)

DATE: 27 November 2020

PLACE: Virtual (see below)

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

Details on how to access the virtual meeting are set out in this Notice.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Mr Harry Singh on (+61 8) 9266 8888.

TIME AND PLACE OF MEETING AND HOW TO VOTE

VIRTUAL MEETING

If you wish to virtually attend the Meeting (which will be broadcast as a live webinar), please preregister in advance for the virtual Meeting here:

https://us02web.zoom.us/webinar/register/WN 6SXfKyZNR3OcHd-Z36vS-A

After registering, you will receive a confirmation containing information on how to attend the virtual Meeting.

Shareholders will be able to vote and ask questions at the virtual Meeting. Shareholders are also encouraged to submit questions in advance of the Meeting to the Company. Questions must be submitted in writing to Harry Singh, Company Secretary at <a href="https://historycommons.org/historycommons.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Voting virtually

To access the virtual meeting:

- 1. Open your internet browser and go to investor.automic.com.au
- 2. Login with your username and password or click "register" if you haven't already created an account. Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting
- 3. After logging in, a banner will be displayed at the top once the meeting is open for registration, click on "View" when this appears
- 4. Click on "Register" and follow the steps
- 5. Click on the URL to join the webcast where you can view and listen to the virtual meeting
- 6. Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" to be taken to the voting screen
- 7. Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted

VOTING ELIGIBILITY

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (AWST) on 25th November 2020.

VOTING IN PERSON

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, members are advised that:

- each member has a right to appoint a proxy;
- the proxy need not be a shareholder of the Company; and
- a member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of the shareholders of Valmec Limited will be virtually on 27th November 2020 at 9.00am.

The Explanatory Statement and Proxy Form which accompany and form part of this Notice, describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement and the Proxy Form in their entirety.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report, directors' reports and auditor's report for the Company and its controlled entities for the year ended 30 June 2020.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020."

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

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

However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR VINCENT SANTOSTEFANO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of clause 13.4 of the Constitution, and for all other purposes, Vincent Santostefano, a Director, retires, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR PETER MCMORROW

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of clause 13.2 of the Constitution, Listing Rule 14.4 and for all other purposes Mr McMorrow, a Director, retires by rotation, and being eligible, is re-elected as a Director."

5. RESOLUTION 4 – ISSUE OF PERFORMANCE RIGHTS TO RELATED PARTY – STEVE DROPULICH

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

"That, for the purposes of sections 200B and 200E of the Corporations Act, ASX Listing Rules 10.14 and 10.19 and for all other purposes, approval is given for the Company to issue 620,000 Performance Rights to Mr Steve Dropulich, a director of the Company (or his nominee) on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director who is eligible to participate in the Incentive Award Plan, or any associate of those Directors. 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 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. However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way .

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if the proxy is either:

- (a) a member of the Key Management Personnel; or
- (b) a Closely Related Party of such a member; and

the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."

ASX Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the entity) or any associates of those persons. However, this does not apply to a vote cast in favour of a resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

DATED: 28th OCTOBER 2020

BY ORDER OF THE BOARD

MŔ HARRY SINGH COMPANY SECRETARY & CFO

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held virtually on 27th November 2020 at 9.00am (AWST).

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to the Shareholders in deciding whether or not to pass the Resolutions contained in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the consolidated financial statements of the Company and its controlled entities and the reports of the Directors and auditor for the financial year ended 30 June 2020 will be presented for consideration. These documents form part of the Annual Report.

The Corporations Act does not require Shareholders to vote on the Annual Report. However, Shareholders attending the Meeting will be given a reasonable opportunity:

- (a) to ask questions about, or make comments on, the annual financial report of the Company; and
- (b) to ask the Company's auditor or the auditor's representative questions relevant to:
 - (i) the conduct of the audit;
 - (ii) the preparation and content of the auditor's report;
 - (iii) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
 - (iv) the independence of the auditor in relation to the conduct of the audit.

Shareholders are encouraged to submit any questions that they may have regarding the above matters in writing (including by email) to the Company by no later than 5.00pm (AWST) on 25th November 2020. This will allow the Company time to prepare and present a comprehensive response to Shareholders at the Annual General Meeting.

A Shareholder who is entitled to cast a vote at the Annual General Meeting may also submit a written question to the auditor if the question is relevant to:

- (a) the content of the auditor's report to be considered at the Annual General Meeting; or
- (b) the conduct of the audit of the Annual Report to be considered at the Annual General Meeting.

A written question to the auditor may only be submitted by giving the question to the Company (attention: the Company Secretary) by no later than 5.00pm (AWST) on 25th November 2020 which the Company will then pass on to the auditor. The Company will allow a reasonable opportunity for the auditor's representative to answer the written questions submitted to the auditor.

The Company will make available to Shareholders attending the Annual General Meeting copies of the list of Shareholder questions presented to the auditor, which the auditor considers relevant.

The Company will not provide a hard copy of the Company's annual financial report to

Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.valmec.com.au

2. RESOLUTION 1 - ADOPTION OF THE REMUNERATION REPORT

2.1 General

The Board is submitting its Remuneration Report to Shareholders for consideration and adoption by way of a non-binding resolution as required by the Corporations Act.

The Remuneration Report forms part of, and is clearly identified in, the Directors' Report included in the Annual Report. The Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior executives of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out the remuneration details for each Director and members of the Key Management Personnel of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and members of the Key Management Personnel of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

2.2 Voting Consequences

Under the Corporations Act, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the Company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and, at the first of those annual general meetings, a Spill Resolution was not put to the vote.

If required, the Spill Resolution must be put to the vote at the second annual general meeting. If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene an extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

Under the Corporations Act, the directors, other than a managing director, who were directors when the resolution was passed to make the directors' report considered at the second annual general meeting, cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting, those persons whose election or re-election as directors of the Company is approved, will be the directors of the Company.

2.3 Previous Voting Results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the

requirement for a Spill Resolution is not relevant for this Meeting.

2.4 Voting Exclusions and recommendations

Voting exclusions apply to Resolution 1, as specified in the Notice.

The Chair intends to vote all available proxies in favour of adoption of the Remuneration Report, subject to any instructions of a Shareholder to the contrary included in any Proxy Form.

If you are appointing the Chair as your proxy, please note that the proxy form accompanying this Notice expressly authorises the Chair to vote any undirected proxies in favour of Resolution 1 even though the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Accordingly, if you are appointing the Chair as your proxy and do not wish your proxy to vote in favour of Resolution 1, you will need to mark "against" or "abstain" where indicated in the proxy form in relation to Resolution 1.

The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and the individual. Noting that each Director has a personal interest in their own remuneration from the Company as set out in the Remuneration Report, the Board recommends that Shareholders vote in favour of Resolution 1.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR VINCENT SANTOSTEFANO

3.1 General

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Santostefano, appointed by the Board as a Director on 15th October 2020, will retire in accordance with clause 13.4 of the Constitution at the Meeting and, being eligible seeks election.

3.2 Mr Vincent Santostefano – Non-Executive Director

Mr Santostefano brings 40 years of operations, development, major projects and business management experience from the oil and gas sector.

He has worked in all the major hydrocarbon provinces in Australia both onshore and offshore, having worked for Esso Australia, Beach Energy, Woodside (as COO), and most recently Santos where he held the role of Chief Operations and Development Officer. While at Santos he was part of the executive team responsible for the turnaround of that business.

He is known for his passion in personal and process safety and has a solid track record in driving continuous improvement especially in those areas. He is a Civil Engineer and is a member of SPE.

The Company has confirmed Mr Santostefano's qualifications and material employment

history and conducted an ASIC search and criminal history search of Mr Santostefano. Nothing of concern has arisen from these enquiries.

Mr Santostefano does not have any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

The Board considers that Mr Santostefano will, if elected, qualify as an independent Director.

3.3 Recommendation

The Board (other than Mr Santostefano who has a material interest in the outcome of Resolution 2) supports the election of Mr Santostefano as a Director.

4. RESOLUTION 3 - RE-ELECTION OF DIRECTOR - MR PETER MCMORROW

4.1 General

Mr McMorrow was last elected as a director of the Company's annual general meeting held on 29 November 2019.

ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without reelection) past the third annual general meeting following the director's appointment or 3 years, whichever is the longer.

Clause 13.2 of the Constitution provides that:

- (a) at the Company's annual general meeting in every year, one-third of the Directors for the time being or, if their number is not a multiple of 3, then the number nearest one-third (rounding upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whoever is the longer, without submitting himself or herself for reelection;
- (b) the Directors to retire at an annual general meeting are those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots;
- (c) a Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election; and
- (d) in determining the number of Directors to retire, no account is to be taken of:
 - (i) a Director who only holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution; or
 - (ii) a Managing Director,

each of whom are exempt from retirement by rotation. However, if more than one Managing Director has been appointed by the Directors, only one of them (nominated by the Directors) is entitled to be excluded from any determination of the number of Directors to retire and/or retirement by rotation.

Mr McMorrow retires and stands for re-election at this annual general meeting.

4.2 Mr Peter McMorrow – Non-Executive Director

Peter McMorrow has over 40 years' project and executive experience and is a respected leader in the infrastructure and resources industries. Encompassing a wide variety of large and complex infrastructure projects both overseas and within Australia, his industry knowledge extends to all facets of engineering, project identification, winning and delivery as well as management of dynamic, profitable and long lasting business operations.

Mr McMorrow also currently sits on the Board of SRG Global as their Chairman. Mr McMorrow was Managing Director of Leighton Contractor from 2004 to 2010. Under his guidance, Leighton Contractors expanded considerably with turnover increasing to over \$5 billion and the workforce increasing fourfold to approximately 10,000 employees.

Peter is an advocate for health and safety and brings a strong zero harm vision to both Valmec and the industry in which it operates.

The Company has confirmed Mr McMorrow's qualifications and material employment history and conducted and ASIC search and criminal history search of Mr McMorrow. Nothing of concern has arisen from these enquiries.

Mr McMorrow does not have any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company as a whole rather than in the interests of an individual security holder or other party.

The Board considers that Mr McMorrow will, if elected, qualify as an independent Director.

4.3 Recommendation

The Board (other than Mr McMorrow because of his interest) recommends that Shareholders vote in favour of Mr McMorrow's re-election.

5. RESOLUTION 4 – GRANT OF PERFORMANCE RIGHTS TO RELATED PARTY – MR STEVE DROPULICH

5.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue 620,000 Performance Rights to Mr Steve Dropulich under the Company's Incentive Award Plan and on the terms and conditions set out below.

5.2 Resolution 4

It is proposed that Mr Steve Dropulich be issued 620,000 Performance Rights under the Company's Incentive Award Plan which was approved by Shareholders at the Company's annual general meeting held on 29 November 2019. A summary of the Incentive Award Plan is contained in the Company's notice of annual general meeting dated 22 October 2019.

The purpose of the issue of Performance Rights to Mr Steve Dropulich is to further motivate and reward his performance and to better align his interests to those of Shareholders.

It is proposed that the Performance Rights are issued for nil cash consideration.

Each Performance Right will vest and be exercisable subject to the satisfaction of the

following vesting condition (Vesting Condition).

1. Earnings Per Share (EPS) shall be measured by absolute EPS compounded growth of 30% or greater per annum, over a three (3) year performance period.

In the event that the Vesting Condition is not met (and is not waived by the Board in its discretion), the Performance Rights will not vest and as a result, no new Shares will be issued. There is nil consideration payable upon the vesting of a Performance Right.

5.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Performance Rights under the Incentive Award Plan constitutes giving a financial benefit and Mr Steve Dropulich is a related Party of the Company by virtue of being a director of the Company.

The Directors (other than Mr Steve Dropulich who has a material personal interest in the outcome of Resolution 4) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Performance Rights to Mr Steve Dropulich because the agreement to grant the Performance Rights, reached as part of the remuneration package for Mr Steve Dropulich, is considered reasonable remuneration in the circumstances, was negotiated on an arm's length basis and therefore the reasonable remuneration exception contained in section 211 of the Corporations Act applies in the circumstances.

5.4 ASX Listing Rule 10.14

ASX Listing Rule 10.14 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

If Resolution 4 is passed, 620,000 Performance Rights will be issued to Mr Steve Dropulich (or his nominee) who falls within Listing Rule 10.14.1 (if a director) or Listing Rule 10.14.2 (if a nominee of a director). Therefore, the Company requires Shareholder approval in accordance with ASX Listing Rule 10.14 to issue the Performance Rights to Mr Steve Dropulich (or his nominee).

If Resolution 4 is not passed, the Company will not be able to grant the Performance Rights the subject of that Resolution and will need to assess whether alternative incentives are to be offered to Mr Steve Dropulich.

5.5 Information required by ASX Listing Rule 10.15 for the issue of the Performance Rights

The following information is provided to satisfy the requirements of ASX Listing Rule 10.15

(being the information required to be disclosed for the purposes of ASX Listing Rules 10.14):

- (a) **ASX Listing Rule 10.15.1 and 10.15.2: Name and type of person:** The Performance Rights will be issued to Mr Steve Dropulich and he is a related party of the Company by virtue of being a Director of the Company and so he falls under Listing Rule 10.14.1. If the Performance Rights are granted to a nominee of Mr Steve Dropulich, the nominee will be an Associate of the Director and fall under Listing Rule 10.14.2.
- (b) ASX Listing Rule 10.15.3: Number and class of securities to be issued: The number of Performance Rights (being the nature of the financial benefit being provided) to be issued to Mr Steve Dropulich (or his nominee) is 620,000 Performance Rights.
- (c) ASX Listing Rule 10.15.4: Total Remuneration Package: The current total remuneration package of Mr Steve Dropulich (inclusive of superannuation and equity-based remuneration) for the current financial year, and for the previous two financial years, is as follows. This is in addition to the Performance Rights proposed to be granted under Resolution 4.

Related Party	Current financial year (proposed)	Financial year ending 30 June 2020	Financial year ending 30 June 2019
Steve Dropulich	\$450,000 ⁽¹⁾	\$509,610 ⁽²⁾	\$473,824 ⁽³⁾

Notes:

- (1) Comprising salary (\$425,000), superannuation (\$25,000).
- (2) Comprising salary (\$404,371), short term non-cash benefits (\$1,510), superannuation (\$25,000), equity based performance rights/options (\$72,665), and cash settled share based payments (\$6064), as detailed in the Company's 2020 Annual Report.
- (3) Comprising salary (\$400,000), superannuation (\$25,000), equity based performance rights/options (\$41,654), and cash settled share based payments (\$7,170), as detailed in the Company's 2020 Annual Report.
- (d) ASX Listing Rule 10.15.5: Performance Rights previously issued: Mr Steve Dropulich has not previously been issued any Performance Rights under the Incentive Award Plan.
- (e) ASX Listing Rule 10.15.6: Terms of Performance Rights: Each Performance Right will have a nil exercise price and an expiry date of [3] years from the date of grant. The Performance Rights will only vest and be exercisable into Shares (on a one for one basis subject to adjustment in accordance with the Incentive Award Plan) upon satisfaction or waiver by the Board of the Vesting Condition detailed in Section 5.2 above. Refer to Schedule 1 for a summary of the Incentive Award Plan (which applies to the Performance Rights) and Schedule 2 for a summary of the material terms of the Performance Rights.
- (f) ASX Listing Rule 10.15.6: Reason for using Performance Rights: the Company wishes to grant Performance Rights as they are a cost effective mechanism to incentivise Mr Steve Dropulich, they minimize dilution to Shareholders compared with the grant of Options and are simpler to administer than the grant of Shares that would need to be cancelled if the Vesting Conditions are not satisfied or waived.
- (g) ASX Listing Rule 10.15.6: Valuation of Performance Rights: The Company attributes a total value of \$139,229 to the Performance Rights proposed to be granted to Steve Dropulich, based on a Black & Scholes valuation using the Company's Share price as at October 2020.

- (h) ASX Listing Rule 10.15.7: Date by which securities will be issued: The Performance Rights will be issued to Mr Steve Dropulich no later than 3 months after the date of the Annual General Meeting (or at such later dates as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Performance Rights will be issued on one date.
- (i) **ASX Listing Rule 10.15.8: Issue price**: The Performance Rights will have a nil issue price.
- (j) **ASX Listing Rule 10.15.9: Summary of Scheme**: Refer to Schedule 1 for a summary of the Incentive Award Plan (which applies to the Performance Rights).
- (k) **ASX Listing Rule 10.15.10: Loan Terms**: No loan will be made to Mr Steve Dropulich in relation to the grant of the Performance Rights.
- (I) **ASX Listing Rule 10.15.11: Annual Report:** Details of any securities issued under the Incentive Award Plan will be published in the Company's annual report relating to the period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14.
- (m) ASX Listing Rule 10.15.11: Further Approvals: Any additional persons covered by Listing Rule 10.14 who become entitled to participate in an issue of securities under the Incentive Award Plan after Resolution 4 is approved and who was not named in this Notice of Meeting will not participate until approval is obtained under that rule.

5.6 Sections 200B and 200E of the Corporations Act

- (a) Section 200B of the Corporations Act generally provides that, subject to specific exceptions, Shareholder approval is required for the giving of benefits to a person occupying a managerial or executive office with the Company in connection with their retirement from a managerial or executive office. The term 'benefits' is widely defined.
- (b) Mr Steve Dropulich, as a Director, occupies a managerial or executive office with the Company within the meaning of section 200AA of the Corporations Act.
- (c) The Incentive Award Plan, and the terms and conditions of grant of the Performance Rights under the Incentive Award Plan to Mr Steve Dropulich (or his nominee), contain a number of provisions which may operate to entitle Mr Steve Dropulich (or his nominee)to an early vesting of Performance Rights and/or in different circumstances than might otherwise be the case in connection with his ceasing to hold a managerial or executive office with the Company. Some of the relevant provisions in the Incentive Award Plan (or terms and conditions) are subject to the Board exercising their discretion to allow such exercise (whether by waiving vesting conditions or extending the period for vesting or resolving that unvested Performance Rights do not lapse when otherwise they would).
- (d) These may constitute a "benefit" for the purposes of section 200B of the Corporations Act. The value of any such benefits which may be given to the Mr Steve Dropulich (or his nominee) cannot presently be ascertained but matters, events and circumstances that will, or are likely to, affect the calculation of that value include:
 - (i) the number of Performance Rights held by the participant;

- (ii) the number of Performance Rights that vest early;
- (iii) the price of Shares on the ASX on the date of calculation;
- (iv) the status of any vesting conditions or other conditions for the Performance Rights at the time of ceasing to hold a managerial or executive office with the Company; and
- (v) the participant's length of service and reasons for ceasing to hold a managerial or executive office with the Company.
- (e) The Company has completed an internal valuation of the Performance Rights prior to the issue of this Notice of Meeting which valued the Performance Rights \$139,229.
- (f) Shareholder approval is sought under section 200E of the Corporations Act to the giving of any benefit to Steve Dropulich (or his nominee) in connection with his future cessation of office or position with the Company under the terms of the Incentive Award Plan (or terms and conditions of grant) in relation to the Performance Rights, including as a result of any future exercise of a discretion by the Board under the terms of the Incentive Award Plan or the terms and conditions of the Performance Rights.
- (g) If Shareholders approve Resolution 4, the value of the benefit may be disregarded when applying Section 200F(2)(b) or Section 200G(1)(c) of the Corporations Act (i.e. the benefits will not count towards the statutory caps that apply to benefits that may be given without shareholder approval).
- (h) Steve Dropulich has advised that he has no current intention to resign from his positions with the Company.

5.7 Listing Rule 10.19

- (a) Listing Rule 10.19 provides that, without the approval of shareholders, an entity must ensure that no officer of the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to the ASX under the Listing Rules.
- (b) Section 5.5 above notes that the Incentive Award Plan, and the terms and conditions of grant of Performance Rights under the Incentive Award Plan to Steve Dropulich (or his nominee), contain a number of provisions which may constitute benefits for the purposes of section 200B of the Corporations Act. These provisions may also constitute termination benefits for the purposes of ASX Listing Rule 10.19. As such, the Company is also seeking Shareholder approval for these benefits to be given.
- (c) If Shareholders approve Resolution 4, the value of any termination benefits will not be counted towards the 5% cap set out in Listing Rule 10.19. If Shareholders do not approve Resolution 4, the value of any termination benefits will be counted towards the 5% cap set out in Listing Rule 10.19.

5.8 Recommendation

The Directors (other than Mr Steve Dropulich who has a material personal interest in the outcome of the Resolution) recommend that Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

6.1 General

ASX Listing Rule 7.1A provides that, in addition to the 15% placement capacity permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue, during the period the approval is valid, a number of quoted Equity Securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12-month period as adjusted in accordance with the formula in ASX Listing Rule 7.1 (10% Placement Facility).

An eligible entity is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on a deferred settlement basis). The Company is an eligible entity.

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company. The Company has one class of quoted equity securities on issue, being ordinary shares (ASX Code: VMX).

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue quoted Equity Securities under the 10% Placement Facility available under ASX Listing Rule 7.1A. The maximum number of quoted Equity Securities that may be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Resolution 5 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in ASX Listing Rules 7.1 and 7.1A without further Shareholder approval.

If Resolution 5 is not passed, the Company will not be able to access the additional 10% capacity to issue quoted Equity Securities without Shareholder approval available under ASX Listing Rule 7.1A, and will remain subject to the 15% limit on issuing (or agreeing to issue) Equity Securities without Shareholder approval set out in ASX Listing Rule 7.1.

Resolution 5 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

6.2 Information required by Listing Rule 7.3A

(a) ASX Listing Rule 7.3A.1: 10% Placement Period

If Shareholders approve Resolution 5, the Company's ability to issue quoted Equity Securities under the 10% Placement Facility will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of the Meeting;
- (ii) the time and date of the Company's next annual general meeting;
- (iii) the time and date of the approval by Shareholders of a transaction under ASX Listing Rules 11.1.1 or 11.2,

(the 10% Placement Period).

(b) ASX Listing Rule 7.3A.2: Minimum Issue Price

The issue price of quoted Equity Securities issued under Listing Rule 7.1A must be a cash consideration per Equity Security of not less than 75% of the volume weighted average market price (**VWAP**) of Equity Securities in the same class calculated over the 15 Trading Days on which trades in the class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed by the Company and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

(c) ASX Listing Rule 7.3A.3: Purpose of Funds Raised

Funds raised from the issue of quoted Equity Securities under the 10% Placement Facility are intended to be used towards advancing existing assets and investments, the acquisition and development of new assets and investments, corporate and administration costs and working capital.

(d) ASX Listing Rule 7.3A.4: Economic and Voting Dilution Risk

If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Capacity, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of Options, only if the Options are exercised). There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100% and the voting dilution impact of such an increase. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

Number of Shares on Issue	Dilution												
(Variable 'A' in ASX Listing Rule 7.1A2)	Issue Price (per Share)	\$0.085	\$0.17	\$0.34									
·		50% decrease in Issue Price	Issue Price	100% increase in Issue Price									
125,718,708 (Current Variable 'A')	Shares issued - 10% voting dilution	12,571,871 Shares	12,571,871 Shares	12,571,871 Shares									
(Current variable A)	Funds raised	\$1,068,609	\$2,137,218	\$4,274,436									
188,578,062	Shares issued - 10% voting dilution	18,857,806 Shares	18,857,806 Shares	18,857,806 Shares									
(50% increase in Variable A)	Funds raised	\$1,602,914	\$3,205,827	\$6,411,654									
251,437,416	Shares issued - 10% voting dilution	25,143,742 Shares	25,143,742 Shares	25,143,742 Shares									
(100% increase in Variable 'A')	Funds raised	\$2,137,218	\$4,274,436	\$8,548,872									

^{*}The number of Shares on issue (**Variable 'A'** in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

- (i) There are currently 125,718,708 Shares on issue as at the date of this Notice of Meeting.
- (ii) The issue price set out above is the closing price of the Shares on the ASX on 12th October 2020.
- (iii) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (iv) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (v) It is assumed that no Options or Performance Rights (including any Options issued under the 10% Placement Facility) are exercised into Shares before the date of issue of the Equity Securities.
- (vi) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own individual shareholding depending on their specific circumstances.
- (vii) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
- (viii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (ix) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (x) The Company will only issue the Equity Securities during the 10% Placement Period.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on

the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) ASX Listing Rule 7.3A.5: Allocation policy under the 10% Placement Capacity

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed issue of Equity Securities.

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be a related party of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) ASX Listing Rule 7.3A.6: Previous issues or agreements to issue under ASX Listing Rule 7.1A

The Company previously obtained approval from its Shareholders under ASX Listing Rule 7.1A at its annual general meeting held on 29 November 2019. The Company has not issued any Equity Securities pursuant to the previous approval.

During the 12 month period preceding the date of the Meeting, being on and from 27th November 2019, the Company has otherwise issued nil Equity Securities, representing approximately 0% of the total number of Equity Securities on issue in the capital of the Company on 27th November 2019, which was 125,718,708.

(g) ASX Listing Rule 7.3A.6: Voting Exclusion

A voting exclusion statement is not included in this Notice. As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

GLOSSARY

In this Explanatory Statement (and the Notice of Meeting) the following terms will bear the following meanings, unless the context otherwise requires:

\$ means Australian dollars.

10% Placement Capacity has the meaning given in section 6.1 of the Explanatory Statement.

10% Placement Period has the meaning given in section 6.2 of the Explanatory Statement.

Annual General Meeting or Meeting means the meeting convened by this Notice.

Annual Report means the Company's annual financial report for the financial year ended 30 June 2020.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the board of directors of the Company.

Chair means the chair of the Meeting and where relevant the Chair for the relevant part of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- A. a spouse or child of the member;
- B. a child of the member's spouse;
- C. a dependent of the member's spouse;
- D. 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 dealing with the entity;
- E. a company the member controls; or
- F. a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Valmec Limited (ABN 94 003 607 074).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Directors Report means the directors report section of the Annual Report.

Equity Securities means a Share, a right to a Share or Option, an Option, a convertible security and any security that the ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards (as that term is defined in the Corporations Act) and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, directly or indirectly, including any director (whether executive or non-executive) of the Company or if the Company is part of a consolidated entity of an entity within the consolidated group.

Managing Director means the managing director of the Company.

Meeting means the annual general meeting of Shareholders convened by this Notice.

Notice or Notice of Meeting means this notice of meeting including the Explanatory Statement.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Performance Right means a right to acquire a Share on the terms set out in the Incentive Award Plan.

Incentive Award Plan means the Company's Incentive Award Plan approved by Shareholders on 29 November 2019, as disclosed in the Company's notice of meeting dated 22 October 2019.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report of the Company contained in the Directors' Report.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

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

Shareholder means a holder of a Share.

Variable A means "A" as set out in the calculation in section 6.2 of the Explanatory Statement.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF INCENTIVE AWARDS PLAN

Terms used in this summary that are not defined in the Notice have the meaning given to those terms in the Incentive Award Plan (**Plan**).

1. Purpose

The purpose of the Plan includes to:

- incentivise selected Eligible Participants, through the acquisition of Awards, to meet performance hurdles and share in the creation of Shareholder value; and
- allow Directors to acquire Awards in lieu of payment of Director fees.

1. Eligibility

The Board may, from time to time, in its absolute discretion, make a written invitation to any Eligible Participant to apply for Shares, Options or Performance Rights (together, **Awards**), upon the terms set out in the Incentive Plan and upon such additional terms and conditions as the Board determines.

2. Invitation and Application Form

An invitation to apply for the issue of Awards under the Incentive Plan must be made by way of an invitation (**Invitation**). At a minimum, the Invitation must include the following information:

- (a) the type of Award that the Eligible participant may apply for, being Options, Performance Rights and/or Shares;
- (b) the Acquisition Price of the Awards, if any;
- (c) the maximum number of each type of Award that the Eligible Participant may apply for, or the formula for determining the number of each type of Award that may be applied for;
- (d) where Options or Performance Rights are offered, the maximum number of Shares that the Participant is entitled to acquire on the exercise of each Option or Performance Right or the formula for determining the maximum number of Shares;
- (e) where Options are offered, the Option Exercise Price of any Options, or the formula for determining the Option Exercise Price;
- (f) where Options or Performance Rights are offered, any Vesting Conditions;
- (g) any Restriction Condition the Board has resolved to apply to Shares acquired in accordance with this Plan;
- (h) any Restriction Period the Board has resolved to apply to Shares acquired in accordance with this Plan;
- (i) the Expiry Date of any Options or Performance Rights;
- (j) any other terms and conditions applicable to the Awards;
- (k) the date by which an Invitation must be accepted (Closing Date); and
- (I) any other information required by law or, where the Company is listed on a stock exchange, the stock exchange rules, or considered by the Board to be relevant to the Awards or Shares to be acquired on the exercise of Options or Performance Rights.

An Eligible Participant (or permitted Nominee) may apply for the Awards by signing and returning an Application Form to the Company no later than the Closing Date. The Board may accept or reject any

Application Form in its absolute discretion.

Where the Company needs to rely on the Class Order in respect of an Invitation, the Company must have reasonable grounds to believe, when making an Invitation, that the number of Shares to be offered under an Invitation, or received on exercise of Options or Performance Rights offered under an Invitation, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or under an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Invitation.

The Company's obligation to issue or transfer Awards is conditional on:

- (a) the issue or transfer of the Award complying with all applicable legislation, applicable stock exchange rules and the Constitution; and
- (b) all necessary approvals required under any applicable legislation and applicable stock exchange rules being obtained prior to the issue or transfer of the Awards.

3. Terms of the Awards

- (a) All Shares issued under the Plan will rank equally in all respects with the Shares of the same class for the time being on issue except as regards any rights attaching to such Shares by reference to a record date prior to the date of their issue.
- (b) Each Option or Performance Right will entitle its holder to subscribe for and be issued, one fully paid ordinary share in the capital of the Company (upon vesting and exercise of that Award) unless the Plan or an applicable Invitation otherwise provides.
- (c) There are no participating rights or entitlements inherent in Options or Performance Rights and participants will not be entitled to participate in new issues of securities offered to Shareholders of the Company without exercising the Options or Performance Rights, except to the extent an Invitation otherwise provides where permitted by the ASX Listing Rules.
- (d) There is no right to a change in the exercise price or in number of underlying Shares over which an Option or Performance Right can be exercised, except to the extent an Invitation otherwise provides where permitted by the ASX Listing Rules.
- (e) In the event of a reorganisation of the capital of the Company, the Company may alter the rights of the holder of an Award to the extent necessary to comply with the ASX Listing Rules applying to reorganisations at the time of the reorganisation.
- (f) Subdivision 83A-C of the Income Tax Assessment Act 1997 applies to the Awards except to the extent an Invitation provides otherwise.

4. Vesting and Exercise of Options and Performance Rights

- (a) **Vesting Conditions**: Subject to clause 4(b) below, an Option or Performance Right acquired under the Plan will not vest and be exercisable unless the Vesting Conditions (if any) attaching to that Option or Performance Right have been satisfied (as determined by the Board acting reasonably) and the Board has notified the Eligible Participant of that fact within 10 Business Days of becoming aware that any Vesting Condition has been satisfied.
- (b) Waiver of Vesting Conditions: Notwithstanding clause 4(a) above, the Board may in its discretion (except to the extent otherwise provided by an Invitation), by written notice to an Eligible Participant, resolve to waive any of the Vesting Conditions applying to an Option or Performance Right. For clarity, the Board may in its discretion waive or reduce any Vesting Conditions after the time specified for satisfaction of those Vesting Conditions has passed.
- (c) **Exercise on Vesting**: A Participant (or their personal legal representative where applicable)

may, subject to the terms of any Invitation, exercise any vested Option or Performance Right at any time after the Board notifies that the Option or Performance Right has vested and before it lapses.

(d) Cashless Exercise Facility:

- (i) In respect of Options, the Board may, in its discretion, permit a Participant to exercise some or all of their Options by using the Cashless Exercise Facility. The Cashless Exercise Facility entitles a Participant to set-off the Option Exercise Price against the number of Shares which the Participant is entitled to receive upon exercise of the Participant's Options. By using the Cashless Exercise Facility, the Participant will receive Shares to the value of the surplus after the Option Exercise Price has been set-off.
- (ii) If a Participant elects to use the Cashless Exercise Facility, and its use is approved by the Board, the Participant will be issued or transferred that number of Shares (rounded up to the nearest whole number) equal to:
 - (A) the aggregate total Market Value (as determined on the date the Options the subject of the Cashless Exercise Facility are exercised) of Shares that would otherwise be issued on exercise of the Options had all such Options been exercised for a cash Option Exercise Price;
 - (B) less the aggregate total Option Exercise Price otherwise payable in respect of the vested Options exercised; and
 - (C) divided by the Market Value of a Share as determined on the date the Options the subject of the Cashless Exercise Facility are exercised.
- (iii) If the Option Exercise Price otherwise payable in respect of the Options being exercised is the same or higher than the Market Value of Shares at the time of exercise, then a Participant will not be entitled to use the Cashless Exercise Facility.
- (e) Cash Payment: Subject to the Corporations Act, the ASX Listing Rules, the Plan and the terms of any Invitation, where an Invitation so provides, when all Vesting Conditions in respect of an Option or Performance Right have been satisfied or waived, the Board may, in its discretion, within 10 Business Days of receipt of a valid notice of exercise for the vested Option or Performance Right, in lieu of issuing or transferring a Share to the Participant on exercise of the Option or Performance Right, pay the Participant or his or her personal representative (as the case may be) a cash payment for the Option or Performance Right exercised equal to the Market Value of a Share up to and including the date the Option or Performance Right was exercised, less, in respect of an Option, any Option Exercise Price. A vested Option or Performance Right automatically lapses upon payment of a Cash Payment in respect of the vested Option or Performance Right.
- (f) **Lapsing of Options/Performance Rights**: An Option or Performance Right will lapse upon the earlier of:
 - (i) the Board, in its discretion, resolving an Option or Performance Right lapses as a result of an unauthorised disposal of, or hedging of, the Option or Performance Right;
 - (ii) a Vesting Condition not being satisfied or becoming incapable of satisfaction (and not being waived by the Board in its discretion);
 - (iii) in respect of an unvested Option or Performance Right, the holder ceases to be an Eligible Participant and the Board does not exercise its discretion to vest the Option or Performance Right or allow it to remain unvested;
 - (iv) in respect of a vested Option or Performance Right, a holder ceases to be an Eligible Participant and the Board, in its discretion, resolves that the Option or Performance Right must be exercised within one (1) month (or such later date as the Board

- determines) of the date the Relevant Person ceases to be an Eligible Participant, and the Option or Performance Right is not exercised within that period and the Board resolves, at its discretion, that the Option or Performance Right lapses as a result;
- (v) upon payment of a Cash Payment in respect of the vested Option or Performance Right;
- (vi) the Board deems that an Option or Performance Right lapses due to fraud, dishonesty or other improper behaviour of the holder/Eligible Participant under the rules of the Incentive Plan;
- (vii) in respect of an unvested Option or Performance Right, a winding up resolution or order is made, and the Option or Performance Right does not vest in accordance with rules of the Incentive Plan; and
- (viii) the Expiry Date of the Option or Performance Right.

5. Disposal Restrictions

- (a) Shares can be made subject to a Restriction Condition and/or a Restriction Period, either of which prohibit disposal until satisfied or waived at the Board's discretion (unless an Invitation otherwise provides).
- (b) If a Restriction Condition is not met (and is not waived), the Company may, amongst other remedies, buyback and cancel the Shares for nil consideration, sell the Shares for at least 80% of Market Value and retain the sale proceeds, or declare the Shares to be forfeited and, where held by a trustee, for the Shares to return to the unallocated pool or to be allocated to a different Participant.
- (c) A Share that is subject to a Restriction Period is not at risk of buyback/forfeiture, it is just unable to be disposed during the Restriction Period.
- (d) An Option or Performance Right is non-transferable other than in Special Circumstances with the consent of the Board (which may be withheld in its discretion) or by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.
- (e) The Company may implement any procedure it considers appropriate to restrict a Participant from dealing with any Shares for as long as those Shares are subject to a Restriction Period.
- (f) Shares are deemed to be subject to a Restriction Period to the extent necessary to comply with any escrow restrictions imposed by the ASX Listing Rules.
- (g) The Participant agrees to execute a restriction agreement in relation to the Restricted Shares reflecting any Restriction Period applying to the Restricted Shares under the Plan or any escrow imposed by the ASX Listing Rules.
- (h) No issue or allocation of Awards and/or Shares will be made to the extent that it would contravene the Constitution, Listing Rules, the Corporations Act or any other applicable law.

SCHEDULE 2 – PERFORMANCE RIGHT MATERIAL TERMS

- (a) The Performance Rights proposed to be issued under Resolution 4 will be issued subject to the terms and conditions of the Plan, which are summarised in Schedule 1, and the following material terms and conditions. The Performance Rights will only vest and be exercisable into Shares upon satisfaction or waiver by the Board of the following vesting conditions.
 - Relative Total Shareholder Return (RTSR) shall be measured against the S&P Small
 Ordinaries Index for the relevant performance period and 50% of the Performance Rights
 shall vest at the 50th percentile and 100% shall vest at or above the 85th percentile.
 - Earnings Per Share (EPS) shall be measured by absolute EPS compounded growth of 10% or greater per annum.
- (b) The Board may in its discretion, by written notice, resolve to waive any of the Vesting Conditions applying to a Performance Right.
- (c) Each Performance Right entitles its holder to subscribe for and be issued, one Share (upon vesting and exercise of that Performance Right).
- (d) A Performance Right is non-transferable other than in Special Circumstances with the consent of the Board (which may be withheld in its discretion) or by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.
- (e) No issue or allocation of Performance Rights and/or Shares will be made to the extent that it would contravene the Constitution, Listing Rules, the Corporations Act or any other applicable law.
- (f) There are no participating rights or entitlements inherent in the Performance Rights and participants will not be entitled to participate in new issues of securities offered to Shareholders of the Company without exercising the Performance Rights.
- (g) There is no right to a change in the exercise price or in number of underlying Shares over which a Performance Right can be exercised.
- (h) In the event of a reorganisation of the capital of the Company, the Company may alter the rights of the holder of a Performance Right to the extent necessary to comply with the ASX Listing Rules applying to reorganizations at the time of the reorganization.
- (i) Options and Performance Right do not carry any entitlement to notice of, or a right to vote at, Shareholder meetings, or any right to dividends.



Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **9.00am (WST) on Wednesday, 25 November 2020,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below. YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: https://investor.automic.com.au/#/home Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 - APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

https://investor.automic.com.au/#/loginsah

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic GPO Box 5193 Sydney NSW 2001

IN PERSON:

Automic

Level 5, 126 Phillip Street Sydney NSW 2000

BY EMAIL:

 $\underline{meetings@automicgroup.com.au}$

BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: https://automicgroup.com.au/

PHONE: 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)

STEP 1 – How to vote

APPOINT A PROXY:

I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of Valmec Limited, to be held virtually at **9.00am (WST) on Friday, 27 November 2020** herebu:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1 and 4 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

VIRTUAL PARTICIPATION AT THE AGM:

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

- 1. Open your internet browser and go to investor.automic.com.au
- Login with your username and password or click "register" if you haven't already created an account. Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

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STEP 2 – Your voting direction

Resolutions				Abstain
1. /	Adoption of Remuneration Report			
2. F	Re-Election of Director — Mr Vincent Santostefano			
3. F	Re-Election of Director – Mr Peter Mcmorrow			
4.	Issue of Performance Rights to Related Party — Steve Dropulich			
5. <i>F</i>	Approval of 10% Placement Capacity			

STEP 3 – Signatures and contact details

Individual or Securityholder 1				Securityholder 2								Securityholder 3									_	
Sole Director and Sole Con Contact Name:	D	Director								Director / Company Secretary												
Email Address:	Email Address:																					
Contact Daytime Telephone Date (DD/MM/YY)																						
														/			/					
By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).																						