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VALMEC LIMITED

ABN 94 003 607 074

## NOTICE OF ANNUAL GENERAL MEETING

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**TIME:** 9:00 (WST)

**DATE:** 27 November 2018

**PLACE:** RSM, Level 32, 2 The Esplanade, Perth WA

*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 contact the Company Secretary, Mr Harveer Singh, on (+ 61 8) 9266 8888.*

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE AND TIME OF MEETING

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The Annual General Meeting of the shareholders of Valmec Limited to which this Notice of Annual General Meeting relates, will be held at the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 27 November 2018 at 9:00am (WST).

### VOTING IN PERSON

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

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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 in the Proxy Form. All Proxy Forms must be received no later than 9:00am (WST) on 25 November 2018. Proxy Forms received after this time will be invalid.

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

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder 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 Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder'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 changes to the Corporations Act made in 2011 mean 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.

Further details on these changes are set out below.

#### ***Proxy vote if appointment specifies way to vote***

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie. as directed);
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair of the meeting, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

#### ***Transfer of non-chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

then the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of the Company will be held at the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 27 November 2018 at 9:00am (WST). The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 4:00pm (WST) on 25 November 2018.

The Explanatory Statement which accompanies and forms part of this Notice describes the matters to be considered at the Meeting.

### AGENDA

#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider 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 2018.

#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

##### **Voting Prohibition Statement:**

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any 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 described above (the voter) 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, or if the Company is part of a consolidated entity, for the entity.

#### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR PETER IANCOV

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 and for all other purposes, Mr Peter Iancov, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

#### 4. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – MR STEVE DROPULICH

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

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 544,500 Options to Mr Steve Dropulich under the Employee Option Plan, 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 Employee Option Plan, or any associates 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.

#### **Voting Prohibition Statement:**

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

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) 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.

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

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

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 222,750 Performance Rights to Mr Steve Dropulich under the Performance Rights Plan, 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 Performance Rights Plan, or any associates 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.

#### **Voting Prohibition Statement:**

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

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) 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, with or without amendment, the following as a **special resolution**:

*“That, for the purposes of ASX 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 ASX Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this 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) if the Resolution is passed or any associates of those persons. However, the Company will 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.

## 7. RESOLUTION 6 – ADOPTION OF PERFORMANCE RIGHTS PLAN

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

*"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to:*

- (a) renew and maintain the Performance Rights Plan on the terms and conditions summarised in the accompanying Explanatory Statement; and*
- (b) grant Performance Rights from time to time under the Performance Rights Plan."*

### **ASX Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates 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.

### **Voting Prohibition Statement:**

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

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) 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.

## 8. RESOLUTION 7 – RATIFICATION OF ISSUE OF SHARES TO SOPHISTICATED AND PROFESSIONAL INVESTORS

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

*"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, Shareholders ratify the issue on 16 January 2018 of 20,400,000 Shares (at an issue price of \$0.25 each) to sophisticated and professional investors on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person who participated in the issue of Shares under this Resolution and any associates of those persons. However, the Company will 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.

**DATED: 19 OCTOBER 2018**  
**BY ORDER OF THE BOARD**



MR HARVEER SINGH  
 COMPANY SECRETARY/CFO

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## EXPLANATORY STATEMENT

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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 at the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 27 November 2018 at 9:00am (WST).

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

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### 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 2018 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 5.00 pm (WST) on 23 November 2018. 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 5.00 pm (WST) on 23 November 2018 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](http://www.valmec.com.au).

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### 2. RESOLUTION 1 – ADOPTION OF 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 under 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 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 changes to the Corporations Act, which came into effect on 1 July 2011, 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 vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings. 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.

The Corporations Act also provides that all of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will 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 Spill Resolution is not relevant for this Meeting.

## 2.4 Voting exclusions and recommendation

Voting exclusions apply to this Resolution, 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.

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.

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## 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR PETER IANCOV

### 3.1 General

Mr. Peter Iancov was last elected as a director at the Company's annual general meeting held on 30 November 2015. ASX Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) 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 (rounded 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, whichever is the longer, without submitting himself or herself for re-election;
- (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; and/ 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.

The Company currently has 5 Directors, one of whom is the Managing Director. Accordingly, 1 must retire.

Mr Peter Iancov, the Director longest in office since his last election, retires by rotation and seeks re-election. Mr Peter Iancov was first appointed as a non-executive director on 23 October 2015.

Information about Mr Peter Iancov is summarised below.

### **3.2 Mr Peter Iancov – Non Executive Director**

A Non-Executive Director since 23 October 2015 and a member of the strategic planning committee, audit and risk committee.

Mr Peter Iancov (BE(Elec), FIEAust, FAIM, FAIB, SMIEE MAICD) is an industry recognised professional with over 25 years expertise gained in critical energy infrastructure, mining, commercial construction, contracting and defence sectors as a general manager, chief executive officer, director and advisor, with business partnerships forged across Australia and multinational organisations. In his previous executive roles, Mr Peter Iancov has been instrumental in securing and delivering major contracting projects and was responsible for the management, construction and operation of critical energy infrastructure assets in excess of \$4.3 billion. Mr Peter Iancov has a strong background in successful delivery of major multidisciplinary projects, commercial and contractual risk, governance, systems and financial management.

Mr Peter Iancov is considered to be an independent director of the Company.

#### **Recommendation**

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



## 4. RESOLUTION 3 – ISSUE OF OPTIONS TO RELATED PARTY – MR STEVE DROPULICH

### 4.1 General

On 1 September 2014, the Board approved a remuneration framework for eligible employees, which contains a Long Term Incentive Plan (LTI Plan) inclusive of Performance Rights, Options and Share Appreciation Rights.

It is proposed that the Company, subject to obtaining Shareholder approval, issue the following to Mr Steve Dropulich who is a related Party of the Company by virtue of being a director of the Company.

Related Party	Options	Performance Rights	Share Appreciation Rights
Steve Dropulich	\$65,340	\$35,640	\$17,820

The issue of the Options to Mr Steve Dropulich is the subject of Resolution 3.

The issue of the Performance Rights to Mr Steve Dropulich is the subject of Resolution 4.

The Share Appreciation Rights do not give the holder a right to a security. Rather, the Company must, within 30 Days of automatic vesting, pay the holder a cash amount calculated in accordance with the formula set out in the Share Appreciation Rights Plan, which are based on the following Exercise and vesting condition – 50% of the granted Share Appreciation Rights are subject to the Relative TSR measure against the S&P Small Ordinaries Index over the performance period and 50% of the granted Share Appreciation Rights are subject to the Absolute EPS compound growth of 10% per annum over the performance period. Accordingly, Shareholder approval pursuant to ASX Listing Rule 10.14 is not required in relation to the issue of the Share Appreciation Rights. The Directors (other than Mr Steve Dropulich) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Share Appreciation Rights because the agreement to grant the Share Appreciation 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 the reasonable remuneration exception contained in section 211 of the Corporations Act therefore applies in the circumstances.

Mr Steve Dropulich's annual fixed remuneration is \$360,000 (exclusive of superannuation), and the long term incentive dollar value has been set by the Board at the maximum level permitted under the remuneration framework, being 33% of this annual fixed remuneration, being \$118,800.

The breakdown of the securities to be issued under the LTI Plan has been set by the Board as follows:

	Options	Performance Rights	Share Appreciation Rights	Total
<b>% of securities offered under LTI Plan</b>	55%	30%	15%	100%
<b>Value of securities offered under LTI Plan</b>	\$65,340	\$35,640	\$17,820	\$118,800

### 4.2 Resolution 3

It is proposed that Mr Steve Dropulich be issued 544,500 Options under the Employee Option Plan, which was approved by Shareholders at the Company's general meeting of Shareholders held on 3 October 2013 and such approval was renewed at the Company's annual general meeting of Shareholders held on 28 November 2016. A summary of the Employee Option Plan is contained in the Company's notice of general meeting dated 25 October 2016.

The purpose of the issue of Options 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 Mr Steve Dropulich be issued Options for nil cash consideration.

Each Option will entitle the holder to subscribe for one Share, subject to the satisfaction of certain exercise conditions as determined by the Board (Exercise Conditions) and the payment of the exercise price. In the event that the Exercise Conditions are not met, the Options will lapse and as a result, no new Shares will be issued.

The Options will be issued for nil cash consideration and the exercise price of each Option is \$0.30, being 189% of the 30 day VWAP of the Shares prior to the date on which the Board approved the issue of the Options (subject to Shareholder approval) on 31 August 2017.

The dollar value of the Options to be issued to Mr Steve Dropulich is \$65,340.

Subject to obtaining Shareholder approval, the Options will become exercisable when the Exercise Conditions are met and at the following rate:

Date of Vesting	Rate of Vesting
30 June 2020	1/3
30 June 2021	1/3
30 June 2022	1/3

The quantity of Options to be issued has been determined by dividing the value of the Options by the Monte Carlo valuation of each Option at the time the Board approved the issue of the Options (subject to Shareholder approval), being 31 August 2017.

The table below sets out the Monte Carlo valuation calculation.

Performance Condition	Weighting	\$ Value	Quantity
1	50%	\$32,670	272,250
2	50%	\$32,670	272,250
<b>TOTAL</b>	<b>100%</b>	<b>\$65,340</b>	<b>544,500</b>

Mr Steve Dropulich will be entitled to exercise the Options upon the achievement of the following Exercise Conditions:

1. The Relative Total Shareholder Return (RTSR) shall be measured against the S&P Small Ordinaries Index for the relevant performance period and 50% of the Options shall become exercisable at the 50th percentile and 100% shall become exercisable at or above the 85th percentile.
2. Earnings Per Share (EPS) shall be measured by absolute EPS compounded growth of 10% or greater per annum.

### 4.3 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 Options under the Employee Option 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 the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of Options to Mr Steve Dropulich, because the agreement to grant the Options, 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.

#### 4.4 ASX Listing Rule 10.14

ASX Listing Rule 10.14 also 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.

As the issue of the Options to Mr Steve Dropulich involves the issue of securities under an employee incentive scheme to Directors, Shareholder approval pursuant to ASX Listing Rule 10.14 is required.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Mr Steve Dropulich as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Options to Mr Steve Dropulich will not diminish the Company's 15% annual placement capacity calculated pursuant to ASX Listing Rule 7.1 or its additional 10% placement capacity calculated pursuant to ASX Listing Rule 7.1A.

#### 4.5 Information required by ASX Listing Rule 10.15 for the issue of the Options

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 Rule 10.14):

- (a) **ASX Listing Rule 10.15.1:** Relationship to the related party  
The Options will be granted to Mr Steve Dropulich and he is a related party of the Company by virtue of being a Director of the Company.
- (b) **ASX Listing Rule 10.15.2:** Maximum number of securities to be issued  
The maximum number of Options to be issued to Mr Steve Dropulich is 544,500 Options.
- (c) **ASX Listing Rule 10.15.3:** Issue price of the securities  
The Options will be issued for nil cash consideration and an exercise price of \$0.30 per Option will be payable on achievement of the Exercise Conditions set by the Board. No funds will be raised from the issue of the Options as they are being issued for nil cash consideration. Funds received by the Company on exercise of the Options will be used by the Company for general working capital purposes.
- (d) **ASX Listing Rule 10.15.4:** Names of persons that have previously received securities  
Since the Employee Option Plan was last approved by Shareholders on 28 November 2016, no Options have been issued to persons referred to in ASX Listing Rule 10.14 under the Employee Option Plan.
- (e) **ASX Listing Rule 10.15.4A:** Names of eligible participants  
All executive Directors are eligible to participate in the Employee Option Plan.
- (f) **ASX Listing Rule 10.15.6:** Terms of any loan in relation to the issue of securities  
No loan will be provided by the Company to Mr Steve Dropulich in relation to the issue or the exercise of the Options.

(g) **ASX Listing Rule 10.15.7:** Date by which securities will be issued

The Options will be issued to Mr Steve Dropulich no later than 12 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 Options will be issued on one date.

The Options will become exercisable on achievement of the Exercise Conditions. The relevant Exercise Conditions set by the Board are detailed in section 0 of this Explanatory Statement. The Options will otherwise be issued on the terms and conditions set out in the Employee Option Plan. A summary of the Employee Option Plan is contained in the Company's notice of general meeting dated 26 October 2016. The Shares to be issued upon the exercise of the Options shall rank pari passu with existing Shares on issue.

#### 4.6 Recommendation

The Directors (other than Mr Steve Dropulich who has a material personal interest in the outcome of the Resolutions) recommend that Shareholders vote in favour of Resolution 3.

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

#### 5.1 General

As set out in section 4.1 of this Explanatory Statement, the Company has agreed, subject to obtaining Shareholder approval, to issue Performance Rights to the value of \$35,640 to Mr Steve Dropulich under the LTI Plan and on the terms and conditions set out below.

#### 5.2 Resolution 4

It is proposed that Mr Steve Dropulich be issued 222,750 Performance Rights under the Performance Rights Plan, which was approved by Shareholders at the Company's annual general meeting held on 28 November 2014. A summary of the Performance Rights Plan is contained in the Company's notice of annual general meeting dated 21 October 2014.

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 Mr Steve Dropulich be issued Performance Rights for nil cash consideration.

Each Performance Right will vest as one Share, subject to the satisfaction of certain performance criteria (Performance Conditions). In the event that the Performance Conditions are not met, 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.

Section 4.1 of this Explanatory Statement provides the dollar value of the Performance Rights to be issued to Mr Steve Dropulich as being \$35,640 and, subject to obtaining Shareholder approval, the Performance Rights will vest when the Performance Conditions are met and at the following rate:

Date of Vesting	Rate of Vesting
30 June 2020	1/3
30 June 2021	1/3
30 June 2022	1/3

The quantity of Performance Rights to be issued has been determined by dividing the value of the Performance Rights by the Monte Carlo valuation of each Performance Right at the time the Board approved the issue of the Performance Rights (subject to Shareholder approval), being 31 August 2017:

Performance Condition	Weighting	\$ Value	Quantity
1	50%	\$17,820	111,375
2	50%	\$17,820	111,375
<b>TOTAL</b>	<b>100%</b>	<b>\$35,640</b>	<b>222,750</b>

The Performance Rights will vest and automatically convert into Shares upon the achievement of the following Performance Conditions:

1. 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.
2. Earnings Per Share (EPS) shall be measured by absolute EPS compounded growth of 10% or greater per annum.

### 5.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 4.3 of this Explanatory Statement.

The grant of the Performance Rights under the Performance Rights 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 the Resolutions) 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

A summary of ASX Listing Rule 10.14 is set out in section 4.4 of this Explanatory Statement.

As the issue of the Performance Rights to Mr Steve Dropulich involves the issue of securities under an employee incentive scheme to Directors, Shareholder approval pursuant to ASX Listing Rule 10.14 is required.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights to Mr Steve Dropulich as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to Mr Steve Dropulich will not diminish the Company's 15% annual placement capacity calculated pursuant to ASX Listing Rule 7.1.

### 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:** Relationship to the related party  
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.
- (b) **ASX Listing Rule 10.15.2:** Maximum number of securities to be issued  
The maximum number of Performance Rights to be issued to Mr Steve Dropulich is 222,750 Performance Rights.
- (c) **ASX Listing Rule 10.15.3:** Issue price of the securities  
The Performance Rights will be issued for nil cash consideration and no cash consideration will be payable upon the vesting of the Performance Rights on achievement of the Performance Conditions set by the Board.
- (d) **ASX Listing Rule 10.15.4:** Names of persons that have previously received securities  
Since it was last approved by Shareholders on 28 November 2014, Performance Rights have been issued to persons referred to in ASX Listing Rule 10.14 under the Performance Rights Plan, as follows:
  - (i) on 19 May 2015, 265,000 Performance Rights were issued to Mr Steve Dropulich for nil cash consideration pursuant to the Performance Rights Plan;
  - (ii) on 19 May 2015, 149,000 Performance Rights were issued to Mr Vincent Goss for nil cash consideration pursuant to the Performance Rights Plan and
  - (iii) on 23 June 2015, 244,237 Performance Rights were issued to Mr Steve Dropulich for nil cash consideration pursuant to the Performance Rights Plan.

- (e) **ASX Listing Rule 10.15.4A:** Names of eligible participants  
All executive Directors are eligible to participate in the Performance Rights Plan.
- (f) **ASX Listing Rule 10.15.6:** Terms of any loan in relation to the issue of securities  
No loans will be made in relation to the issue or vesting of the Performance Rights.
- (g) **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 12 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.

The Performance Rights will become exercisable on achievement of the Performance Conditions. The relevant Performance Conditions set by the Board are detailed in section 5.2 of this Explanatory Statement. The Performance Rights will otherwise be issued on the terms and conditions set out in the Performance Rights Plan. A summary of the Performance Rights Plan is contained in the Company's 2014 notice of annual general meeting dated 21 October 2014. The Shares to be issued upon the vesting of the Performance Rights shall rank *pari passu* with existing Shares on issue.

## 5.6 Recommendation

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

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## 6. RESOLUTION 5 – APPROVAL OF 10% PLACEMENT CAPACITY

### 6.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (10% Placement Capacity).

The Company is an Eligible Entity.

If Shareholders approve Resolution 5, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 6.2 below).

The effect of Resolution 5 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue within the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under ASX Listing Rule 7.1.

Resolution 5 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

### 6.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$33,641,651 based on the amount of Shares on issue and the closing price of Shares on 3 October 2018 of 27 cents per share.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one classes of Equity Securities on issue, being the Shares (ASX Code: VMX).

The exact number of Equity Securities that the Company may issue under an approval under ASX Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

- A** is the number of Shares on issue 12 months before the date of issue or agreement:
- plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - plus the number of partly paid shares that became fully paid in the previous 12 months;
  - plus the number of Shares issued in the previous 12 months with approval of Shareholders under ASX Listing Rules 7.1 and 7.4. This does not include an issue of Shares under the entity's 15% annual placement capacity without Shareholder approval; and
  - less the number of Shares cancelled in the previous 12 months.
- D** is 10%.
- E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rules 7.1 or 7.4.

### 6.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 5:

**(a) Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 ASX trading days of the date referred to in the paragraph immediately above, the date on which the Equity Securities are issued.

**(b) Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- 12 months after the date of this Meeting; and
- the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (i.e. a significant change to the nature or scale of the Company's activities) or 11.2 (i.e. disposal of the Company's main undertaking, after which date, an approval under ASX Listing Rule 7.1A ceases to be valid),

**(10% Placement Capacity Period).**

**(c) Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable 'A' in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Issue Price (per Share)	Dilution		
		\$0.135 50% decrease in Issue Price	\$0.27 Issue Price	\$0.405 50% increase in Issue Price
<b>104,198,708</b> (Current Variable 'A')	Shares issued - 10% voting dilution	10,419,871 Shares	10,419,871 Shares	10,419,871 Shares
	Funds raised	\$1,406,683	\$2,813,365	\$4,220,048
<b>156,298,062</b> (50% increase in Variable 'A')	Shares issued - 10% voting dilution	15,629,806 Shares	15,629,806 Shares	15,629,806 Shares
	Funds raised	\$2,110,024	\$4,220,048	\$6,330,071
<b>208,397,416</b> (100% increase in Variable 'A')	Shares issued - 10% voting dilution	20,839,742 Shares	20,839,742 Shares	20,839,742 Shares
	Funds raised	\$2,813,365	\$5,626,730	\$8,440,096

\*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 ASX Listing Rule 7.1.

**The table above uses the following assumptions:**

1. There are currently 124,598,708 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 3 October 2018.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1, other than the 20,400,000 Shares that were issued on 16 January 2018.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. 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 shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. 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%.
9. 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.

Shareholders should note that there is a risk that:

- (i) the market price for the 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.

**(d) Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or
- (ii) for cash consideration, in which case the Company intends to use the funds raised for the growth of the core business including acquisitions of new assets or investments (including expenses associated with such acquisitions), business development and/or general working capital.),

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.



(e) **Allocation under the 10% Placement Capacity**

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 related party of the Company.

The Company will determine the allottees 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).

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Capacity will be vendors of the new assets or investments.

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 30 November 2017 (Previous Approval).

During the 12 month period preceding the date of the Meeting, being on and from 30 November 2017, the Company has issued 42,922,083 Equity Securities. These Equity Securities represent approximately 34.45% of the total number of Equity Securities on issue in the capital of the Company on 3 October 2018, which was 124,598,708.

Further details of the issue of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule A.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it will give to ASX:

- (i) a list of the allottees of the Equity Securities and the number of Equity Securities allotted to each (not for release to the market), in accordance with ASX Listing Rule 7.1A.4; and
- (ii) the information required by ASX Listing Rule 3.10.5A for release to the market.

## 6.4 Voting Exclusion

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

## 7. RESOLUTION 6 – ADOPTION OF PERFORMANCE RIGHTS PLAN

### 7.1 General

Resolution 6 seeks Shareholder approval for the renewal and maintenance of a Performance Rights Plan in accordance with ASX Listing Rule 7.2 (Exception 9(b)). This Performance Rights Plan was last approved at the Company's annual general meeting held on 28 November 2014.

The objective of the Performance Rights Plan is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of employees in achieving specified performance milestones within a specified performance period. The Board will ensure that the performance milestones attached to the securities issued pursuant to the Performance Rights Plan are aligned with the successful growth of the Company's business activities.

The employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the Performance Rights Plan is an appropriate method to:

- (a) provide targeted but competitive remuneration and long term incentives for the retention of key employees;
- (b) encourage participation by employees in the growth and success of the Company through equity ownership;
- (c) align the interests of employees and shareholders; and
- (d) provide greater incentive for Eligible Employees to focus on the Company's longer term goals.

## **7.2 ASX Listing Rule 7.1**

ASX Listing Rule provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period.

ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 6 is passed, the Company will be able to grant Performance Rights under the Performance Rights Plan to eligible participants over a period of 3 years after the Meeting, and to issue Shares to those employees if they achieve the performance and vesting criteria of those Performance Rights, without using the Company's 15% annual placement capacity.

## **7.3 Terms of the Performance Rights Plan**

A summary of the terms of the Performance Rights Plan is provided in Schedule B to this Explanatory Statement. In addition, a copy of the Performance Rights Plan is available for review by Shareholders at the Company's registered office until the date of the Meeting. A copy of the Performance Rights Plan can also be sent to Shareholders upon request to the Company Secretary.

Performance Rights that have been granted under the Performance Rights Plan since the Performance Rights Plan was last approved at the Company's annual general meeting held on 28 November 2014 are as follows:

- (a) on 19 May 2015, 265,000 Performance Rights were issued to Mr Steve Dropulich for nil cash consideration pursuant to the Performance Rights Plan;
- (b) on 19 May 2015, 149,000 Performance Rights were issued to Mr Vincent Goss for nil cash consideration pursuant to the Performance Rights Plan and
- (c) on 23 June 2015, 244,237 Performance Rights were issued to Mr Steve Dropulich for nil cash consideration pursuant to the Performance Rights Plan.

Any future issues of Shares under the Performance Rights Plan to a related party or a person whose relation with the Company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolution 4 for the issue of Performance Rights to Mr Steve Dropulich.

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## **8. RESOLUTION 7 – RATIFICATION OF ISSUE OF SHARES TO SOPHISTICATED AND PROFESSIONAL INVESTORS**

### **8.1 General**

Resolution 7 seeks the approval of Shareholders pursuant to ASX Listing Rule 7.4 for the issue on 16 January 2018 of 20,400,000 Shares (at an issue price of \$0.25 each) to sophisticated and professional investors (January Capital Raising). As announced on 17 January 2018, the issue of Shares raised \$5,100,000 before costs.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares under the January Capital Raising.

12,233,000 of the Shares issued under the January Capital Raising were issued under the Company's 15% annual placement capacity set out in ASX Listing Rule 7.1. 8,167,000 of the Shares issued under the January Capital Raising were issued using the Company's additional 10% placement capacity set out in ASX Listing Rule 7.1A.

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.

## 8.2 ASX Listing Rule 7.4

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purposes of ASX Listing Rule 7.1. By ratifying the issue of 12,233,000 of the Shares pursuant to the January Capital Raising, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

ASX Listing Rule 7.4 also permits the ratification of previous issues of securities made without prior Shareholder approval, provided the issue did not breach the 10% threshold set by ASX Listing Rule 7.1A. By ratifying the issue of 8,167,000 of the Shares pursuant to the January Capital Raising, the Company's maximum discretionary power to issue further equity securities up to 10% of the issued capital of the Company without requiring Shareholder approval is restored.

## 8.3 ASX Listing Rule 7.5

The following information in relation to the Shares issued under the January Capital Raising is provided to Shareholders for the purposes of ASX Listing Rule 7.5:

- (a) 20,400,000 Shares were issued;
- (b) the Shares were issued at an issue price of \$0.25 each. The issue of Shares raised \$5,100,000 before costs;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue and rank equally in all respects with the Company's existing Shares on issue;
- (d) the Shares were issued to sophisticated and professional investors, all of whom are unrelated parties of the Company; and
- (e) funds raised from the issue were used by the Company to fund the acquisition of the APTS business which was completed on the 1st February 2018 as well as strengthen the Company's balance sheet by providing additional working capital and elimination of debt.

## 9. ENQUIRIES

Shareholders may contact the Company Secretary on (+ 61 8) 9266 8888 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

\$ 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 6.3 of the Explanatory Statement.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice of Meeting.

**Annual Report** means the Company's annual financial report for the financial year ended 30 June 2018.

**ASX** means ASX Limited.

**ASX Listing Rules** means the listing rules of the ASX.

**Board** means the board of directors of the Company.

**Chair** means the person appointed to chair the Meeting convened by this Notice.

**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 or 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) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

**Constitution** means the Company's constitution.

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

**Directors** means the directors of the Company.

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

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

**Employee Option Plan** means the Company's Employee Option Plan approved by Shareholders on 3 October 2013 and renewed on 28 November 2016, as disclosed in the Company's notice of general meeting dated 25 October 2016.

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

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means 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, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) 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.

**Notice, Notice of Meeting or Notice of Annual General Meeting** means this notice of annual general meeting, including the Explanatory Statement.

**Option** means an option which enables the holder to subscribe for one Share.

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

**Performance Rights Plan** means the Company's Performance Rights Plan approved by Shareholders on 28 November 2014, as disclosed in the Company's notice of general meeting dated 21 October 2014.

**Previous Approval** has the meaning given in section 6.3 of the Explanatory Statement.

**Proxy Form** means the proxy form attached to 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 of Meeting, or any one of them, as the context requires.

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

**Share Appreciation Right** means a right to receive a cash payment from the Company on the terms set out in the Share Appreciation Rights Plan.

**Share Appreciation Rights Plan** means the Company's Share Appreciation Rights Plan approved by the Board on 1 September 2014.

**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.

**VWAP** means the volume weighted average price.

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

## SCHEDULE A – ISSUES OF EQUITY SECURITIES SINCE 30 NOVEMBER 2017

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable)	Form of consideration
12 January 2018	22,522,083	Fully paid ordinary shares	Non related and related parties on the basis of their exercise of listed options (VMXO).	\$0.25 per share	Cash consideration of 0.25 per share raising \$5,630,520.
16 January 2018	20,400,000	Fully paid ordinary shares	Non-related professional and sophisticated investors.	\$0.25 per share Discount to Market Price: 4%.	<p>Cash consideration of \$0.25 per share raising \$5,100,000.</p> <p>The funds raised were used to fund the acquisition of the APTS business as well as strengthen the Company's balance sheet by providing additional working capital and elimination of debt.</p> <p>There are zero funds remaining.</p>

## SCHEDULE B - TERMS OF PERFORMANCE RIGHTS PLAN

The key terms of the Performance Rights Plan are as follows:

- (a) **Eligibility:** The Board may declare in its sole and absolute discretion:
  - (i) any full time or part time employee;
  - (ii) any Executive Director (as defined in the Performance Rights Plan); or
  - (iii) subject to, and in accordance with, any necessary Australian Securities and Investments Commission relief being obtained, a casual employee or contractor,

of a Group Company (as defined in the Performance Rights Plan), to be eligible to receive grants of Performance Rights under the Performance Rights Plan (Eligible Participant);

- (b) **Offer:** The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant to apply for up to a specified number of Performance Rights, upon the terms set out in the Performance Rights Plan and upon such additional terms and conditions as the Board determines (Offer).
- (c) **No Consideration:** Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration, unless the Board otherwise determines.
- (d) **Grant of Performance Rights:** Once the Company has received and accepted a duly signed and completed acceptance form for Performance Rights, the Board will grant Performance Rights to the Eligible Participant, with effect from grant date, upon the terms set out in the Offer and the Performance Rights Plan and upon such additional terms and conditions as the Board determines.

The Company will, within a reasonable period after the grant date of the Performance Rights, issue the Eligible Participant with a certificate evidencing the grant of the Performance Rights.

- (e) **Grant Performance Rights Approvals:** The Board must ensure that:
  - (i) every issue of Performance Rights under the Performance Rights Plan complies with any applicable legislation;
  - and
  - (ii) all necessary approvals required under any applicable legislation are obtained prior to the grant of the Performance Rights under the Performance Rights Plan.
- (f) **Dealings in Performance Rights:** A Performance Right granted under the Performance Rights Plan may not be assigned or transferred, except with written approval by the Board.

Where an Eligible Participant to whom a Performance Right has been granted (Participant) purports to transfer, assign, mortgage, charge or otherwise dispose or encumber a Performance Right, the Performance Right immediately lapses.

- (g) **Determination of Performance Conditions:** The Board, upon recommendations from the Remuneration Committee of the Board (Committee) shall, set the performance conditions applicable to the Performance Right.

The satisfaction of the performance conditions shall determine the proportion of Performance Rights held by the Participant which will vest to that Participant.

- (h) **Satisfaction of Performance Conditions:** At the end of each performance period for a Participant (being a period as determined by the Board, upon recommendations from the Committee, commencing on the Offer date, and being a period not less than 6 months and not more than five years from the date on which the Performance Rights was granted (**Performance Period**)), the Board, upon recommendation from the Committee, will:
  - (i) determine whether and, if so, the extent to which, the performance condition applicable to that Performance Period has been satisfied and the proportion (if any) of the Performance Rights that vest; and

- (ii) advise the Participant in writing:
  - (A) whether and the extent to which the performance condition for the Performance Period has been met; and
  - (B) of the proportion (if any) of the Performance Rights held by the Participant which vest to the Participant; and
  - (C) of the corresponding number of Shares (if any) to be issued.
- (i) **Vesting:** Unless otherwise designed by the Company, the Performance Rights granted under the Performance Rights Plan will vest at the end of the Performance Period, subject to and upon satisfaction of the performance condition.
- (j) **Automatic Exercise on Vesting:** Upon vesting of the Performance Right under the Performance Rights Plan, the vested Performance Right will automatically be exercised in favour of the Participant.
- (k) **Ceasing to be Eligible Participant due to death or ill health:** Where a Participant ceases to be an Eligible Participant as a result of:
  - (i) death; or
  - (ii) total or permanent disability,

then any unvested Performance Rights automatically lapse unless the Board determines that all or a portion of those Performance Rights immediately vest, in which case the Board must promptly notify the holder or their personal legal representative in writing of the vesting.

- (l) **Lapsing of Performance Rights:** A Performance Right will lapse upon the earlier to occur of:
    - (i) the Participant purporting to transfer, assign, mortgage, charge or otherwise dispose or encumber a Performance Right;
    - (ii) subject to paragraph (h) above, a performance condition attaching to that Performance Right is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion;
    - (iii) a Participant ceasing to be an Eligible Participant, unless the Board, upon recommendation from the Committee, otherwise determines within 30 days of the Participant ceasing to be an Eligible Participant;
    - (iv) in the opinion of the Board, a Participant acting fraudulently or dishonestly or is in breach of his or her obligations to any Group Company (as defined in the Performance Rights Plan);
    - (v) the Performance Right lapsing in accordance with paragraph (v) below;
    - (vi) the expiry date of the Performance Right; and
    - (vii) the seven (7) year anniversary of the date of grant of the Performance Rights.
  - (m) **Issue of shares:** Subject to the Corporations Act, the ASX Listing Rules and the Performance Rights Plan, the Company must issue to, or procure the transfer to, the Participant or his or her personal representative (as the case may be) the number of Shares the Participant is entitled to be issued in respect of vested Performance Rights that are exercised, within 10 business days of the Performance Rights being exercised (provided any payment due on exercise of the Performance Rights has been duly made).
- In the event that the issue of Shares on exercise of a Performance Right would require the Company to prepare a disclosure document (as that term is defined in the Corporations Act) in the absence of appropriate arrangements with the Participant, then the Company may require the Participant (as a precondition to the issue of the underlying Shares on exercise of the Performance Rights) to enter into such arrangements with the Company as the Board considers appropriate to ensure that the issue of such Shares without disclosure does not contravene the fundraising provisions of the Corporations Act.
- (n) **Share ranking:** All Shares issued under the Performance Rights 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.
  - (o) **Listing of Shares on ASX:** If Shares of the same class as those issued under the Performance Rights Plan are listed on the ASX, the Company will apply to the ASX within 10 business days of Shares being issued for those Shares to be listed on ASX.
  - (p) **Sale of Shares:** Subject to paragraph (q) below, there will be no transfer restrictions on Shares issued under the Performance Rights Plan unless the sale, transfer or disposal by the Participant of the Shares issued to them on exercise of the Performance Rights (or any interest in them) would require the preparation of a disclosure document (as that term is defined in the Corporations Act).

If a disclosure document is required, the Participant agrees to enter into such arrangements with the Company as the Board considers appropriate to prevent the sale, transfer or disposal of the relevant Shares in a manner that would require a disclosure document to be prepared.

- (q) Restriction on disposal of Shares: Any Share acquired by a Participant on the exercise of a Performance Right must not be disposed of or dealt with in any way by that Participant until the earlier of:
  - (i) the time when an event occurs so that the Eligible Participant to whom the Offer was originally made is no longer an Eligible Participant in any Group Company (as defined in the Performance Rights Plan);
  - (ii) the Board, in its sole and absolute discretion, approving that the restriction on disposal be released where the Eligible Participant to whom the Offer was originally made dies or suffers total and permanent disability or severe financial hardship;
  - (iii) an event set out in paragraph (v) below occurs; and
  - (iv) the five year anniversary of the date of grant of the Performance Rights.
- (r) Enforcing the disposal restriction: The Company may make such arrangements as it considers necessary to enforce the restriction on disposal of Shares and the Participant must agree to such arrangements, including entering into a voluntary restriction agreement.
- (s) Holding Locks: Subject to the ASX Listing Rules as applicable, the Company may procure that a holding lock be put on those Shares while the Shares are subject to the restriction on disposal.
- (t) Removing the restriction: Within 10 business days of the Company becoming aware that the restriction on disposal of Shares under no longer applies, the Company must procure that any restriction on dealing with that Share pursuant to these rules no longer applies.
- (u) Removing Holding Locks: When the Company becomes aware that a Share is no longer subject to the restriction on disposal, the Company must, within 10 business days, procure that any holding lock on that Share is removed.
- (v) Change of Control and winding-up: Subject to the terms and conditions of a grant of a Performance Right, the Board may in its absolute discretion determine that all or a portion of any unvested Performance Rights automatically vest on:
  - (i) the following events occurring:
    - (A) a bona fide takeover bid is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued Shares;
    - (B) a court approves under Section 411 (4)(b) of the Corporations Act a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
    - (C) in any other case, a person obtains voting power in the Company which the Board (which for the avoidance of doubt will comprise those directors immediately prior to the person acquiring that voting power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board; or
  - (ii) the Company passes a resolution for voluntary winding up or an order is made for the compulsory winding up of the Company,
    - in which case:
    - (iii) the Board must promptly notify the holder of the vested Performance Rights in writing; and
    - (iv) the vested Performance Right will automatically be exercised in favour of the Participant.
- (w) Adjustment for bonus issues: If Shares are issued pro rata to the Company's Shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Performance Rights to which each Participant is entitled, or the exercise price (if any), or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the Participant as a result of the bonus issue.



- (x) Rights Issue: Subject to the Board determining otherwise, a Participant does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights save that, if the Performance Rights have been exercised and Shares issued before the relevant record date, than the holder of the Shares will participate along with other members in respect of those Shares.
- (y) Adjustment for reorganisation: In the event of any reorganisation (including consolidation or subdivision,) of the issued capital of the Company, the number of Performance Rights to which each Participant is entitled, or the exercise price (if any), or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the Participant as a result of such corporate actions.
- (z) No other participation: Except as set out in paragraphs (w) to (y) above, during the currency of any Performance Rights and prior to exercise, Participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights. In addition, Participants are not entitled to vote nor to receive dividends as a result of their holding Performance Rights.
- (aa) Amendments: Subject to paragraphs (bb) and (cc) below, the Corporations Act and the ASX Listing Rules, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Performance Rights Plan, or the terms or conditions of any Performance Right granted under the Performance Rights Plan.
- (bb) Restrictions on amendments: Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which reduces the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:
  - (i) for the purpose of complying with or conforming to present or future State or Commonwealth of Australia legislation governing or regulating the maintenance or operation of the Performance Rights Plan or like plans;
  - (ii) to correct any manifest error or mistake; or
  - (iii) to take into consideration possible adverse tax implications in respect of the Performance Rights Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction.
- (cc) Retrospective Effect: Any amendment made may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made.
- (dd) Notice of amendment: As soon as reasonably practicable after making any amendment, the Board will give notice in writing of that amendment to any Participant affected by the amendment.



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# AGM Registration Card

If you are attending the meeting  
in person, please bring this with you  
for Securityholder registration.

[ReplaceNoImages]

[EntityRegistrationDetailsLine1Envelope]  
[EntityRegistrationDetailsLine2Envelope]  
[EntityRegistrationDetailsLine3Envelope]  
[EntityRegistrationDetailsLine4Envelope]  
[EntityRegistrationDetailsLine5Envelope]  
[EntityRegistrationDetailsLine6Envelope]

## [HolderNumber]

Holder Number:  
[HolderNumber]

## Vote by Proxy: [CompanyASXCode]

Your proxy voting instruction must be received by **9.00am (WST) on Sunday 25 November 2018**, 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 VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

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

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



### SUBMIT YOUR PROXY VOTE BY PAPER

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.

#### VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman 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 Chairman of the Meeting will be appointed as your proxy by default.

#### DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman 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

#### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

You must sign this form as follows in the spaces provided

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

**Joint holding:** Where the holding is in more than one name, all of the 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>.

#### ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

#### POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).