

---

**VALMEC LIMITED**

**ABN 94 003 607 074**

## **NOTICE OF ANNUAL GENERAL MEETING**

---

**TIME: 9.00am**

**DATE: 29<sup>th</sup> November 2019**

**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 do not hesitate to contact the Company Secretary, Mr Harveer Singh on (+61 8) 9266 8888.

---

## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

---

### **VENUE AND TIME OF MEETING**

---

The Annual General Meeting of the shareholders of Valmec Limited to which this notice of meeting relates will be held at the offices of the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 29<sup>th</sup> November 2019 at 9.00am.

### **VOTING ELIGIBILITY**

---

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5.00pm (WST) on 27<sup>th</sup> November 2019.

### **VOTING IN PERSON**

---

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

### **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 held at the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 29<sup>th</sup> November 2019 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 2019.

---

#### 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 2019."*

**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 STEPHEN LAZARAKIS

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 Stephen Lazarakis, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

---

#### 4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR STEPHEN ZURHAAR

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 Stephen Zurhaar, a Director, retires by rotation, and being eligible, is re-elected as a Director.”*

---

**5. RESOLUTION 4 – 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 13.4 of the Constitution, and for all other purposes, Peter McMorrow, a Director, retires, and being eligible, is re-elected as a Director.”*

---

**6. RESOLUTION 5 – 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 Rule 10.14 and for all other purposes, approval is given for the Company to issue 633,802 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 Performance Rights 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.

**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.

---

**7. RESOLUTION 6 – 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.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of a 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) 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.

---

**8. RESOLUTION 7 – APPROVAL OF INCENTIVE PLAN**

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

*“That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to adopt an employee incentive scheme, being the Company’s Incentive Awards Plan, and to issue securities under that Plan, on the terms and conditions summarised in the Explanatory Statement.”*

**ASX Voting Exclusion:**

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any associate of that person. 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 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.

---

**DATED: 22<sup>nd</sup> October 2019**

**BY ORDER OF THE BOARD**



**MR HARVEER 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 at the offices of RSM, located at Level 32, 2 The Esplanade, Perth WA on 29<sup>th</sup> November 2019 at 9.00am (WST).

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 2019 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 (WST) on 22<sup>nd</sup> November 2019. 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 (WST) on 22<sup>nd</sup> November 2019 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).

---

## **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 STEPHEN LAZARAKIS**

### **3.1 General**

Mr Stephen Lazarakis was last elected as a director of the Company’s annual general meeting held on 28 November 2016.

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 (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 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; 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.

As Mr Lazarakis was last re-elected at the 2016 annual general meeting, he must retire and stand for re-election at this annual general meeting.

### **3.2 Mr Stephen Lazarakis – Non-Executive Director**

Stephen Lazarakis, 60, brings over 30 years of experience in the Heavy Engineering industry. He was also the Founder and Managing Director of HVAC Queensland Pty Ltd, a company specialising in complex industrial and mechanical contracting services to the Queensland market, until the company's acquisition by ANZ Capital in 2010.

Having resided in Queensland for over twenty years, Mr Lazarakis has developed a strong track record in the local engineering industry within its gas, resources, infrastructure and commercial sectors, Stephen retains a commitment to working with Queensland based organisations by providing the guidance and support required to ensure the development of business principles which incorporate a high level of corporate governance and ethical standards.

Mr Lazarakis currently holds a directorship role in Steldan Investments Pty Ltd, a national investment group and has previously held District Governor roles with Rotary International.

Mr Lazarakis holds tertiary qualifications in Mechanical Engineering from the University of Western Australia together with Advanced Mechanical and Heavy Engineering trade qualifications.

### **3.3 Recommendation**

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

---

## **4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR STEPHEN ZURHAAR**

### **4.1 General**

Mr Stephen Zurhaar was last elected as a director of the Company's annual general meeting held on 28 November 2016.

In accordance with ASX Listing Rule 14.4 and clause 13.2 of the Constitution, which are summarised in section 3 above, Mr Zurhaar must retire and stand for re-election at this annual general meeting.

### **4.2 Mr Stephen Zurhaar – Non-Executive Chairman**

Stephen Zurhaar, 53, is a Fellow of the Australian Institute of Company Directors and a Certified Practicing Accountant.

Mr Zurhaar is the Chairman and founder of the Z Corp Group of businesses and Executive Director of Core Equities Pty Ltd. He was also one of the founders of the HVAC/HPS group of

companies and from the group's inception up to its sale to Enerflex Ltd (as TSX listed public company) in 2005 was actively involved in its executive management, holding different key roles such as finance director, CEO and, ultimately, Chairman.

Mr Zurhaar was pivotal in negotiating the successful transactions with Enerflex Ltd and ANZ Private Equity in their purchase of HVAC Construction Qld Pty Ltd.

Mr Zurhaar now consults on strategic and change management for SMEs and private equity groups. Mr Zurhaar has held no other directorships in listed entities in the past three years.

Mr Zurhaar does not expect that his directorships with other companies or other business activities will interfere with this ability to act as Non-Executive Chairman of the Company.

#### **4.3 Recommendation**

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

---

### **5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR PETER MCMORROW**

#### **5.1 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 McMorrow, appointed by the Board as a Director on 1<sup>st</sup> November 2019, will retire in accordance with clause 13.4 of the Constitution at the Meeting and, being eligible seeks election.

#### **5.2 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 Deputy 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.

### 5.3 Recommendation

The Board (other than Mr McMorrow who has a material interest in the outcome of Resolution 4) supports the election of Mr McMorrow as a Director.

---

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

### 6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue Performance Rights to the value of \$180,000 to Mr Steve Dropulich under the Company's Performance Rights Plan and on the terms and conditions set out below.

### 6.2 Resolution 5

It is proposed that Mr Steve Dropulich be issued 633,802 Performance Rights under the Performance Rights Plan which was approved by Shareholders at the Company's annual general meeting held on 27 November 2018. A summary of the Performance Rights Plan is contained in the Company's notice of annual general meeting dated 19 October 2018.

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 automatically exercised with the issue of one Share, subject to the satisfaction of the following performance criteria (**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.

In the event that the Performance Conditions are not met (and are 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.

### 6.3 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 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 Resolution 5) 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.

#### **6.4 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.

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.

#### **6.5 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 633,802 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 27 November 2018, Performance Rights have been issued to persons referred to in ASX Listing Rule 10.14 under the Performance Rights Plan, as follows:
  - (i) On 3 January 2019, 222,750 Performance Rights were issued to Mr Dropulich for nil cash consideration in accordance with the Performance

#### Rights Plan.

- (e) **ASX Listing Rule 10.15.4A: Names of eligible participants:** All executive Directors (currently Mr Steve Dropulich) 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 6.2 of this Explanatory Statement.

The Performance Rights will otherwise be issued on the terms and conditions set out in the Performance Rights Plan.

The Shares to be issued upon the vesting of the Performance Rights shall rank *pari passu* with existing Shares on issue.

## 6.6 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 5.

---

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

### 7.1 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 6:

- (a) the number of Equity Securities the Company 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 7.2 below); and
- (b) those Equity Securities may be issued 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 6 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present in person or by proxy and eligible to vote at the Meeting must be in favour of Resolution 6 for it to be passed.

### 7.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A 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 under ASX Listing Rule 7.1.

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 or less.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a market capitalisation as at the date of this Notice of less than \$300,000,000.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class 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 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 to issue the Equity Securities:
  - (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
  - (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
  - (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and
  - (iv) 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 holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

### 7.3 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 6:

(a) **Minimum Price**

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

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date

in subsection (i) 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:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under 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 6 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)	Dilution			
	Issue Price (per Share)	\$0.15 50% decrease in Issue Price	\$0.30 Issue Price	\$0.45 100% increase in Issue Price
<b>125,718,708</b> (Current Variable 'A')	Shares issued - 10% voting dilution	12,571,871 Shares	12,571,871 Shares	12,571,871 Shares
	Funds raised	\$1,885,781	\$3,771,561	\$5,657,342
<b>188,578,062</b> (50% increase in Variable A)	Shares issued - 10% voting dilution	18,857,806 Shares	18,857,806 Shares	18,857,806 Shares
	Funds raised	\$2,828,671	\$5,657,342	\$8,486,013
<b>251,437,416</b> (100% increase in Variable 'A')	Shares issued - 10% voting dilution	25,143,742 Shares	25,143,742 Shares	25,143,742 Shares
	Funds raised	\$3,77,561	\$7,543,122	\$11,314,684

\*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 15<sup>th</sup> October 2019.

- (iii) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (iv) 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.
- (v) The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options or Performance Rights 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.

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.

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

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

(e) **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).

Further, if the Company is successful in acquiring new assets or investments, it is likely that the recipients 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 under ASX Listing Rule 7.1A at its annual general meeting held on 27 November 2018. 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 27<sup>th</sup> November 2018, the Company has otherwise issued at total of 1,887,250 Equity Securities, representing approximately 1.5% of the total number of Equity Securities on issue in the capital of the Company on 27<sup>th</sup> November 2018, which was 124,598,708.

Further details of the Equity Securities issued 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 recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

#### **7.4 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 6.

---

#### **8. RESOLUTION 7 – APPROVAL OF INCENTIVE AWARD PLAN**

Resolution 7 seeks Shareholder approval for the adoption of an employee incentive scheme titled “Incentive Awards Plan” (**Incentive Plan**) in accordance with ASX Listing Rule 7.2

(Exception 9(b)).

ASX Listing Rule 7.1 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 securities 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 7 is passed, the Company will be able to issue Shares, Options and Performance Rights (together, Awards) under the Incentive Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Awards have previously been issued under the Incentive Plan.

The objective of the Incentive Plan is to attract, motivate and retain key employees and officers and it is considered by the Company that the adoption of the Incentive Plan and the future issue of Awards under the Incentive Plan will provide selected employees and officers with the opportunity to participate in the future growth of the Company.

Any future issue of Awards under the Incentive Plan to a related party or a person whose relationship 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.

A summary of the key terms and conditions of the Incentive Plan is set out in Schedule B. In addition, a copy of the Incentive Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Incentive Plan can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

---

---

## 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 7.1 of the Explanatory Statement.

**10% Placement Period** has the meaning given in section 7.3 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 2019.

**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 Performance Rights

Plan.

**Performance Rights Plan** means the Company's Performance Rights Plan approved by Shareholders on 27 November 2018, as disclosed in the Company's notice of meeting dated 19 October 2018.

**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 [insert] of the Explanatory Statement.

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

## SCHEDULE A – ISSUES OF EQUITY SECURITIES SINCE 27 NOVEMBER 2018

Date	Quantity	Class	Recipients	Issue price and discount to Market Price <sup>1</sup> (if applicable)	Form of consideration
Issued - 3 January 2019 App 3B - January 2019	1,120,000	Shares <sup>2</sup>	Non related parties on the basis of their exercise of unlisted employee options	\$0.25 per Share Discount to Market Price: 0%	Cash consideration Amount raised: \$280,000 Use of Funds: Working Capital There are zero funds remaining
Issued - 3 January 2019 App 3B - January 2019	544,500	Unquoted Options <sup>3</sup>	Mr Steve Dropulich – Related Party	No issue price – non cash consideration	Consideration - Performance based remuneration for services to be provided to the Company Current value <sup>5</sup> = \$65,340
Issued - 3 January 2019 App 3B - January 2019	222,750	Unquoted Performance Rights <sup>4</sup>	Mr Steve Dropulich – Related Party	No issue price – non cash consideration	Consideration - Performance based remuneration for services to be provided to the Company Current value <sup>6</sup> = \$35,640

### Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: VMX (terms are set out in the Constitution).
3. Unquoted Options, exercisable at \$0.30 each, on or before 30 June 2022. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 27 November 2018.
4. Unquoted performance rights expiring 30 June 2022. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 27 November 2018.
5. The value of Options is measured using the Black & Scholes option pricing model.
6. The value of Performance Rights is measured using the Monte Carlo pricing mode.

---

## SCHEDULE B – INCENTIVE AWARDS PLAN SUMMARY

---

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

(a) .

### 1. Purpose

The purpose of the Plan includes to:

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

### 2. 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.

### 3. 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
- (l) 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.

#### **4. 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.

#### **5. 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.

## **6. 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.



Valmec Limited | ABN 94 003 607 074

# AGM Registration Card

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

Holder Number:

## Vote by Proxy: VMX

Your proxy voting instruction must be received by **9.00am (WST) on Wednesday 27 November 2019**, 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.

Contact	<b>Return your completed form</b>		<b>All enquiries to Automic</b>	
	 <b>BY MAIL</b> Automic GPO Box 5193 Sydney NSW 2001	 <b>IN PERSON</b> Automic Level 5, 126 Phillip Street Sydney NSW 2000	 <b>BY EMAIL</b> <a href="mailto:meetings@automicgroup.com.au">meetings@automicgroup.com.au</a>	

STEP 1: Appoint Your Proxy	<p><b>Complete and return this form as instructed only if you do not vote online</b></p> <p>I/We being a Shareholder entitled to attend and vote at the Annual General Meeting of Valmec Limited, to be held at <b>9.00am (WST) on Friday 29 November 2019, at RSM, Level32, 2 The Esplanade, Perth WA</b> hereby:</p> <p><b>Appoint the Chairman of the Meeting (Chair)</b> OR if you are not appointing the Chairman 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.</p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
	<p><b>The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.</b></p> <p>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.</p> <p><b>AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS</b></p> <p>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 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1 and 5 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.</p>

STEP 2: Your Voting Direction	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
	1. Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	2. Re-Election of Director – Mr Stephen Lazarakis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3. Re-Election of Director – Mr Stephen Zurhaar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4. Re-Election of Director – Mr Peter McMorrow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	5. Issue of Performance Rights to Related Party – Steve Dropulich	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	6. Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	7. Approval of Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p><i><b>Please note:</b> If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.</i></p>				

STEP 3: Sign Here + Contact Details	<b>SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED</b>		
	Individual or Securityholder 1	Securityholder 2	Securityholder 3
	Sole Director and Sole Company Secretary	Director	Director / Company Secretary
	Contact Name:		
Email Address:			
Contact Daytime Telephone		Date (DD/MM/YY)	
<p>By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).</p>			