



ABN: 94 003 607 074

VALMEC LIMITED

ABN 94 003 607 074

NOTICE OF ANNUAL GENERAL MEETING

TIME: 11:00am (WST)

DATE: 30 November 2015

PLACE: Bentleys, Level 1, 12 Kings Park Road, West 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 Ranko Matic, on (+ 61 8) 9226 4500.

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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 Annual General Meeting relates, will be held at the offices of Bentleys, located at Level 1, 12 Kings Park Road, West Perth WA on 30 November 2015 at 11:00am (WST).

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the 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 in the Proxy Form. All Proxy Forms must be received no later than 11:00am (WST) on 28 November 2015. 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 (ie. 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 (ie. 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 Bentleys, located at Level 1, 12 Kings Park Road, West Perth WA, on 30 November 2015 at 11:00am (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 11:00am (WST) on 28 November 2015.

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 2015.

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 13.4 of the Constitution and for all other purposes, Mr Peter Iancov, a Director, retires, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR RANKO MATIC

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, ASX Listing Rule 14.4 and for all other purposes, Mr Ranko Matic, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

5. RESOLUTION 4 – 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 661,723 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 on this Resolution by any Director who is eligible to participate in the Employee Option Plan, 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.

6. RESOLUTION 5 – 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 244,237 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 on this Resolution by any Director who is eligible to participate in the Performance Rights Plan, 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.

7. RESOLUTION 6 – APPROVAL FOR THE ISSUE OF OPTIONS

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 20,000,000 Options on the terms and conditions set out in the Explanatory Statement”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed 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 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 on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed 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: 28 October 2015

BY ORDER OF THE BOARD



**MR RANKO MATIĆ
NON-EXECUTIVE DIRECTOR
COMPANY SECRETARY**



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 Bentleys, located at Level 1, 12 Kings Park Road, West Perth WA on 30 November 2015 at 11:00am (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.

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 2015 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 21 November 2015. 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 20 November 2015, which the Company will then pass on to the auditor. The Company will allow a reasonable opportunity for the auditor's representative to answer the written questions submitted to the auditor.

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

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.valmec.com.au.

2. RESOLUTION 1 – ADOPTION OF 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.

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

3.1 General

Mr. Peter Iancov was appointed by the Directors as a Non-Executive Director of the Board on 23 October 2015.

Clause 13.4 of the Constitution provides that:

The Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by this Constitution. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Iancov was appointed by the Directors on 23 October 2015 as an addition to the Board and so holds office only until this annual general meeting and is now eligible for re-election.

Information about Mr Iancov is summarised below.

3.2 Mr Peter Iancov – Non-Executive Director

Peter Iancov, 49, (BE(Elec), FIEAust, FAIM, FAIB, SMIEEE, MAICD) is an industry recognised professional with over 20 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 Australian and multinational organisations. In his previous executive roles, Peter 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. Peter has a strong background in successful delivery of major multidisciplinary projects, commercial and contractual risk, governance, systems and financial management.

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

3.3 Recommendation

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

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR RANKO MATIC

4.1 General

Mr. Ranko Matic was last elected as a director at the Company's annual general meeting held on 26 November 2012.

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 and one of whom is a Director that holds office until the next annual general meeting pursuant to clause 13.4 of the Constitution, and accordingly 1 must retire.

Mr Ranko Matic, the Director longest in office since his last election, retires by rotation and seeks re-election. Mr Matic was first appointed as a non-executive director on 6 February 2012.

Information about Mr Matic is summarised below:

4.2 Mr Ranko Matic – Non-Executive Director

Mr Matic, 47, is a Chartered Accountant with over 25 years experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Mr Matic has considerable experience in a range of industries with particular exposure to publicly listed companies and large private enterprises. Mr Matic holds a Bachelor of Business from Curtin University.

Mr Matic is a director of a chartered accounting firm and a corporate advisory company based in West Perth, and has specialist expertise and exposure in areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations. Mr Matic is also a director of Argosy Minerals Ltd, East Energy Resources Ltd and Celsius Coal Ltd.

Mr Matic has also acted as chief financial officer and company secretary for companies in the public and private sector and currently holds several company secretarial roles with publicly listed companies.

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

4.3 Recommendation

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

5. RESOLUTION 4 - ISSUE OF OPTIONS TO RELATED PARTY – MR STEVE DROPULICH

5.1 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	\$72,188	\$39,374	\$19,688

The issue of the Options to Mr Dropulich is the subject of Resolution 4.

The issue of the Performance Rights to Mr Dropulich is the subject of Resolution 5.

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. 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 Dropulich's annual fixed remuneration is \$437,500 (inclusive 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 30% of this annual fixed remuneration, being \$131,250.

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
% of securities offered under LTI Plan	55%	30%	15%	100%
Value of securities offered under LTI Plan	\$72,188	\$39,274	\$19,688	\$131,250

5.2 Resolution 4

It is proposed that Mr Dropulich be issued 661,723 Options under the Employee Option Plan, which was approved by Shareholders at the Company's general meeting of Shareholders held on 3 October 2013. A summary of the Employee Option Plan is contained in the Company's notice of general meeting dated 30 August 2013.

The purpose of the issue of Options to Mr 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 150% 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 23 June 2015.

The dollar value of the Options to be issued to Mr Dropulich is \$72,188.

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 2018	1/3
30 June 2019	1/3
30 June 2020	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 23 June 2015.

The table below sets out the Monte Carlo valuation calculation.

Performance Condition	Weighting	\$ Value	Quantity
1	50%	\$36,094	360,940
2	50%	\$36,094	300,783
TOTAL	100%	\$72,188	661,723

Mr 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.

5.3 Chapter 2E of the Corporations Act

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

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

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

The grant of the 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 Dropulich, because the agreement to grant the Options, reached as part of the remuneration package for Mr Dropulich, is considered reasonable remuneration in the circumstances, was negotiated on an arm's length basis and therefore the reasonable remuneration exception contained in section 211 of the Corporations Act applies in the circumstances.

5.4 ASX Listing Rule 10.14

ASX Listing Rule 10.14 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 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 Dropulich as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Options to Mr 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.

5.5 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 Rules 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 Dropulich is 661,723 Options.
- (c) **ASX Listing Rule 10.15.3: Issue price of the securities**
 - (a) 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 3 October 2013, Options have been issued to persons referred to in ASX Listing Rule 10.14 under the Employee Option Plan, as follows:

 - (i) on 19 May 2015, 756,000 Options were issued to Mr Steve Dropulich for nil cash consideration pursuant to the Employee Option Plan; and
 - (ii) on 19 May 2015, 425,000 Options were issued to Mr Vincent Goss for nil cash consideration pursuant to 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 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 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 5.2 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 30 August 2013. The Shares to be issued upon the exercise of the Options 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.

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

6.1 General

As set out in section 5.1 of this Explanatory Statement, the Company has agreed, subject to obtaining Shareholder approval, to issue Performance Rights to the value of \$39,374 to Mr Dropulich under the LTI Plan and on the terms and conditions set out below.

6.2 Resolution 5

It is proposed that Mr Dropulich be issued 244,237 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 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 5.1 of this Explanatory Statement provides the dollar value of the Performance Rights to be issued to Mr Dropulich as being \$39,375, 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 2018	1/3
30 June 2019	1/3
30 June 2020	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 23 June 2015.

Performance Condition	Weighting	\$ Value	Quantity
1	50%	\$19,687	140,621
2	50%	\$19,687	103,616
TOTAL	100%	\$39,374	244,237

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.

6.3 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in section 5.3 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 Dropulich because the agreement to grant the Performance Rights, reached as part of the remuneration package for Mr 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

A summary of ASX Listing Rule 10.14 is set out in section 5.4 of this Explanatory Statement.

As the issue of the Performance Rights to Mr 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 Dropulich as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Performance Rights to Mr 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):

- (h) **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.
- (i) **ASX Listing Rule 10.15.2: Maximum number of securities to be issued**
The maximum number of Performance Rights to be issued to Mr Dropulich is 244,237 Performance Rights.
- (j) **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.
- (k) **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; and
 - (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.
- (l) **ASX Listing Rule 10.15.4A: Names of eligible participants**
All executive Directors are eligible to participate in the Performance Rights Plan.
- (m) **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.
- (n) **ASX Listing Rule 10.15.7: Date by which securities will be issued**
The Performance Rights will be issued to Mr 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. 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.

6.6 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 5.

7. RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS

7.1 General

It is proposed to issue up to 20,000,000 free options to sophisticated and professional investor clients of Patersons Securities for assistance with a recent capital raising via a preference share issue on the terms and conditions set out in Schedule 1.

It was a term of the preference share issue that within one month after the Company receives shareholder approval of this Resolution 6, each holder of preference shares will receive a free attaching option (over an Ordinary Share) for every preference share issued, exercisable at A\$0.25 by 10 January 2018 that will rank equally with the existing listed options.

7.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not issue equity securities, or agree to issue equity securities (which includes the Options) without the approval of shareholders if the number of equity securities to be issued in any 12 month period (including equity securities issued on the exercise of any convertible securities) exceeds 15% of the issued capital of the company preceding the issue.

The effect of Resolution 6 will be to permit the Company to issue the Options without them counting towards the Company's 15% placement capacity, provided for by ASX Listing Rule 7.1.

7.3 Information required under ASX Listing Rule 7.3 for the Options

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Attaching Options.

- (a) **ASX Listing Rule 7.3.1:** Maximum number of securities to be issued
Up to 20,000,000 Options.
- (b) **ASX Listing Rule 7.3.2 and 7.3.7:** Date by which securities will be issued
The Options will be issued no later than 3 months after the date of this meeting and will all be issued at the one time.
- (c) **ASX Listing Rule 7.3.3:** Issue price of securities
The Options are free options and as such will be issued at no cost
- (d) **ASX Listing Rule 7.3.4:** Names of persons to whom securities will be issued
The Options will be issued to sophisticated and professional investors of Patersons Securities.
- (e) **ASX Listing Rule 7.3.5:** Terms of securities
A summary of the terms of the Options is set out in Schedule B.
- (f) **ASX Listing Rule 7.3.6:** Intended use of the funds
There will be no funds raised by the issue of the Options and any funds received upon exercise of the Attaching Options will be used for working capital.

7.4 Recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

8. RESOLUTION 7 - APPROVAL OF 10% PLACEMENT CAPACITY

8.1 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 7, 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 8.2 below).

The effect of Resolution 7 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 7 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 7 for it to be passed.

8.2 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 \$15,139,293 based on the amount of Shares on issue and the closing price of Shares on 19 October of 18.5 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 two classes of Equity Securities on issue, being the Shares (ASX Code: VMX) and quoted Options (ASX Code: VMXO).

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 Rule 7.1 or 7.4.

8.3 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 7:

(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:

- (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 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:

- (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 (ie. a significant change to the nature or scale of the Company's activities) or 11.2 (ie. 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 7 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)	\$0.0925 50% decrease in Issue Price	\$0.185 Issue Price	\$0.2775 50% increase in Issue Price
81,834,017 (Current Variable 'A')	Shares issued - 10% voting dilution	8,183,401 Shares	8,183,401 Shares	8,183,401 Shares
	Funds raised	\$756,964	\$1,513,929	\$2,270,894
122,751,025 (50% increase in Variable 'A')	Shares issued - 10% voting dilution	12,275,102 Shares	12,275,102 Shares	12,275,102 Shares
	Funds raised	\$1,135,446	\$2,270,893	\$3,406,341
163,668,034 (100% increase in Variable 'A')	Shares issued - 10% voting dilution	16,366,803 Shares	16,366,803 Shares	16,366,803 Shares
	Funds raised	\$1,513,929	\$3,027,858	\$4,541,788

*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 81,834,017 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 19 October 2015.
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.
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
- (i) 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
- (i) 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 28 November 2014 (**Previous Approval**).

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 28 November 2014, the Company has issued 595,607 Performance Rights and 1,698,917 Options. These Equity Securities represent approximately 2.80% of the total number of Equity Securities on issue in the Company on 30 November 2015, which was 81,834,017.

Further details of the issues 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.

8.4 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 7.

9. ENQUIRIES

Shareholders may contact the Company Secretary on (+ 61 8) 9226 4500 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 8.1 of the Explanatory Statement.

10% Placement Period has the meaning given in section 8.3 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 2015.

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, as disclosed in the Company's notice of general meeting dated 30 August 2013.

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.

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.

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 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 8.3 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 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 8.2 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 2014

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 19 May 2015	595,607	<p>Performance Rights (unlisted).</p> <p>The Performance Rights were issued under and are subject to the Performance Rights Plan. A summary of the Performance Rights Plan is disclosed in the Company's notice of annual general meeting dated 21 October 2014.</p> <p>Each Performance Right entitles the holder to one Share for nil consideration with vesting of the Performance Rights subject to the Company meeting certain performance hurdles during a 3 year performance period.</p>	Various Directors and Employees issued under the Company's Performance Rights Plan as determined by the Board of Directors.	Not applicable. The Performance Rights were issued for nil cash consideration.	<p>The Performance Rights were issued as performance based remuneration to Directors and Executives</p> <p>Current value¹ = \$98,275</p>
Issue – 19 May 2015	1,698,917	<p>Options (unlisted).</p> <p>Each of the Options have an exercise price of \$0.30 expiring on 30 September 2019, exercisable upon the achievement of certain performance hurdles during a 3 year performance period.</p> <p>1,698,917 Options were issued under and are subject to the Employee Option Plan. A summary of the Employee Option Plan is disclosed in the Company's notice of meeting dated 30 August 2013.</p>	Various Directors and Employees issued under the Company's Employee Option Plan as determined by the Board of Directors.	Not applicable. The Options were issued for nil cash consideration.	<p>The Options were issued as performance based remuneration to various Directors and Executives</p> <p>Current value² = \$161,898</p>

NOTES


1. In respect of unquoted Performance Rights, the value is measured using the Monte Carlo pricing model. Measurement inputs include the Share price on the measurement date, and the vesting conditions of the Performance Rights the term of the Performance Rights, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Performance Rights.
2. In respect of the unquoted Options, the value is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

SCHEDULE B – TERMS OF ATTACHING OPTIONS

- a. **Entitlement**
 - i. Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
- b. **Exercise Price and Expiry Date**
 - i. Subject to paragraphs (j) and (l), the amount payable upon exercise of each Option will be \$0.25 (**Exercise Price**).
- c. **Expiry Date**
 - i. Each Option will expire at 5:00pm (WST) on the 10 January 2018 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- d. **Exercise Period**
 - i. The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).
- e. **Notice of Exercise**
 - i. The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.
- f. **Exercise Date**
 - i. A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).
- g. **Timing of issue of Shares on exercise**
 - i. Within 15 Business Days after the later of the following:
 - ii. the Exercise Date; and
 - iii. when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,
 - iv. but in any case no later than 20 Business Days after the Exercise Date, the Company will:
 - v. allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
 - vi. if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
 - vii. if admitted to the Official List of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
 - viii. If a notice delivered under (g)(iv) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.
- h. **Shares issued upon exercise**
 - i. Shares issued upon exercise of the Options rank equally with the then issued Shares of the Company.
- i. **Quotation of Shares issued upon exercise**
 - i. If admitted to the Official List of ASX at the time, application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.
- j. **Reconstruction of capital**
 - i. If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- k. **Participation in new issues**
 - i. There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- l. **Adjustment for pro rata issues other than bonus issues**
 - i. In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Options, the Exercise Price may be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- m. **Adjustment for bonus issues of Shares**
 - i. If the Company makes a bonus issue of Shares or other securities to existing Shareholders after the date of issue of the Options (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - ii. the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
 - iii. no change will be made to the Exercise Price.
- n. **Quoted**
 - i. The Company will apply for quotation of the Options on ASX.
- o. **Transferability**
 - i. The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.com.au

 **BY MAIL**
Valmec Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

 **BY FAX**
+61 2 9287 0309

 **BY HAND**
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138

 **ALL ENQUIRIES TO**
Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of Valmec Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:00am (WST) on Monday, 30 November 2015 at Bentleys, Level 1, 12 Kings Park Road, West Perth WA (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolutions 1, 4 and 5: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 1, 4 and 5, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5 Issue of Performance Rights to Related Party – Mr Steve Dropulich	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Mr Peter Iancov	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6 Approval for the Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Director – Mr Ranko Matic	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Issue of Options to Related Party – Mr Steve Dropulich	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. 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 in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO 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 those 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 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 placing a mark in 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 A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (WST) on Saturday, 28 November 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

Valmec Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**