



VALMEC



DELIVERING VALUE

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CORPORATE GOVERNANCE

Board Structure

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1. RECOMMENDATION 2.1: BOARD COMPOSITION

Details of each member of the Board, such as term of office, qualifications and experience and information on other directorships held can be found in the Directors' Report. Where practical, at least 50% of the Board will be independent.

The Board comprises members with a broad range of skills and experience. The Board considers it beneficial for the following skills and experience to be represented on the Board:

1. Experience as a Chief Executive;
2. Financial experience;
3. Experience and knowledge, especially in the oil and gas industry;
4. Legal and regulatory experience;
5. Markets experience; and
6. Corporate governance and risk management experience.

The Board annually reviews the skills and experience of its members and decides on whether any action needs to be taken to supplement or complement those skills.

Board Meetings

The Board meets regularly with the expectation of meeting 11 times a year. The number of meetings each director attends is tabled in the Directors' Report. Senior executives may submit reports for each Board meeting and may be asked to attend and present. There must be at least 2 directors present to constitute a quorum.

Director Independence

On an annual basis the Board formally assesses each of the non-executive directors against specific criteria to determine whether they are independent. If at any stage through the year a non-executive director feels that they are not independent they will declare so at the next board meeting. Directors are considered independent if they meet the following criteria:

- They are not a substantial (5% or greater) shareholder of the company or an officer of a substantial shareholder of the company;
- They have not been employed as a principal of a material professional advisor to the company during the past three years;
- They are not a material supplier or customer of the company or any subsidiary of the company;
- They have no material contractual relationship with the company (other than as a director); and
- They are free from any interest, business or personal, which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company.

In determining whether or not a material relationship exists with a third party such as a supplier, professional advisor or customer the Board considers that relationship to be material if it exceeds the following criteria;

- Where the customer accounts for more than 5% of the company's consolidated gross revenue per annum;
- If the company accounts for more than 5% of the supplier's consolidated revenue; or
- Where the total value of any contract or relationship between the company and the director (other than as a director of the company) exceeds \$1million.

The Company Secretary

When requested by the Board, the Company Secretary will facilitate the flow of information of the Board, between the Board and its Committees and between senior executives and non-executive Directors. The Company Secretary is to facilitate the induction of new Directors and the implementation of Board policies and procedures and ensure business at meetings are accurately captured in minutes. The Company Secretary is to provide advice to the Board on corporate governance matters, the application of the Company's Constitution, the ASX Listing Rules and applicable other laws. All Directors have access to the advice and services provided by the Company Secretary. The Board has the responsibility for the appointment and removal of the Company Secretary.

Independent Professional Advice

Any director may seek independent external advice in relation to any Board matter at the expense of the company with the prior consent of the Chair. Whenever practicable the advice should be commissioned in the joint name of the director and the company and a copy of the advice should be made available to the entire Board.

The Chair of the Board

The Chair is selected by the Board and where practical should be an independent non-executive director. The Chair and the office of the Managing Director are not to be held by the same person. The Chair is responsible for the leadership of the Board, ensuring effectiveness in all aspects of its role including:

- Setting Board meeting agendas;
- Conducting and leading Board meetings;
- Ensuring effective communication with shareholders;
- Conducting and leading shareholder meetings; and
- Being the main point of contact between the Board and the managing director.

2. APPROVAL

This structure was approved by resolution of the Valmec Limited Board:



Steve Dropulich, Managing Director

Date: 21 July 2015