



CIVMEC LIMITED

(Incorporated in Singapore on 3 June 2010)
(Company Registration Number 201011837H)

Directors:

James Finbarr Fitzgerald (Executive Chairman)
Patrick John Tallon (Chief Executive Officer)
Kevin James Deery (Chief Operating Officer)
Chong Teck Sin (Lead Independent Director)
Wong Fook Choy Sunny (Independent Director)
Douglas Owen Chester (Independent Director)

Registered Office:

80 Robinson Road
#02-00
Singapore 068898

7 October 2019

To: The Shareholders of Civmec Limited

Dear Sir/Madam

1. INTRODUCTION

1.1 Background. We refer to:

- (a) the Notice of the Annual General Meeting of the Company dated 7 October 2019 (the "**Notice**"), accompanying the Annual Report for the financial year ended 30 June 2019 (the "**Annual Report**"), convening the Annual General Meeting of the Company to be held on 29 October 2019 (the "**2019 AGM**");
- (b) Ordinary Resolution 13 relating to the proposed grant of 750,000 performance rights, each representing a right to one ordinary share of the Company ("**Share**") granted under, and subject to the satisfaction of performance conditions in accordance with the rules of, the Civmec Key Senior Executives Performance Rights Plan (the "**Civmec PRP**"), ("**Performance Rights**") to Mr James Finbarr Fitzgerald, a controlling shareholder of the Company; and
- (c) Ordinary Resolution 14 relating to the proposed grant of 750,000 Performance Rights to Mr Patrick John Tallon, a controlling shareholder of the Company, under the Civmec PRP, as proposed in the Notice.

1.2 **Letter to Shareholders.** The purpose of this Letter is to provide Shareholders with information relating to Ordinary Resolutions 13 and 14 (the "**Proposals**").

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. Shareholders who have sold all their issued ordinary shares of the Company ("**Shares**") should immediately forward this Letter and the Proxy Form attached to the Annual Report to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

2. PROPOSED GRANT OF PERFORMANCE RIGHTS TO CONTROLLING SHAREHOLDERS UNDER THE CIVMEC PRP

2.1 **Background.** The Civmec PRP was adopted by Shareholders at the annual general meeting of the Company held on 25 October 2018 (the “**2018 AGM**”), and caters principally to the Key Senior Executives (as defined below) of the Company and its subsidiaries (the “**Group**”) (being the Executive Chairman, Chief Executive Officer (“**CEO**”), executives who report directly to the CEO, or selected other individuals, being employees of any member of the Group holding the rank of senior manager (or such other equivalent rank which may from time to time be determined by the committee administering the Civmec PRP (the “**Committee**”)) and above, who have been selected to participate in the Civmec PRP (each, a “**Key Senior Executive**” and collectively, the “**Key Senior Executives**”). The Civmec PRP is meant to increase the Company’s overall effectiveness in its continuing efforts to reward, motivate and retain Key Senior Executives whose contributions are essential to the well-being and prosperity of the Group, and to give recognition to outstanding Key Senior Executives of the Group who have contributed to the growth of the Group. Non-executive Directors are not eligible to participate in the Civmec PRP.

Under the listing manual of the SGX-ST (the “**Listing Manual**”) and the rules of the Civmec PRP, Controlling Shareholders¹ and their Associates (as defined in the Listing Manual) who meet the eligibility criteria set out in the rules of the Civmec PRP are eligible to participate in the Civmec PRP, provided that (i) the participation of each Controlling Shareholder or his Associate, and (ii) the actual number and terms of the Performance Rights to be granted to them have been approved by independent Shareholders in separate resolutions for each such person.

The main objective of the Civmec PRP is to reinforce the vital equity culture at the top management level, and to further align the interests of the Company’s top management with those of Shareholders. The objectives of the Civmec PRP apply equally to the Key Senior Executives who are Controlling Shareholders or Associates of Controlling Shareholders. The Company’s view is that all deserving and eligible Key Senior Executives should be motivated, regardless of whether they are Controlling Shareholders. The Company believes that as the Civmec PRP is designed to motivate, retain and reward Key Senior Executives who contribute to the growth and profits of the Company, Key Senior Executives who are also Controlling Shareholders or Associates of Controlling Shareholders should be entitled to the same benefits as other Key Senior Executives and should not be excluded from benefiting under the Civmec PRP solely for the reason that they are Controlling Shareholders or Associates of the Controlling Shareholders. The Company is also of the view that the extension of the Civmec PRP to Controlling Shareholders enhances the long-term commitment of the Controlling Shareholders to the Company as it will ensure that such Controlling Shareholders will continue to have a stake in the Company even if they decrease their shareholdings in the Company in the future.

The Company also believes that the Civmec PRP does not unduly favour Controlling Shareholders over other eligible Key Senior Executives. The terms and conditions of the Civmec PRP do not differentiate the Controlling Shareholders from other Key Senior Executives in determining the eligibility of such persons to participate in the Civmec PRP and be granted Performance Rights thereunder. As such, the Controlling Shareholders and/or their Associates will be subject to the same rules as those applicable to other Key Senior Executives who have been granted Performance Right(s) under the Civmec PRP (each, a “**Participant**”). Further, the factors taken into account in determining the number of Performance Rights for grants to other Key Senior Executives (who are not Controlling Shareholders) are, where relevant to the rank and job scope of that Participant, substantively similar as those applicable to Controlling Shareholders. These factors include the Participant’s rank, job performance, creativity, innovativeness, entrepreneurship, resourcefulness, years of service and potential for future development, the Participant’s contribution to the success and development of the Group and the degree of difficulty of fulfilling the specified performance conditions within the performance period.

¹ “Controlling Shareholder” is defined in the Listing Manual as a person who: (a) holds directly or indirectly 15% or more of the total voting rights in the Company. The SGX-ST may determine that a person who satisfies the aforesaid is not a Controlling Shareholder; or (b) in fact exercises control over the Company.

For the reasons above, the Remuneration Committee of the Company is of the opinion that the Civmec PRP does not unduly favour Controlling Shareholders over other eligible Key Senior Executives.

The participation of each of Mr James Finbarr Fitzgerald and Mr Patrick John Tallon, who are the Executive Chairman and the Chief Executive Officer of the Company, respectively, as well as Controlling Shareholders of the Company, was approved at the 2018 AGM, in compliance with the Listing Manual and the listing rules of the Australian Securities Exchange (the “**ASX Listing Rules**”).

- 2.2 **Proposed grant of Performance Rights to Mr James Finbarr Fitzgerald under the Civmec PRP.** As the Executive Chairman of the Company, Mr James Finbarr Fitzgerald is responsible for the development and performance of the Group including the areas of safety, strategy and financial performance. Mr James Finbarr Fitzgerald and the Chief Executive Officer were amongst the founders of the Group.

The Company proposes to grant 750,000 Performance Rights under the Civmec PRP covering 750,000 fully-paid Shares to Mr James Finbarr Fitzgerald to (a) align the interest of Mr James Finbarr Fitzgerald with the long-term interests of the Shareholders, (b) retain Mr James Finbarr Fitzgerald whose contributions are essential to the long-term growth and profitability of the Group, (c) instil loyalty to, and a stronger identification by Mr James Finbarr Fitzgerald with the long-term prosperity of, the Group, and (d) deliver compensation in a manner that drives the long-term performance of the Group. Further details of such grant of Performance Rights are set out in paragraph 2.4 below.

Shareholder approval is sought in Ordinary Resolution 13 for the specific grant of such Performance Rights to Mr James Finbarr Fitzgerald, in accordance with the requirements of the Listing Manual and the ASX Listing Rules.

- 2.3 **Proposed grant of Performance Rights to Mr Patrick John Tallon under the Civmec PRP.** As the Chief Executive Officer of the Company, Mr Patrick John Tallon is responsible for the safety, budgets, management and development of the Group's operations, setting all Group policies such as those relating to safety, quality and the environment and the improvement of productivity. Mr Patrick John Tallon and the Executive Chairman were amongst the founders of the Group.

The Company proposes to grant 750,000 Performance Rights under the Civmec PRP covering 750,000 fully-paid Shares to Mr Patrick John Tallon to (a) align the interest of Mr Patrick John Tallon with the long-term interests of the Shareholders, (b) retain Mr Patrick John Tallon whose contributions are essential to the long-term growth and profitability of the Group, (c) instil loyalty to, and a stronger identification by Mr Patrick John Tallon with the long-term prosperity of, the Group, and (d) deliver compensation in a manner that drives the long-term performance of the Group. Further details of such grant of Performance Rights are set out in paragraph 2.4 below.

Shareholder approval is sought in Ordinary Resolution 14 for the specific grant of such Performance Rights to Mr Patrick John Tallon, in accordance with the requirements of the Listing Manual and the ASX Listing Rules.

- 2.4 **Details of Performance Rights.** The number of Performance Rights to be granted to each of Mr James Finbarr Fitzgerald and Mr Patrick John Tallon (each, a “**relevant Participant**”) has been determined after taking into account, *inter alia*, the relevant Participant's rank, job performance, creativity, innovativeness, entrepreneurship, resourcefulness, years of service and potential for future development, his contribution to the success and development of the Group and the degree of difficulty of fulfilling the specified performance conditions within the performance period.

Performance Rights granted under the Civmec PRP are principally performance-based with performance conditions to be set over a performance period. Performance conditions set are intended to be based on the financial performance of the Company in a given performance period. The performance conditions are stretched targets aimed at sustaining long term growth.

In relation to each Performance Right, the Committee shall, as soon as reasonably practicable after the end of the relevant performance period, review the performance conditions specified in respect of such Performance Right and determine at its discretion whether the performance conditions have been satisfied and if so, the extent to which they have been satisfied. In making any such determination, the Committee may make reference to the audited results of the Company or the Group (as the case may be), taking into account such factors as the Committee may determine as relevant, such as changes in accounting methods, taxes and extraordinary events. Further, the Committee has the right to amend the performance conditions if the Committee decides that changed performance target would be a fairer measure of performance.

Provided that (i) the relevant Participant has continued to be a Key Senior Executive from the date of grant of the Performance Rights up to the end of the relevant performance period, and (ii) the job performance of the relevant Participant over the relevant performance period has been satisfactory (as determined by the Committee), the Committee shall determine at its discretion the aggregate number of Performance Rights which shall vest in the relevant Participant and the corresponding number of Shares which are to be delivered pursuant thereto.

The respective Performance Rights to be granted to each of Mr James Finbarr Fitzgerald and Mr Patrick John Tallon will vest in two tranches of fifty per centum each, based on the performance of the relevant Participant over two performance periods, as follows:

- (a) **Tranche 1 (50%):** two (2) year performance period from 1 July 2018 to 30 June 2020; and
- (b) **Tranche 2 (50%):** three (3) year performance period from 1 July 2018 to 30 June 2021.

The aggregate number of Performance Rights which shall vest in favour of Mr James Finbarr Fitzgerald and Mr Patrick John Tallon, respectively, will be based on the achievement of certain predetermined performance targets (which are based on absolute earnings per share (“aEPS”)) as determined by the Committee in accordance with the Civmec PRP. The vesting schedule is as follows:

Long Term Incentive Proportion Vesting – Number of Performance Rights to be vested, calculated as a percentage of the number of Performance Rights for each performance period	Absolute Earnings per Share
50%	Target – If the aEPS achieved is equal to 90% of the three-year average annual result
On a <i>pro rata</i> basis between 50% and 100%	Between Target and Stretch – If the aEPS achieved is more than 90% but not more than 110% of the three-year average annual result
100%	Stretch – If the aEPS achieved is more than 110% of the three-year average annual result

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

3.1 **Directors' Interests.** As at 30 September 2019 (the "**Latest Practicable Date**"), the Directors' interests in Shares as recorded in the Register of Directors' Shareholdings are as follows:

Director	Number of Shares		Number of Shares comprised in outstanding share options/awards		
	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾	
James Finbarr Fitzgerald	-	-	97,720,806	19.51	0
Patrick John Tallon	54,000	0.01	97,566,806	19.47	0
Kevin James Deery	-	-	13,295,250	2.65	0
Chong Teck Sin	-	-	-	-	-
Wong Fook Choy Sunny	-	-	-	-	-
Douglas Owen Chester	-	-	50,000	0.01	0

Notes:

(1) Based on 501,000,000 Shares in issue (and disregarding 15,000 Shares held in treasury) as at the Latest Practicable Date.

3.6 **Substantial Shareholders' Interests.** As at the Latest Practicable Date, the interests of the substantial Shareholders in Shares as recorded in the Register of Substantial Shareholders are as follows:

Substantial Shareholder	Number of Shares			
	Direct Interest	% ⁽¹⁾	Deemed Interest	% ⁽¹⁾
JF & OT Fitzgerald Family Trust ⁽²⁾	97,720,806	19.51	-	-
Kariong Investment Trust ⁽³⁾	97,566,806	19.47	-	-
Michael Lorrain Vaz ⁽⁴⁾	15,013,000	3.00	23,812,000	4.75
James Finbarr Fitzgerald (and Olive Teresa Fitzgerald) ⁽²⁾	-	-	97,720,806	19.51
Goldfirm Pty Ltd ⁽³⁾	-	-	97,566,806	19.47
Patrick John Tallon ⁽³⁾	54,000	0.01	97,566,806	19.47

Notes:

(1) Based on 501,000,000 Shares in issue (and disregarding 15,000 Shares held in treasury) as at the Latest Practicable Date.

(2) Mr. James Finbarr Fitzgerald and his spouse (Olive Teresa Fitzgerald) are the trustees of the JF & OT Fitzgerald Family Trust. Pursuant to Section 4(3) of the Securities and Futures Act Chapter 289 of Singapore ("**SFA**"), Mr. James Finbarr Fitzgerald and his spouse (Olive Teresa Fitzgerald), their children (Sean Fitzgerald, Claire Fitzgerald and Sarah Fitzgerald) and Parlglade Holdings Pty Ltd (which is equally held by Mr. James Finbarr Fitzgerald and his spouse) are deemed to have an interest in the Shares owned by JF & OT Fitzgerald Family Trust, which are legally held in the names of Mr. James Finbarr Fitzgerald and his spouse, Olive Teresa Fitzgerald, as trustees.

(3) Goldfirm Pty Ltd is the trustee of the Kariong Investment Trust. Mr. Patrick John Tallon has a deemed interest in the Shares which are held by Goldfirm Pty Ltd as trustee. Pursuant to Section 4(3) of the SFA, Mr. Patrick John Tallon is also deemed to have interest in the Shares owned by the Kariong Investment Trust, which are legally held in the name of Goldfirm Pty Ltd, as trustee.

(4) Michael Lorrain Vaz is deemed interested in 23,812,000 shares which are held by Clarendon Pacific Ventures Pte. Ltd.

4. DIRECTORS' RECOMMENDATIONS

- 4.1 Proposed grant of Performance Rights to Mr James Finbarr Fitzgerald under the Civmec PRP.** In accordance with the requirements of the Listing Manual and the ASX Listing Rules, specific Shareholders' approval must be sought for the actual number and terms of the Performance Rights to be granted to Mr James Finbarr Fitzgerald, a Controlling Shareholder and Director of the Company.

Mr James Finbarr Fitzgerald has therefore abstained from making any recommendations to the Shareholders in relation to Ordinary Resolution 13, being the Ordinary Resolution relating to the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr James Finbarr Fitzgerald under the Civmec PRP, to be proposed at the 2019 AGM.

The non-executive Directors are of the view that the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr James Finbarr Fitzgerald, upon such terms as may be determined by the Committee, in accordance with the rules of the Civmec PRP, is in the interests of the Company and Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 13, being the Ordinary Resolution relating to the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr James Finbarr Fitzgerald, upon such terms as may be determined by the Committee, in accordance with the rules of the Civmec PRP, to be proposed at the 2019 AGM.

- 4.2 Proposed grant of Performance Rights to Mr Patrick John Tallon under the Civmec PRP.** In accordance with the requirements of the Listing Manual and the ASX Listing Rules, specific Shareholders' approval must be sought for the actual number and terms of the Performance Rights to be granted to Mr Patrick John Tallon, a Controlling Shareholder and Director of the Company.

Mr Patrick John Tallon has therefore abstained from making any recommendations to the Shareholders in relation to Ordinary Resolution 14, being the Ordinary Resolution relating to the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr Patrick John Tallon under the Civmec PRP to be proposed at the 2019 AGM.

The non-executive Directors are of the view that the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr Patrick John Tallon, upon such terms as may be determined by the Committee, in accordance with the rules of the Civmec PRP, is in the interests of the Company and Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 14, being the Ordinary Resolution relating to the proposed grant of 750,000 Performance Rights covering 750,000 Shares to Mr Patrick John Tallon, upon such terms as may be determined by the Committee, in accordance with the rules of the Civmec PRP, to be proposed at the 2019 AGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

- 5.1 Appointment of Proxies.** If a Shareholder is unable to attend the 2019 AGM and wishes to appoint a proxy to attend, speak and vote on his behalf at the 2019 AGM, he should complete, sign and return the Proxy Form attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898, not less than 72 hours before the time appointed for the 2019 AGM.

The completion and return of the Proxy Form by a Shareholder will not prevent him from attending, speaking and voting at the 2019 AGM in person if he so wishes and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form, to the 2019 AGM.

- 5.2 When Depositor regarded as Shareholder.** A Depositor shall not be regarded as a Shareholder entitled to attend the 2019 AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register, as certified by the Central Depository (Pte) Limited as at 72 hours before the 2019 AGM.

6. ABSTENTION FROM VOTING

6.1 Shareholders who are eligible to participate in the Civmec PRP will abstain from voting on the following Ordinary Resolutions to be proposed at the 2019 AGM:

- (a) Ordinary Resolution 13, being the Ordinary Resolution in relation to the proposed grant of Performance Rights to Mr James Finbarr Fitzgerald; and
- (b) Ordinary Resolution 14, being the Ordinary Resolution in relation to the proposed grant of Performance Rights to Mr Patrick John Tallon, and

the Company will disregard any votes cast by such Shareholders in respect of their Shares on the said Ordinary Resolutions. With reference to the voting exclusion statement relating to Ordinary Resolutions 13 and 14 in the Notice of the 2019 AGM and paragraph 6.2 below, for the avoidance of doubt, the Company will also disregard any votes cast on Ordinary Resolutions 13 and 14 by Shareholders who are eligible to participate in the Civmec PRP.

Such Shareholders will also not accept nominations to act as proxies unless specific instructions have been given in the proxy instruments by the independent Shareholders appointing them on how they wish their votes to be cast in respect of each of such Ordinary Resolutions. With reference to the voting exclusion statement relating to Ordinary Resolutions 13 and 14 in the Notice of the 2019 AGM and paragraph 6.2 below, for the avoidance of doubt, the Company need not disregard a vote cast by a Shareholder who is eligible to participate in the Civmec PRP as a proxy for independent Shareholders (that is, shareholders who are **not** eligible to participate in the Civmec PRP) who have given specific instructions in the proxy instruments on how they wish their votes to be cast in respect of Ordinary Resolutions 13 and 14.

6.2 Mr James Finbarr Fitzgerald, Mr Patrick John Tallon and their Associates will also abstain from voting on Ordinary Resolutions 13 and 14 at the 2019 AGM and they shall also decline to accept appointment as proxies for any Shareholder to vote in respect of the said Ordinary Resolutions unless the Shareholder concerned has given specific instructions in his proxy instrument as to the manner in which his votes are to be cast in respect of such Ordinary Resolutions. In addition, as required by the ASX Listing Rules, the Company will disregard any votes cast in favour of the Ordinary Resolutions 13 and 14 by or on behalf any Director who is eligible to participate in the Civmec PRP, or any associates (as defined in the ASX Listing Rules) of those Directors ("**Excluded Party**"). 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, provided the Chair is not an Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. INSPECTION OF DOCUMENTS

Copies of the following documents are available for inspection at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 during normal business hours from the date of this Letter up to the date of the 2019 AGM:

- (a) the rules of the Civmec PRP;
- (b) the Annual Report; and
- (c) the Constitution of the Company.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully

For and on behalf of the Board of Directors of
CIVMEC LIMITED

A handwritten signature in black ink, appearing to read 'James Finbarr Fitzgerald', written over a horizontal line.

James Finbarr Fitzgerald
Executive Chairman