



Diploma Group Limited

ACN 127 462 686

NOTICE OF ANNUAL GENERAL MEETING

and EXPLANATORY STATEMENT

2013 Annual General Meeting

**to be held at Hyatt Regency Perth, Plaza Ballroom 3,
99 Adelaide Terrace, Perth 6000, Western Australia
on Thursday 28 November 2013 commencing at 10.00am (WST)**

Please read this Notice of Annual General Meeting and accompanying Explanatory Statement in their entirety and if you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions or contact the Company Secretary on (80) 9475 3500.

CONTENTS

| | |
|--|----|
| Business of the Meeting (setting out the proposed Resolutions) | 3 |
| Explanatory Statement (explaining the proposed Resolutions) | 6 |
| Schedule 1 – Summary of Employee Share Plan | 13 |
| Glossary | 16 |
| Proxy Form | |

IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 10.00am (WST) on 28 November 2013 at: Hyatt Regency Perth, Plaza Ballroom 3, 99 Adelaide Terrace, Perth 6000, Western Australia.

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (WST) on 26 November 2013.

Voting in person

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

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, 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 member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that 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); and
- 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; and
- 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, 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,

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.

Corporate Representative

Any corporate holder of the Company's Shares who has appointed a person to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its Share registry in advance of the Annual General Meeting or handed in at the meeting when registering as a corporate representative.

NOTICE OF ANNUAL GENERAL MEETING

BUSINESS OF THE MEETING

Notice is hereby given that the 2013 Annual General Meeting of Shareholders of Diploma Group Limited ("Diploma " or "Company") will be held at Hyatt Regency Perth, Plaza Ballroom 3, 99 Adelaide Terrace, Perth 6000, Western Australia on Thursday 28 November 2013 commencing at 10.00am (WST).

ORDINARY BUSINESS

FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the year ended 30 June 2013 together with the declaration of the directors, the Remuneration Report, auditor's report and director's report for that period.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2013."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) 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.

2. RESOLUTION 2 - RE-ELECTION OF DIRECTOR – MR IAN OLSON

To consider and, if thought fit, pass the following **ordinary resolution**:

“That Mr Ian Olson, having retired as a Director by rotation in accordance with Article 12.11.1 of the Constitution, and being eligible, be re-elected.”

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

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

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 22,900,000 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. 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.

4. RESOLUTION 4 – ADOPTION OF EMPLOYEE SHARE PLAN

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

“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Share Plan and for the issue of securities under that Plan, 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 Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or

- (d) 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.

5. RESOLUTION 5 – ISSUE OF DIRECTOR INCENTIVE SHARES TO NICK DI LATTE

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 4, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue up to 10,000,000 Shares as Director incentive remuneration to Nick Di Latte (or his nominee) 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 Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) 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.

Dated: 28 October 2013

By order of the Board
Simon Oaten
Company Secretary

EXPLANATORY STATEMENT TO THE NOTICE OF ANNUAL GENERAL MEETING TO BE HELD ON 28 NOVEMBER 2013

BACKGROUND

This Explanatory Statement is presented to Shareholders to provide them with information concerning each of the resolutions to be considered at the Company's 2013 Annual General Meeting.

The purpose of the Annual General Meeting is to conduct the ordinary business of the Company's Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company that is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting. This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting.

FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2013 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

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 <http://www.diploma.com.au>.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

1.1 General

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is contained within the Directors' Report section of the 2013 Annual Report.

The Remuneration Report:

- explains the Board's policies in relation to the objectives and structure of remuneration;
- discusses the relationship between the policies and the Company's performance;
- provides a detailed summary of performance conditions, why they were chosen and how performance is measured against them; and
- sets out the remuneration details for each Director and for each of the other key management personnel of the Company.

The Chair of the Meeting must allow a reasonable opportunity for Shareholders to have a discussion about or make comments on the Remuneration Report at the Annual General Meeting.

Shareholders should note that Resolution 1 is advisory only and does not bind the Directors or the Company.

1.2 Voting consequences

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

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.

1.3 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 Annual General Meeting.

The Board recommends that Shareholders vote in favour of adopting the Remuneration Report.

1.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy

You must direct your proxy how to vote on this Resolution. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

If you appoint the Chair as your proxy (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member).

You **do not** need to direct your proxy how to vote on this Resolution.

If you appoint any other person as your proxy

You **do not** need to direct your proxy how to vote on this Resolution.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – IAN OLSON

2.1 General

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.

In addition, in accordance with ASX Listing Rules and Article 12.11.1 of the Constitution, at every Annual General Meeting, one third of the Company's Directors must retire from office and are eligible for re-election. The Directors to retire are those who have been longest in office since their last re-appointment. In the case of equality in this respect, the Directors to retire, unless they agree among themselves, will be determined by lot.

On this basis Ian Olson retires and offers himself for re-election.

Brief biographical details of Ian Olson are set out below:

2.2 Biographical Details

Ian Olson is a chartered accountant and has significant domestic and international corporate advisory, audit and management experience. Ian has a wealth of knowledge in corporate finance, external and statutory audit, investigating accountant's and independent expert's reports. His industry experience includes energy and natural resources, engineering and construction, property, manufacturing and retail. Ian Olson is a member of the Institute of Chartered Accountants in Australia and the Institute of Company Directors.

Prior to joining Diploma Ian Olson was Managing Partner of PKF Chartered Accountants in Western Australia. He is currently owner and Executive Chairman of the King Group, a diversified surveying, drafting, mapping and GIS business. He is also Non-Executive Chairman of Gage Roads Brewing Co Limited.

The Board, excluding Ian Olson, recommends that Shareholders vote in favour of the re-election of Ian Olson.

3. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE – SHARES

3.1 General

On 16 August 2013, the Company issued 22,900,000 Shares at an issue price of \$0.03 per Share to raise \$687,000.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 22,900,000 Shares were issued;
- (b) the issue price was \$0.03 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used as placement funds for working capital.

4. RESOLUTION 4 – APPROVAL OF EMPLOYEE SHARE PLAN

Resolution 4 seeks Shareholders approval for the adoption of the employee incentive scheme titled Employee Share Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to issue Shares under the Plan to the Eligible Participant over a period of 3 years (subject to the Restriction Conditions) without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Shares have previously been issued under the Plan. Please note that the Company is seeking approval to issue 10,000,000 Plan Shares to Nick Di Latte pursuant to Resolution 5.

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

A material feature of the Plan is the issue of Shares pursuant to the Plan may be undertaken by way of provision of a non-recourse, interest free loan to be used for the purposes of subscribing for the Shares based on a price that will be not less than 125% of the volume weighted average price at which Shares were traded on the ASX over the 10 trading days up to and including the date of acceptance of the offer.

Any future issues of Shares under the Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolution 5 for the issue of Shares to a Director pursuant to the Plan.

A summary of the key terms and conditions of the Plan is set out in Schedule 1. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary (Simon Oaten). Shareholders are invited to contact the Company if they have any queries or concerns.

5. RESOLUTION 5 – ISSUE OF DIRECTOR INCENTIVE SHARES AND APPROVAL OF LOANS TO RELATED PARTY – NICK DI LATTE

5.1 General

The Company has agreed, subject to obtaining Shareholder approval and to the adoption of the Plan (refer Resolution 4), to the provision of a non-recourse, interest free loan (**Loan**) to Nick Di Latte pursuant to the Plan for the purpose of him subscribing for 10,000,000 Shares on the terms and conditions set out below.

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.

In addition, 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.

The provision of the Loans to each of the Eligible Participants requires the Company to obtain Shareholder approval because:

- (a) the non-recourse, interest free loan to acquire the Shares constitute giving a financial benefit; and
- (b) as a Director, Nick Di Latte is a related party of the Company.

The Directors (other than Nick Di Latte who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of the Loan or the issue of the Shares the subject of this Resolution 5 because the grant of the Loan and issue of Shares forms part of the remuneration package for Nick Di Latte and is considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis.

5.2 Technical information required by ASX Listing Rule 10.14

Pursuant to and in accordance with the requirements of sections 219 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Shares to the Eligible Participants:

- (a) the related party is Nick Di Latte and he is a related party by virtue of being a Director;
- (b) the maximum number of Shares to Nick Di Latte (or his nominee) is 10,000,000 Shares;
- (c) the shares will be issued no later than 12 months from the date of this meeting;
- (d) the issue price of the Shares will be not less than 125% of the volume weighted average price at which Shares were traded on the ASX over the 10 trading days up to and including the actual date of acceptance of the offer by Nick Di Latte;
- (e) no funds will be raised from the issue of the Shares as there will be no change to the Company's cash position (ie the Loans made by the Company will be used to subscribe for the Shares to be issued to Nick Di Latte);
- (f) no Shares have previously been issued under the Plan nor has the Plan previously been adopted by Shareholders;
- (g) all Directors are entitled to participate in the Plan, however, at the current time the Company does not intend to make an offer to any of the Directors other than Nick Di Latte. Accordingly approval is being sought only for the offer to Nick Di Latte;
- (h) the Loans will be provided on the following key terms and otherwise subject to the terms and conditions of the Plan, a summary of which is set out in Schedule 1:
 - (i) **(non-recourse)**: the Loan is secured against the Shares but Nick Di Latte is not personally liable for the Loan. In other words, in the event the Shares are sold to repay the Loan but the sale proceeds are insufficient to cover the amount of the Loan which is outstanding the Company cannot recover the remaining amount from Nick Di Latte. Conversely, where the sale proceeds are greater than the amount of the Loan the Company will not receive any additional repayment as Nick Di Latte is entitled to the surplus proceeds;
 - (ii) **(interest free)**: the Loan will be interest free unless otherwise agreed by Nick Di Latte; and
 - (iii) **(term)**: 4 years from the date of issue of the Shares subject to earlier repayment in accordance with the terms of the Plan (eg ceasing to be an employee of the Company, an event of insolvency);

- (iv) **(restriction conditions)**: the Shares are subject to the following restriction conditions:
 - (A) 1/3 of the Shares will vest after 2 years' employment with the Company;
 - (B) 1/3 of the Shares will vest after 3 years' employment with the Company; and
 - (C) 1/3 of the Shares will vest after 4 years' employment with the Company,
- (i) the Shares issued to the Eligible Participants will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares other than being subject to a holding lock until such time as the respective Loan has been extinguished or repaid under the terms of the Plan..

6. ENQUIRIES

Shareholders are invited to contact the Company Secretary, Simon Oaten on (08) 9475 3500 if they have any queries in respect of the matters set out in these documents.

SCHEDULE 1 – SUMMARY OF EMPLOYEE SHARE PLAN

The key terms of the Plan are as follows:

- (a) **Eligibility:** Participants in the Plan may be Directors, full-time and part-time employees of the Company or any of its subsidiaries or any other person permitted to participate in the Plan without requiring compliance with Chapters 6D.2, 6D.3 (except section 736) and 7.9 of the Corporations Act (**Participants**).
- (b) **Administration of Plan:** The Board is responsible for the operation of the Plan and has a broad discretion to determine which Participants will be offered Shares under the Plan.
- (c) **Offer:** The Board may issue an offer to a Participant to participate in the Plan. The offer:
 - (i) will invite application for the number of Shares specified in the offer;
 - (ii) will specify the issue price for the Shares or the manner in which the issue price is to be calculated;
 - (iii) may invite applications for a loan up to the amount payable in respect of the Shares accepted by the Participant in accordance with the offer;
 - (iv) will specify any restriction conditions applying to the Shares;
 - (v) will specify an acceptance period; and
 - (vi) specify any other terms and conditions attaching to the Shares.
- (d) **Issue price:** the issue price of each Share will be not less than 125% of the volume weighted average price at which Shares were traded on the ASX over the 10 trading days up to and including the actual date of acceptance of the Shares offered under the offer.
- (e) **Restriction Conditions:** the Shares are subject to the following restriction conditions :
 - (vii) 1/3 of the Shares will vest after 2 years' employment with the Company;
 - (viii) 1/3 of the Shares will vest after 3 years' employment with the Company; and
 - (ix) 1/3 of the Shares will vest after 4 years' employment with the Company.
- (f) **Loan:** A Participant who is invited to subscribe for Shares may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted by the Participant (**Loan**), on the following terms:
 - (i) the Loan will be interest free;
 - (ii) the Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares;
 - (iii) the Loan repayment date and the manner for making such payments shall be determined by the Board and set out in the offer;
 - (iv) a Participant must repay the Loan in full by the loan repayment date but may elect to repay the Loan amount in respect of any or all of the Shares at any time prior to the Loan repayment date;

- (v) the Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Plan;
 - (vi) a Loan will be non-recourse except against the Shares held by the Participant to which the Loan relates; and
 - (vii) the Board may, in its absolute discretion, agree to forgive a Loan made to a Participant.
- (g) **Unfulfilled Restriction Condition:** Where a restriction condition in relation to Shares is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, the Company must, unless the restriction condition is waived by the Board, either:
- (i) buy back and cancel the relevant Shares within 12 months of the date the restriction condition was not satisfied (or became incapable of satisfaction) under Part 2J.1 of the Corporations Act at a price equal to the cash consideration paid by the Participant for the Plan Shares (with any Loan not being treated as cash consideration but any Loan amount repayments by the Participant being treated as cash consideration); or
 - (ii) arrange to sell the Shares as soon as reasonably practicable either on the ASX or to an investor who falls within an exemption under section 708 of the Corporations Act provided that the sale must be at a price that is no less than 80% of the volume weighted average price at which Shares were traded on the ASX on the 10 trading days before the sale date and apply the sale proceeds (**Sale Proceeds**) in the following priority:
 - (A) first, to pay the Company any outstanding Loan amount (if any) in relation to the Shares and the Company's reasonable costs in selling the Shares;
 - (B) second, to the extent the Sale Proceeds are sufficient, to repay the Participant any cash consideration paid by the Participant or Loan repayments (including any cash dividends applied to the Loan) made by or on behalf of the Participant; and
 - (C) lastly, any remainder to the Company to cover its costs of managing the Plan.
- (h) **Sale of Shares to repay Loan:**
- (i) A Loan shall become repayable in full where:
 - (A) the Participant ceases to be an eligible employee under the Plan for any reason (including death);
 - (B) the Participant suffers an event of insolvency;
 - (C) the Participant breaches any condition of the Loan or the Plan; or
 - (D) a Restriction Condition in relation to Shares subject to the Loan is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board (and is not waived).
 - (ii) Where a Loan becomes repayable and at that time a restriction condition in relation to Shares subject to the Loan is not satisfied, or is incapable of being satisfied in the opinion of the Board (and is not waived), the Shares must be sold and the Sale Proceeds applied to repay the Loan in accordance with the Plan.

- (iii) Where a Loan in relation to Shares becomes repayable and at that time restriction conditions in relation to the Shares have either been satisfied or are waived, the Company must give the Participant a 30 day period to repay the Loan, failing which the Company must sell the Shares and apply the Sale Proceeds in accordance with the Plan.
- (i) **Power of Attorney:** The Participant irrevocably appoints each of the Company and each Director of the Company severally as his or her attorney to do all things necessary to give effect to the sale of the Participant's Shares in accordance with the Plan.
- (j) **Plan limit:** The Company must take reasonable steps to ensure that the number of Shares offered by the Company under the Plan when aggregated with:
 - (i) the number of Shares issued during the previous 5 years under the Plan (or any other employee share plan extended only to eligible employees); and
 - (ii) the number of Shares that would be issued if each outstanding offer for Shares (including options to acquire unissued Shares) under any employee incentive scheme of the Company were to be exercised or accepted,does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with relevant ASIC Class Orders).
- (k) **Restriction on transfer:** Participants may not sell or otherwise deal with a Plan Share until the Loan amount in respect of that Plan Share has been repaid and any restriction conditions in relation to the Shares have been satisfied or waived. The Company is authorised to impose a holding lock on the Shares to implement this restriction.
- (l) **Quotation on ASX:** The Company will apply for each Plan Share to be admitted to trading on ASX upon issue of the Plan Share. Quotation will be subject to the ASX Listing Rules and any holding lock applying to the Shares.
- (m) **Rights attaching to Shares:** Each Plan Share shall be issued on the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Plan) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.

GLOSSARY

In this Explanatory Statement the following terms have the following meanings unless the context otherwise requires:

\$ means Australian dollars.

ASX means the ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the listing rules of ASX as amended or replaced from time to time.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member 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 Diploma Group Limited ACN 127 462 686.

Constitution means the current constitution of the Company.

Corporations Act means the *Corporations Act 2001 (Cth)* and all regulations made under such legislation, as amended from time to time.

Director means a current director of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by this Notice.

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 or **Notice of Meeting** means this notice of meeting including the Explanatory Statement.

Plan has the meaning set out in Section 4.

Plan Shares means Shares issued to participants under the Plan.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2013.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Shareholder means a member of the Company as defined in the Constitution.

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

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

Lodge your vote:



By Mail:

Diploma Group Limited
PO Box 91
Belmont WA 6984

Alternatively you can fax your form to
(within Australia) 08 9475 3501
(outside Australia) +61 8 9475 3501

For all enquiries call:

(within Australia) 1300 728 625
(outside Australia) +61 3 9946 4456

000001 000 DGX
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 10.00am (WST) Tuesday, 26 November 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

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

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report, 24 hours a day, 7 days a week:

www.diploma.com.au

To view and update your securityholding:

www.investorcentre.com

Your secure access information is:

SRN/HIN: I9999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Diploma Group Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Diploma Group Limited to be held at Hyatt Regency Perth, Plaza Ballroom 3, 99 Adelaide Terrace, Perth, Western Australia on Thursday, 28 November 2013 at 10.00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4 and 5 by marking the appropriate box in step 2 below.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

| | For | Against | Abstain |
|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 Adoption of Remuneration Report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Re-election of Director - Mr Ian Olson | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Ratification of Prior Issue - Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Adoption of Employee Share Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Issue of Director Incentive Shares to Nick Di Latte | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

SIGN Signature of Securityholder(s) *This section must be completed.*

| | | |
|---|---|---|
| Individual or Securityholder 1 | Securityholder 2 | Securityholder 3 |
| <input style="width: 100%; height: 100%;" type="text"/> | <input style="width: 100%; height: 100%;" type="text"/> | <input style="width: 100%; height: 100%;" type="text"/> |

Sole Director and Sole Company Secretary Director Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____