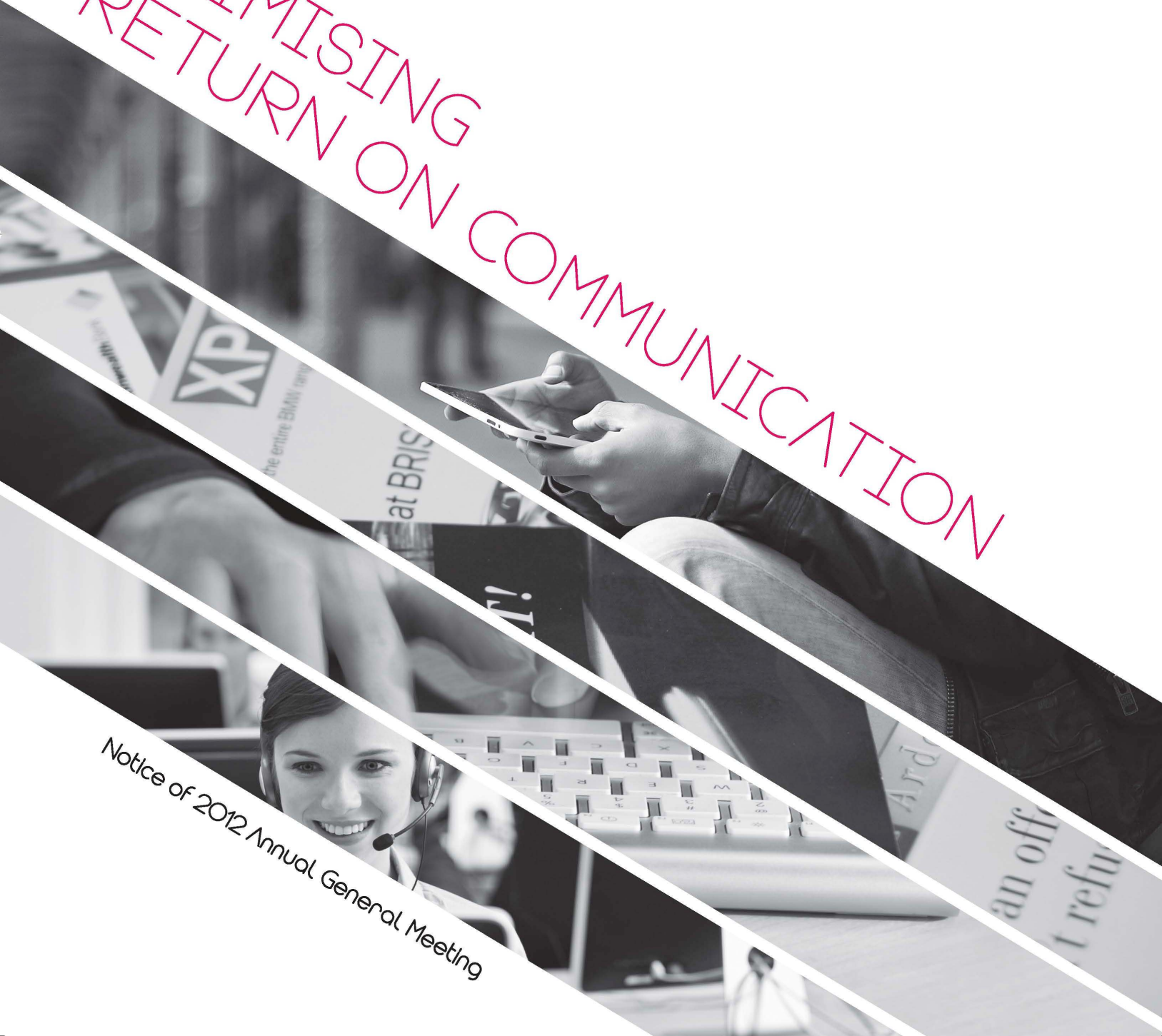


MAXIMISING RETURN ON COMMUNICATION

A collage of three black and white photographs. The top photo shows hands holding a smartphone. The middle photo shows a person's legs and a keyboard. The bottom photo shows a smiling woman wearing a headset, likely a call center agent.

Notice of 2012 Annual General Meeting

SALMAT LIMITED

ACN 002 724 638

(the Company)

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Salmat Limited will be held on Tuesday 13th November 2012 at the AGL Theatre, Museum of Sydney, corner Bridge and Phillip Streets, Sydney NSW 2000 commencing at 10.00am Sydney time. Registration will open at 9.00am.

ORDINARY BUSINESS

To consider the following matters:

1. Financial Statements

To consider and receive the Financial Reports, the Director's Report and the Auditor's Report of Salmat Limited for the year ended 30th June 2012.

2. Remuneration Report

To consider, and if thought fit, to pass the following as a non-binding advisory resolution.

That the Remuneration Report of the Company for the year ended 30th June 2012 be adopted.

Note: Votes cast in respect of this resolution are advisory only, and are not binding on the Company or its directors. However, certain provisions of the Corporations Act, known as the "two strikes" rules come into effect if the Remuneration Report resolution receives "no" votes of 25% or more of the votes at two successive annual general meetings. To date the Company has **not** received less than 25% of votes cast in favour of the Remuneration Report at any annual general meeting.

3. Re-election of Director – Philip Salter

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

That Philip Salter, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a director of the Company.

4. Re-election of Director – Peter Mattick

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

That Peter Mattick, who retires by rotation in accordance with the Constitution of the Company, be re-elected as a director of the Company.

5. Long term incentive grant to the Chief Executive Officer – Grant Harrod

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

That the approval to grant performance shares under the Salmat Deferred Employee Share Plan to the Chief Executive Officer Grant Harrod in 2012, as provided by shareholders at the 2010 annual general meeting, be varied as follows:

- *That performance rights be issued under the Salmat Executive Option Plan in place of deferred shares under the Deferred Employee Share Plan, to the value as set out in the explanatory notes;*
- *That vesting of 20% of the performance rights be subject to the Company's key strategic goals, including business transformation and specific business growth initiatives. These goals will be both quantitative and qualitative. These areas will be defined by the board upon the transformation strategy and capital structure for the Company being approved by the board;*
- *That the portion of the performance rights subject to the Earnings per Share (EPS) performance condition be reduced to 40% (shareholders previously approved that the EPS performance condition will apply to 50% of the performance shares);*
- *That for the portion of the performance rights subject to the EPS performance condition, a compound growth rate target of 7.5% per annum over the measurement period will apply (shareholders previously approved that a compound growth rate target of 10% per annum would apply); and*
- *That the portion of the performance rights subject to the Total Shareholder Return (TSR) performance condition be reduced to 40% (shareholders previously approved that the TSR performance condition will apply to 50% of the performance shares).*

The performance rights will be issued on the terms and in the manner set out in the explanatory notes to this Notice of Meeting and are approved for all purposes, including for the purpose of ASX Listing Rule 10.14.

Note: The Company will disregard any votes cast on this resolution by:

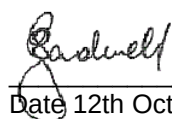
- (a) all Directors of the Company; and
- (b) any associate of a Director of the Company,

(except one who is ineligible to participate in any employee incentive scheme in relation to the Company).

However, the Company need not disregard a vote if:

- (c) it is cast by a person as a proxy for a person who is otherwise entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is otherwise entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

On behalf of the Board
Stephen Bardwell
Company Secretary



Date 12th October 2012

Eligibility to Vote

The Company's Constitution provides that, on a show of hands, every person present and qualified to vote shall have one vote. For the purpose of determining a person's entitlement to vote at the meeting, a person will be recognised as a member and the holder of shares if that person is registered as at 7 pm on Sunday 11th November 2012.

Annual Report

For a direct link to Salmat's online annual report, visit www.salmat.com.au and then click on "INVESTORS". It has been split for ease of reference into two sections including the shareholder review and full financials.

Proxies

If you cannot attend, you may appoint a proxy to attend and vote for you.

Each member may appoint a proxy. The proxy need not be a member of the Company.

If you wish to appoint a proxy and you are entitled to 2 or more votes then you may:

- (a) appoint two proxies; and
- (b) specify the proportion or number of votes each proxy may exercise. If you do not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of your votes (disregarding fractions).

A form for the appointment of a proxy is enclosed with this notice.

To be effective, all proxies must be lodged:

- by mailing it to the share registry of the Company, Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, Australia
- by facsimile to Link Market Services Limited on +612 9287 0309;
- by going online at www.linkmarketservices.com.au and then clicking on "PROXY VOTING"; or
- by hand delivery to: Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000,

no later than 48 hours before the time for the holding of the meeting, which is by **10.00am (Sydney time) on Sunday 11th November 2012**

How the Chairperson will vote undirected proxies

Where possible, the Chairperson intends to vote undirected proxies in favour of all the resolutions.

EXPLANATORY NOTES

Item 1- 2012 Financial Report

The Corporations Act and the Company's Constitution require the Company's annual financial report, directors' report and auditor's report to be received and considered at the annual general meeting of shareholders.

Neither the Corporations Act nor the Company's Constitution require a vote of shareholders on the reports. However, in accordance with the Corporations Act and the Company's past practice, shareholders will have the opportunity to ask questions and make comments on the reports, and the Company's business and operations. A reasonable opportunity will also be given to shareholders as a whole to ask the auditor questions relevant to the conduct of the audit and the preparation and contents of the auditor's report.

Item 2 - Remuneration Report

The Remuneration Report is for consideration and adoption by way of non-binding resolution.

The Remuneration Report is set out on pages 9-20 of the Salmat Limited Annual Report 2012. It is also available on Salmat's internet site (www.salmat.com.au).

The report:

- explains the Board's policies in relation to the nature and level of remuneration paid to directors and senior executives within the Company;
- discusses the link between the Board's policies and the Company's performance;
- provides a detailed summary of the performance conditions, explaining why they were chosen and how performance is measured against them;
- sets out remuneration details for each director and for the Company's Key Management Personnel; and
- makes clear that the basis for remunerating non-executive directors is distinct from the basis for remunerating executives, including executive directors.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

All shareholders are strongly encouraged to cast their vote.

The Board recommends that shareholders vote in favour of adoption of the Remuneration Report.

Item 3 - Re-election of Mr Philip Salter

In accordance with the Constitution, one of our non-executive directors, Mr Philip Salter is due to retire at this meeting and, being eligible, offers himself for re-election.

Philip Salter co-founded Salmat Limited in 1979. He developed the business into one of Australasia's leading customer communications companies. Mr Salter served as Salmat's Joint Chief Executive Officer and Joint Managing Director until his retirement from the company in October 2009. Since that time, he has remained as a Non Executive director of the company. Mr Salter had a career in real estate and operating retail businesses prior to founding the company. He is a member of the Australian Institute of Company Directors.

The Board recommends the re-election of Mr Salter.

Item 4 - Re-election of Mr Peter Mattick

In accordance with the Constitution, one of our non-executive directors, Mr Peter Mattick is due to retire at this meeting and, being eligible, offers himself for re-election.

Peter Mattick Co-founded Salmat Limited in 1979 and served as its Joint Chief Executive Officer and Joint Managing Director until his retirement from Salmat Limited in October 2009. Since that time, Mr Mattick has remained as a Non Executive director of the company.

Mr. Mattick has served as Chairman and Director of the Australian Direct Marketing Association and is a Patron of the National Aboriginal Sports Corporation.

He is a Fellow of the Australian Society of Certified Practicing Accountants, a Fellow of the Australian Institute of Company Directors, a Governor of the Advisory Council for the Institute of Neuromuscular Research, a board member of The Shepherd Centre and a trustee for the Fresh Tracks Foundation. Mr. Mattick was educated at the University of New South Wales where he gained a Bachelor of Commerce degree.

The Board recommends the re-election of Mr Mattick.

Item 5 - Long term incentive (LTI) grant to the Chief Executive Officer – Grant Harrod

The Company is seeking the approval of shareholders to amend the terms applicable to the upcoming 2012 grant of performance shares under the Deferred Employee Share Plan (DESP) to the Chief Executive Officer (CEO), Mr Harrod, on the terms and conditions set out below.

Background

At the 2010 Annual General Meeting, shareholders approved the following grants of performance shares under the Company's DESP to the CEO, Mr Harrod:

LTI Grant Year	Shares cannot be acquired before date	Shares cannot be acquired after date	Maximum \$ value of LTI Grant
2010	2010 AGM	31 December 2010	\$1,100,000
2011	2011 AGM	31 December 2011	\$700,000
2012	2012 AGM	31 December 2012	\$700,000
			\$2,500,000

The performance shares with respect to the 2010 and 2011 grant years have been granted by the Company in accordance with the shareholder approval previously given. The shares were held subject to Total Shareholder Return (TSR) and Earnings per Share (EPS) performance conditions, details of which are set out in the 2010 Notice of Meeting and the relevant Remuneration Reports. A total of 528,670 shares were acquired by Mr Harrod in the 2010 and 2011 grant years. No consideration was provided by Mr Harrod.

The Company now seeks shareholder approval to amend the terms applying to the grant of performance shares to the CEO for the 2012 year, as well as the maximum value of the LTI grant for the 2012 year.

In the 2010 Notice of Meeting it was specified that the maximum number of shares that would be issued or otherwise acquired for Mr Harrod during 2010, 2011 and 2012 was 750,000.

Grant of performance rights

For the CEO's 2012 LTI grant, it is proposed that performance rights (also known as zero priced options) will be issued under the Salmat Executive Option Plan (**EOP**) in place of deferred shares under the DESP. A zero priced option is an option with a zero exercise price and is otherwise issued for no consideration.

The Company is proposing to introduce performance rights as the vehicle for the 2012 LTI grant based on a review by the board and the decision to align the LTI vehicle with prevalent market practice. The CEO will not be entitled to receive dividends on performance rights. Under the grants of performance shares approved by shareholders in 2010, the CEO would have received dividends on unvested shares but an equivalent amount was deducted from annual short-term incentive payments.

To compensate the CEO for the loss of franking credits attached to dividends as a result of the change in LTI vehicle, the Company proposes to increase the maximum value of the LTI grant for the 2012 year to \$770,700 (an increase of 10.1%).

In accordance with Listing Rule 10.15, shareholders should note that the number of performance rights to be issued will be based on the volume weighted average price (VWAP) of Salmat shares for the 5 trading days preceding the issue. Based on recent share price movements, the number of performance rights granted will not exceed a maximum of 386,750 performance rights. As previously approved, the issue must be between the date of the annual general meeting and 31st December 2012.

Performance conditions

The Company is undertaking a strategic review and proposes to introduce an additional strategic-based performance condition for the CEO's 2012 LTI grant. The performance condition will consist of multiple metrics that are aligned with strategic initiatives important to long-term creation of shareholder value. The metrics will relate to the Company's key strategic goals and business plan, including business transformation and specific business growth initiatives.

The CEO's 2012 LTI grant will now be subject to three performance conditions, as well as continued service to 1 September 2015. The Board has determined that the performance conditions reward the CEO for contributing to the creation of shareholder wealth, and impose challenging targets. The performance conditions, which will be tested over a three year period from grant date, are as follows:

- ▶ **Earnings Per Share (EPS) performance condition:** Forty-percent (40%) of the 2012 LTI grant will be subject to achieving an EPS target set by the board. For the 2012 LTI grant, a cumulative compound growth rate target of 7.5% per annum over the three-year measurement period will apply. The board proposes to reduce the cumulative EPS growth from 10% to 7.5% due to current market conditions and market practice information. Vesting will occur on a sliding scale on and from 75% of the EPS target being achieved, as set out below:

% of EPS target achieved	% of relevant grant subject to EPS performance condition to vest
75%	50%
80%	60%
85%	70%
90%	80%
95%	90%
100%	100%

Based on the Company's EPS for the 2012 year of 19.2 cents, the cumulative EPS target over the three year measurement period at a compound growth rate target of 7.5% per annum is 66.68 cents.

- **Total Shareholder Return (TSR) performance condition:** Forty-percent (40%) of the 2012 LTI grant will be subject to achieving a TSR in excess of the companies comprising the small industrials accumulation index (XSIAI). Salmat's out-performance relative to the small industrials index will be determined according to the table below:

Salmat's TSR performance compared to the companies comprising the XSIAI	% of shares vesting	Increment
Less than the 50 th percentile	Nil	Straight line vesting between the 50 th and the 75 th percentile
Equal to the 50 th percentile	50%	
At or above the 75 th percentile	100%	

- **Strategic goals performance condition:** Twenty-percent (20%) of the 2012 LTI grant will be determined based on the Company's achievement of strategic goals, including business transformation and specific business growth initiatives. These goals will be both quantitative and qualitative. These areas will be specified by the board and communicated to participants once an agreed transformation strategy and capital structure for the Company is approved. Vesting of the strategic goals component of the LTI will be based on the board's judgement and evaluation on the extent to which the metrics and targets were achieved, and in certain cases, the method by which they were achieved.

Refer to the 2010 Notice of Meeting and subsequent Remuneration Reports for further detail regarding Salmat's long-term incentive plan.

Additional Information

The EOP allows the Company to grant rights to acquire ordinary shares in Salmat to key senior executives. No directors apart from the CEO are granted rights under the EOP.

Rights to acquire shares cannot be transferred. Rights or options will not be quoted on the ASX. Shares issued under EOP on the exercise of the rights will rank equally with other ordinary shares of the Company and will be quoted.

The rights will remain available for exercise for a period of 3 years, subject to applicable performance hurdles and other restrictions being met. Unexercised rights lapse after that period.

A copy of the EOP Plan Rules may be requested from the Company Secretary, who may be contacted on (02) 9928 6500.

Voting exclusion In accordance with ASX Listing Rule 14.11.1, the directors and their associates must abstain from voting on this resolution.

Directors' Recommendation

The Board recommends that members vote in favour of the resolution.