

9 June 2016

Dear Shareholder

Renounceable Rights Issue – notice to ineligible shareholders

On 7 June 2016, Velpic Limited (**Company**) announced a renounceable pro rata entitlement offer to eligible shareholders of 2 new shares for every 5 existing shares held at the record date of 7:00pm (AEST) on 14 June 2016, with 1 free attaching option (exercisable at \$0.06 on or before 30 June 2018) for every 2 new shares issued (**Offer**). The issue price for the new shares is \$0.03.

The Offer seeks to raise up to approximately \$5.85M before issue costs and is partially underwritten by CPS Capital to \$2M.

Further details of the Offer, including the rights issue timetable and effect on the Company's capital structure are set out in the Company's announcement dated 7 June 2016 and the prospectus lodged with ASX on that date. The prospectus will be dispatched to eligible shareholders on 15 June 2016. The prospectus will be available on the Company's and ASX's websites on that date.

The Company has decided that it is unreasonable to extend the Offer to shareholders with a registered address outside Australia or New Zealand as at the record date (**Ineligible Shareholders**), having regard to the number of such shareholders, their holdings and the compliance costs required to extend Offer to those shareholders.

The purpose of this letter is to inform you that no offer is being made to you and the prospectus will not be sent to you as you are an Ineligible Shareholder.

This letter is neither an offer to issue securities to you nor an invitation for you to apply for the new securities under the Offer.

As the Offer is renounceable, the Company has appointed a nominee to arrange for the sale of the entitlements that would have been given to you. If the entitlements are sold, the proceeds of sale will be distributed to you (after deducting the costs of the sale).

You do not have to take any action in relation to the Offer.

Yours sincerely

Piers Lewis

Company Secretary