



**GR ENGINEERING SERVICES LIMITED**

**ABN 12 121 542 738**

**NOTICE OF ANNUAL GENERAL  
MEETING AND EXPLANATORY  
MEMORANDUM TO  
SHAREHOLDERS**

**Date of Meeting**  
12 November 2013

**Time of Meeting**  
11:00am (AWST)

**Place of Meeting**  
Empire Bar Function Room  
220 Great Eastern Highway, Rivervale, Western Australia

**A Proxy Form is enclosed**

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

**GR Engineering Services Ltd**  
ABN 12 121 542 738

**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Shareholders of GR Engineering Services Limited ABN 12 121 542 738 ("Company") will be held at Empire Bar Function Room, 220 Great Eastern Highway, Rivervale on 12 November 2013 at 11:00am (AWST) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

**AGENDA**

*ITEMS OF BUSINESS*

**Financial Reports**

To receive and consider the financial statements of the Company for the year ended 30 June 2013, together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

**1. Resolution 1 – Non Binding Resolution to adopt Remuneration Report**

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

*"That the Remuneration Report as set out in the Annual Report be adopted."*

**Note:** The vote on this resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

**Voting Exclusion:** The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- (b) it is not cast on behalf of a Restricted Voter.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 1 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 1; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1.

Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

**2. Resolution 2 – Re-election of Joe Ricciardo as a Director**

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

*"That, Joe Ricciardo, who retires in accordance with clause 13.2 of the Constitution and, being eligible for re-election, be re-elected in accordance with clause 13.3 of the Constitution as a Director."*

**3. Resolution 3 – Issue of Share Appreciation Rights to Geoff Jones**

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

*"Subject to the passing of Resolution 4, that, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14 and all other purposes the Directors are authorised to issue:*

- (a) 1,600,000 Share Appreciation Rights vesting on 30 June 2014;
- (b) 727,273 Share Appreciation Rights vesting on 30 June 2015;
- (c) 432,433 Share Appreciation Rights vesting on 30 June 2016;
- (d) 296,297 Share Appreciation Rights vesting on 30 June 2017; and
- (e) 213,334 Share Appreciation Rights vesting on 30 June 2018,

*for no consideration to Geoff Jones (or his nominee(s)), on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 3 by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- (b) it is not cast on behalf of Geoff Jones or an associate of Geoff Jones.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 3 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 3; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 3,

Shareholders may also choose to direct the Chair to vote against Resolution 3 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

For the purpose of this voting exclusion statement, "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it was not confined to associate references occurring in Chapter 6 of the Corporations Act and on the basis that the Company is the "designated body". "Associate" also includes a related party of Geoff Jones.

#### **4. Resolution 4 – Approval to cancel Options previously issued to Geoff Jones**

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

*"Subject to the passing of Resolution 3, that for the purposes of Listing Rule 6.23.2 and for all other purposes, Shareholders approve and authorise the cancellation of:*

- (a) 500,000 Options each with an exercise price of \$1.50 and expiry date of 19 April 2014; and
- (b) 750,000 Options each with an exercise price of \$1.80 and expiry date of 19 April 2015; and
- (c) 750,000 Options each with an exercise price of \$2.10 and expiry date of 19 April 2016;

*granted to Geoff Jones with the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 4 by Geoff Jones and any associate of Geoff Jones. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- (b) it is not cast on behalf of Geoff Jones or an associate of Geoff Jones.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution Geoff Jones; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 4.

Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be applied as if it was not confined to associate references occurring in Chapter 6 of the of the Corporations Act and on the basis that the Company is the "designated body". "Associate" also includes a related party of Geoff Jones.

#### **8. Resolution 5 – Approval of Additional 10% Placement Capacity**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*"That, for the purpose of Listing Rule 7.1A and all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 5 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person associated with those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the vote 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.

For the purpose of this voting exclusion statement "associate" shall have the meaning set out in sections 12 and 16 of the Corporations Act. Section 12 of the Corporations Act is to be

*applied as if it was not confined to associate references occurring in Chapter 6 of the Corporations Act and on the basis that the Company is the "designated body".*

## **OTHER BUSINESS**

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To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

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Certain abbreviations and other defined terms are used throughout this Notice. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'Geoff Jones', written in a cursive style.

**Geoff Jones**  
Managing Director

Dated: 1 October 2013

### **How to vote**

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting or by submitting their proxy appointment and voting instructions by person, post, courier or facsimile.

### **Voting in person (or by attorney)**

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendances recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

### **Voting by a Corporation**

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of their appointment, including any authority under which it is signed unless previously given to the Company's Share Registry.

### **Voting by proxy**

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may vote, or abstain from voting, as they think fit.
- Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.

- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice.
- To be effective, proxies must be lodged by 11:00am (AWST) on 10 November 2013. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
  - by returning a completed proxy form in person or by post using the pre-addressed envelope provided with this Notice; or
  - by faxing a completed proxy form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
  - for Intermediary Online Subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions.

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 11:00am (AWST) on 10 November 2013. If facsimile transmission is used, the power of attorney must be certified.

### **Shareholders who are entitled to vote**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (AWST) 10 November 2013.

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of GR Engineering Services Limited ("GR Engineering" or the "Company").

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### **FINANCIAL REPORTS**

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 30 June 2013 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and

- the independence of the auditor in relation to the conduct of the audit.

### **RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's Annual Report.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Report and is also available on the Company's website ([www.gres.com.au](http://www.gres.com.au)).

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast are against adoption of the Remuneration Report at an AGM, and then again at the following AGM (**Following AGM**), the Company will be required to put a resolution to the Following AGM to approve calling an extraordinary general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (spill meeting) within 90 days of the Following AGM. All of the Directors 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 Following AGM) was approved, other than the Managing Director, will (if desired) need to stand for re-election at the spill meeting.

It is noted that at the Company's 2012 AGM, the votes cast against the Remuneration Report was less than 25% and accordingly, a spill resolution is not required for this AGM.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any share based compensation.

### **Voting**

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice

of Meeting. In particular, the directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

## **RESOLUTION 2 – RE-ELECTION OF JOE RICCIARDO AS A DIRECTOR**

Clause 13.2 of the Constitution provides that at every annual general meeting of the Company, one-third of the Directors (excluding any alternate Directors and the Managing Director), or, if their number is not a multiple of 3, then such number as is appropriate to ensure no Director holds office for more than 3 years, shall retire from office. A retiring Director is eligible for re-election.

Pursuant to Clause 13.2 of the Company's Constitution, Joe Ricciardo retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Ricciardo cofounded the Company as its Managing Director until assuming the role of Executive Chairman in FY2013. Mr Ricciardo is a mechanical engineer with over 32 years' experience in feasibility studies, design, construction, maintenance and operation of mineral processing facilities.

In 1986, Mr Ricciardo led the founding of JR Engineering. As Managing Director, he successfully grew JR Engineering into a leading engineering services provider before its sale to a major ASX listed mining services group in 2001. Mr Ricciardo subsequently led the combined business for five years following the sale.

In 2006, Mr Ricciardo was instrumental in regrouping the key executives from JR Engineering to establish the Company.

Mr Ricciardo is a non-executive director of Mineral Resources Limited and has been on the board since its public listing in 2006.

## **BACKGROUND TO RESOLUTIONS 3 AND 4**

Mr Geoff Jones was appointed the Managing Director of the Company on 26 June 2013. Under his employment agreement, it was agreed that he would be eligible to participate in the GR Engineering Services Limited Equity Incentive Plan (**Plan**).

Mr Jones was the Chief Operating Officer of the Company from 18 April 2011 to 26 June 2013 when he was appointed Managing Director. In his role as Chief Operating Officer, he was granted the Executive Options the subject of Resolution 4.

As part of his new remuneration package as Managing Director, the Board resolved to grant Mr Jones the Share Appreciation Rights described in Resolution 3 subject to:

- ASX granting the Waiver (which has been subsequently granted and details of which are set out in the explanatory notes to Resolution 4);
- Shareholders approving the cancellation of the Executive Options the subject of Resolution 4; and
- Shareholders approving the approval of the grant of the Share Appreciation Rights the subject of Resolution 3.

The Board's decision to cancel the Executive Options and issue the Share Appreciation Rights (subject to satisfaction of the conditions) was made for the following reasons:

- (a) the Company and Mr Jones have entered into a new employment agreement in respect of his appointment as Managing Director. The agreement provides for the provision of a remuneration package to Mr Jones which the Board (after taking into account advice from the Company's remuneration committee and current market conditions) considers to be appropriate for someone in his position. The ability to participate in the Plan is a

component of Mr Jones' remuneration package. The Executive Options were part of Mr Jones's remuneration package as Chief Operating Officer of the Company, and it is appropriate that these Executive Options are cancelled given he is no longer in this role;

- (b) notwithstanding the above, the Executive Options were issued to Mr Jones for the purposes of providing adequate incentive to him to generate shareholder value and to align his interests with those of shareholders. Given the decline in the Company's share price since the Executive Options were granted (which has been in line with broader market conditions), the Executive Options are now deeply 'out of the money', and no longer provide value and incentive they provided at the time they were issued.

Accordingly, Resolution 3 seeks Shareholder approval for the grant of the Share Appreciations Rights to Mr Jones, and Resolution 4 seeks Shareholder approval to cancel the Executive Options.

### RESOLUTION 3 – GRANT OF SHARE APPRECIATION RIGHTS TO GEOFF JONES

Share appreciation rights are rights to receive a future issue of payment in shares, equal to the amount of the increase in market value of shares in a specified period between the grant of the right and the exercise of that right.

As noted above, subject to the passing of Resolution 4, the Company proposes to grant Share Appreciation Rights to Geoff Jones or his nominee(s). The key terms of the Share Appreciation Rights proposed to be granted are set out in the table below:

Class	Number	Vesting Date	Vesting Conditions
A	1,600,000	30 June 2014	- Mr Jones being employed as Managing Director on Vesting Date  - Share price is at least \$0.60 on

			Vesting Date
B	727,273	30 June 2015	- Mr Jones being employed as Managing Director on Vesting Date  - Share price is at least \$0.72 on Vesting Date
C	432,433	30 June 2016	- Mr Jones being employed as Managing Director on Vesting Date  - Share price is at least \$0.86 on Vesting Date
D	296,297	30 June 2017	- Mr Jones being employed as Managing Director on Vesting Date  - Share price is at least \$1.04 on Vesting Date
E	213,334	30 June 2018	- Mr Jones being employed as Managing Director on Vesting Date  - Share price is at least \$1.24 on Vesting Date

If the respective Vesting Conditions of each Class are met on the relevant Vesting Dates, Mr Jones or his nominee(s) will be granted with a number of Shares determined as follows:

$$\text{Number of shares} = (\text{Share price at Vesting Date} - \text{Initial Market Value}) \times \text{number of Share Appreciation Rights} / \text{Share price at Vesting Date}$$

The Initial Market Price for each Class is \$0.50 which is a 9% premium of the Company's Share price on 26 June 2013, being the commencement date of Mr Jones's appointment as Managing Director. This was determined by the Board and the Company's remuneration committee to be an appropriate



base on which to assess Mr Jones's performance, as it reflected the time at which Mr Jones commenced his duties as Managing Director.

As an example of the number of Shares Mr Jones may be entitled to be issued on exercise of Share Appreciation Rights, in respect of the Class A Share Appreciation Rights, if the Share price is exactly \$0.60 on 30 June 2014, Mr Jones or his nominee(s) will be issued with 266,667 Shares on (or shortly after) 30 June 2014, calculated as follows:

*(Share price at Vesting Date (\$0.60) – Initial Market Value (\$0.50)) x number of Share Appreciation Rights (1,600,000) / Share price at Vesting Date (\$0.60)*

= 266,667 Shares

Using the example above, if the Share price is less than \$0.60 on 30 June 2014, Mr Jones will not be issued with any Shares and the Class A Share Appreciation Rights will lapse.

Therefore, the higher the Share price is at the Vesting Date, the more number of Shares Mr Jones will receive.

The Share Appreciation Rights will be granted under the Plan on the terms and conditions set out in the Plan.

Resolutions 3 and 4 are inter-conditional, which means that if Resolution 3 is passed but Resolution 4 is not passed, the Share Appreciation Rights the subject of this Resolution 3 will not be issued.

#### **Related Party Transactions Generally**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

- (a) the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
- (b) shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

Mr Jones is a Director and is therefore a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Resolution 3 relates to the proposed grant of Share Appreciation Rights to Mr Jones or his nominee(s), which is a financial benefit that requires Shareholder approval for the purposes of section 208 of the Corporations Act.

#### **Information Requirements – Chapter 2E of the Corporations Act**

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

*The related parties to whom the proposed Resolutions would permit the financial benefit to be given and the nature of the financial benefit*

Subject to Shareholder approval, the passing of Resolution 4, the Share Appreciation Rights will be granted to Mr Jones or his nominee(s).

The proposed financial benefit to be given is the grant of Share Appreciation Rights for no consideration to Mr Jones.

The grant of Share Appreciation Rights encourages Mr Jones to have a greater involvement in the achievement of the Company's objectives and provides an incentive for him to drive the Company's growth and Share price by enabling him to participate in the future growth and prosperity of the Company through Share ownership. Under the Company's current circumstances, the Directors (in the absence of Mr Jones) consider that the incentives intended for Mr Jones represented by the grant of the Share Appreciation Rights are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number and the terms of the Share Appreciation Rights proposed to be granted to Mr Jones has been determined after consideration of the following:

- (a) the Share Appreciation Rights will provide an incentive to Mr Jones to

deliver operational performance and align his interests to those of Shareholders;

- (b) the Initial Market Value of each Class of Share Appreciation Rights of \$0.50 is a 9% premium to the Company's Share price of \$0.46 on the commencement date of Mr Jones' employment as Managing Director. This was considered by the Company's remuneration committee and the Board to be a fair base on which to assess Mr Jones' performance, as it reflected the time at which Mr Jones commenced his duties as Managing Director of the Company; and
- (c) the two Vesting Conditions for each Class of Share Appreciation Rights are that:
  - (i) Mr Jones is employed as Managing Director as at the Vesting Date for that Class. The Board considers the retention of Mr Jones to be important to the Company's ongoing success; and
  - (ii) the Share price is at least a specified price on the Vesting Date. The Company's remuneration committee considered that this was a reasonable basis for determining the specified price as it was consistent with the achievement of strong annualised Share price returns over a 5 year period in the current market environment in which the Company operates.

**Mr Jones's Current Holdings**

As at the date of this Notice, Mr Jones has a relevant interest in 400,000 Shares. In addition, Mr Jones has a relevant interest in the following Options:

- (a) 500,000 Options each with an exercise price of \$1.50 and expiry date of 19 April 2014;
- (b) 750,000 Options each with an exercise price of \$1.80 and expiry date of 19 April 2015; and

- (c) 750,000 Options each with an exercise price of \$2.10 and expiry date of 19 April 2016,

**(the Executive Options)**

The Executive Options are proposed to be cancelled as set out in Resolution 4.

***Dilution effect of grant of Share Appreciation Rights on existing members' interests***

If passed, Resolution 3 will give the Directors power to grant a total of 3,269,337 Share Appreciation Rights on the terms and conditions set out in the Plan Rules and as otherwise mentioned above.

Save for the Executive Options, the Company does not currently have any other Options on issue. The Company currently has 150,000,000 listed Shares and the following Performance Rights on issue:

Number	Vesting Date
1,975,000	21 September 2015
50,000	4 October 2015
50,000	13 May 2016

The number of Shares which will be issued on exercise of the Share Appreciation Rights will depend on the Share price of the Company on the Vesting Date. Assuming:

- the Share price of the Company on the Vesting Dates for each Class of Share Appreciation Rights is exactly the price required for that Class of Share Appreciation Rights to vest (for example, for the Class A Share Appreciation Rights, the Share price is \$0.60 on 30 June 2014);
- all existing Performance Rights on issue vest; and
- the Executive Options are cancelled as contemplated by Resolution 4,

the effect would be to dilute the shareholding of existing Shareholders by 0.6%.

**Mr Jones' total remuneration package**

Mr Jones' fees per annum (including superannuation) and the total financial benefit

to be received by him in this current period, as a result of the grant of the Share Appreciation Rights the subject of Resolution 3, are as follows:

Fees p.a. (A\$)	Value of Share Appreciation Rights (A\$)	Total Financial Benefit (A\$)
\$475,000 <sup>1</sup>	\$430,985	\$905,985 <sup>1</sup>

1. Mr Jones' remuneration package also provides that his vehicle lease costs be novated over 48 months, with the principal value of the lease not to exceed \$120,000 and subject to the terms and conditions under a customary commercial novated lease agreement.

The value of A\$430,985 ascribed to the Share Appreciation Rights is a theoretical valuation of the Share Appreciation Right using the binomial option pricing model, adjusted for the barrier price.

#### *Valuation of Share Appreciation Rights*

For valuation purposes, the Share Appreciation Rights behave similarly to a barrier option, with the Initial Market Value being akin to an exercise price. A barrier option is similar to a normal vanilla option except the option does not vest until the share price hurdle (or barrier) is met. In the case of the Share Appreciation Rights, the barrier is tested at the Vesting Date. The valuation of a barrier option has been performed using a form of binomial option pricing model, adjusted for the barrier price.

Based on the assumptions noted above, it is considered that the estimated average value of each Class of the Share Appreciation Rights to be granted to Mr Jones is as follows:

Class	Value
A	\$206,400
B	\$100,364
C	\$59,676
D	\$38,519
E	\$26,027

#### *Company's historical Share price*

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 30 September 2013:

Highest Price (A\$) / Date	Lowest Price (A\$) / Date	Latest Price (A\$) / Date
\$1.00 (17 October 2012)	\$0.405 (10 June 2013)	\$0.60 (30 September 2013)

#### *Other Information*

Under the Australian Equivalent of the International Financial Reporting Standards (IFRS), the Company is required to expense the value of the Share Appreciation Rights and the Executive Options in its statement of financial performance for the current financial year.

Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Share Appreciation Rights pursuant to Resolution 3.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 3.

#### *Directors' recommendation*

All the Directors were available to make a recommendation.

Messrs Ricciardo, Patrizi, Patterson, Hood and Strapp (who have no interest in the outcome of Resolution 3) recommend that Shareholders vote in favour of Resolution 3. Mr Jones declines to make a recommendation about Resolution 3 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Share Appreciation Rights to him or his nominee(s).

## Information Requirements - Listing Rules 10.14 and 10.15

Listing Rule 10.14 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires Shareholders to approve the issue of Share Appreciation Rights under the Plan to Mr Jones.

The following information is provided to Shareholders in relation to Resolution 3 for the purposes of Listing Rule 10.15:

- (a) the Share Appreciation Rights will be granted to Mr Jones, the Managing Director of the Company, or his nominees(s);
- (b) the maximum number of Share Appreciation Rights to be granted is 3,269,337;
- (c) the Share Appreciation Rights will be granted for no consideration;
- (d) none of the persons referred to in Listing Rule 10.14 (being Directors and their associates) have received securities under the Plan since it was last approved by Shareholders at the Company's 2012 annual general meeting held on 30 November 2012.
  - (e) all Directors who hold a salaried employment or office in the Company are entitled to participate in the Plan. The Directors currently entitled to participate in the Plan are Mr Joe Ricciardo, Mr Geoff Jones and Mr Tony Patrizi;
- (f) no loan will be provided in relation to the grant of the Share Appreciation Rights to Mr Jones or his nominee(s);
- (g) the Share Appreciation Rights will be granted on a date which will be no later than 12 months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules.

If approval is given for the grant of the Share Appreciation Rights under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

## Voting

Note that a voting exclusion applies to Resolution 3 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy, even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

## RESOLUTION 4 – APPROVAL TO CANCEL EXECUTIVE OPTIONS PREVIOUSLY ISSUED TO GEOFF JONES

As noted above, the Company has the following Executive Options on issue:

- (a) 500,000 Options each with an exercise price of \$1.50 and expiry date of 19 April 2014;
- (b) 750,000 Options each with a vesting date of 19 April 2014, an exercise price of \$1.80 and expiry date of 19 April 2015; and
- (c) 750,000 Options each with a vesting date of 19 April 2015, an exercise price of \$2.10 and expiry date of 19 April 2016.

All of the Executive Options are held by Mr Jones and the Company does not have any other Options on issue.

Mr Jones has agreed to the cancellation of the Executive Options pursuant to Resolution 4 subject to the issue of the Share Appreciation Rights the subject of Resolution 3.

The Board has resolved, subject to Shareholder approval the subject of Resolution 4, to cancel the Executive Options.

## Listing Rule requirements

Listing Rule 6.23.2 provides amongst other things that *“a change which has the effect of cancelling an option for consideration can only be made if holders of ordinary securities approve the change”*.

Listing Rule 6.23.3 provides amongst other things that *“a change which has the effect of reducing the exercise price, increasing the period for exercise or increasing the number of securities received on exercise cannot be made.”*

Pursuant to Listing Rule 6.23.5, for the purposes of assessing Listing Rules 6.23.2 and 6.23.3, the ASX may aggregate separate transactions (i.e. the cancellation of the Executive Options and the issue of the Share Appreciation Rights the subject of Resolution 3).

As the Share Appreciation Rights have a zero exercise price and longer expiry dates/vesting dates than the Executive Options, the arrangement is one which is prohibited by Listing Rule 6.23.3.

The Company has applied to ASX for and been granted a waiver from Listing Rule 6.23.3 to enable it to put Resolution 4 for the cancellation of the Executive Options to Shareholders for the purposes of Listing Rule 6.23.2 (**Waiver**).

## Voting exclusion

A voting exclusion applies to Resolution 4 in the terms set out in the Notice of Meeting. In particular, Mr Jones and other Restricted Voters may not vote on Resolution 4 and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolutions.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on these Resolutions.

## Director’s recommendation

For the reasons set out above, your Directors recommend that you vote in favour of Resolution 4.

## RESOLUTION 5 – APPROVAL OF ADDITIONAL 10% PLACEMENT CAPACITY

### Background

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital over a 12 month period after the Annual General Meeting at which a resolution for the purposes of Listing Rule 7.1A is passed by special resolution (**Additional 10% Placement Capacity**). The Additional 10% Placement Capacity is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An entity will be eligible to seek approval under Listing Rule 7.1A if:

- (a) the entity has a market capitalisation of \$300 million or less; and
- (b) the entity that is not included in the S&P ASX 300 Index.

The Company is an eligible entity for the purposes of Listing Rule 7.1A.

The approval of the Additional 10% Placement capacity provides greater flexibility for the Board to conduct capitals raisings through placements in the 12 month period following the Annual General Meeting.

Any Equity Securities issued under the Additional 10% Placement Capacity must be in the same class as an existing quoted class of Equity Securities of the Company. As at the date of this Notice, the only class of quoted Equity Securities the Company has on issue is Shares. The Company also has unlisted Options and unlisted Performance Rights on issue.

The number of Equity Securities the Company may issue or agree to issue under the Additional 10% Placement Capacity is a moving calculation and will be based on the

formula set out in Listing Rule 7.1A.2 which is set out below:

$(A \times D) - E$

where:

*A* is the number of Shares on issue 12 months before the date of issue or agreement:

- (a) plus the number of fully paid Shares issued in the 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid Shares that became fully paid in the 12 months;
- (c) plus the number of fully paid Shares issued in the 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid Shares under the entity's 15% placement capacity without Shareholder approval;
- (d) less the number of fully paid Shares cancelled in the 12 months.

*Note that 'A' has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.*

*D* is 10%

*E* is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue, that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

Resolution 5 is a special resolution, requiring approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) in order to be passed.

### Specific information required by Listing Rule 7.3A

The following information in relation to the Additional 10% Placement Capacity is provided to Shareholders for the purposes of Listing Rule 7.3A:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 Trading Days immediately before:
  - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
  - (ii) if the Equity Securities are not issued within five Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 5 is approved by Shareholders and the Company issues Equity Securities under the Additional 10% Placement Capacity and existing Shareholders do not participate (either because they are not invited to participate or because they elect not to participate), their economic and voting interests in the Company will be diluted. This means that each Share will represent a lower proportion of the ownership and voting power of the Company. There is also a risk that:
  - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Annual General Meeting; and
  - (ii) the Equity Securities may be issued:
    - (A) at a price that is at a discount to the market price for the Company's Equity Securities on the issue date of the Equity Securities; or

- (B) as consideration (or part thereof) for the acquisition of a new asset,

both of which may have an effect on the amount of funds raised by the issue of Equity Securities under the Additional 10% Placement Capacity.

- (c) The table in Annexure A shows the dilution of existing Shareholders upon the issue of the **maximum** number of Equity Securities under the Additional 10% Placement Capacity, using different variables for the number of ordinary securities for variable 'A' (as defined in Listing Rule 7.1A) and the market price of Shares. It is noted that variable 'A' is based on the number of ordinary securities the Company has on issue at the time of the proposed issue of Equity Securities.

The table shows:

- (i) examples of where variable 'A' is at its current level, and where variable 'A' has increased by 50% and by 100%;
  - (ii) examples of where the issue price of ordinary securities is the current market price as at close of trade on 30 September 2013, being \$0.60, (current market price), where the issue price is halved, and where it is doubled; and
  - (iii) the dilutionary effect will always be 10% if the maximum number of Equity Securities that may be issued under the Additional 10% Placement Capacity are issued.
- (d) Approval of the Additional 10% Placement Capacity will be valid during the period (**Additional Placement Period**) from the date of the Annual General Meeting and will expire on the earlier of:
    - (i) the date that is 12 months after the date of the Annual General Meeting; and

- (ii) the date of the approval by Shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

- (e) The Company may seek to issue the Equity Securities for the following purposes:

- (i) if Equity Securities are issued for cash consideration, the Company intends to use the funds for the provision of project bonding and general working capital for the Company's operations.
- (ii) if Equity Securities are issued for non-cash consideration, the Company will comply with the minimum issue price limitation under Listing Rule 7.1A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (f) The identity of the persons to whom Equity Securities will be issued is not yet known and will be determined on a case by case basis having regard to market conditions at the time of the proposed issue of Equity Securities, including consideration of matters including, but not limited to:
  - (i) what methods of raising funds are available to the Company, including other capital raising alternatives;
  - (ii) the dilutionary effect of the proposed issue of the Equity Securities on existing Shareholders at the time of proposed issued of Equity Securities;
  - (iii) the structure of the issue including size, price and timing;

- (iv) the Shareholder register, including the spread and the representation of institutional, sophisticated and retail investors; and
- (v) advice from its professional advisers, including corporate and financial advisers (if applicable).

The persons to whom Shares will be issued under the Additional 10% Placement Capacity have not been determined as at the date of this Notice, but will not include related parties (or their associates) of the Company.

- (g) The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.
- (h) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not determined its allocation policy for the issue of Equity Securities under the Additional 10% Placement Capacity, other than noting the persons to whom Shares will be issued will be determined on a case by case basis having regard to the factors outlined in paragraph (f) above. The Company has not approached, and has not yet determined to approach, any particular existing security holders or an identifiable class of existing security holders to participate in an offer under the Additional 10% Placement Capacity, therefore no existing security holders' votes would be excluded under the voting exclusion statement included in this Notice.



## GLOSSARY

"**Accounting Standards**" has the meaning given to that term in the Corporations Act;

"**Annual General Meeting**" means the Company's 2013 annual general meeting;

"**Annual Report**" means the annual report of the Company for the year ended 30 June 2013;

"**AWST**" means Australian Western Standard Time;

"**Board**" means the board of Directors of the Company;

"**Closely Related Party**" has the meaning given in the Corporations Act;

"**Company**" means GR Engineering Services Limited ABN 12 121 542 738;

"**Constitution**" means the constitution of the Company, as amended from time to time;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Director**" means a director of the Company;

"**Equity Securities**" has the meaning given to it in the Listing Rules

"**Executive Options**" means the Options held by Geoff Jones as detailed in the explanatory notes to Resolutions 3 and 4.

"**Key Management Personnel**" has the meaning given to it in the Accounting Standards;

"**Meeting**" means the annual general meeting the subject of the Notice;

"**Notice**" means the notice of annual general meeting which accompanies this Explanatory Memorandum;

"**Option**" means an option to acquire a Share;

"**Performance Rights**" has the meaning given to it in the Plan Rules;

"**Plan**" means the GR Engineering Services Limited Equity Incentive Plan;

"**Plan Rules**" means the rules of the Plan as amended from time to time;

"**Resolution**" means a resolution proposed pursuant to the Notice of Annual General Meeting;

"**Restricted Voter**" means Key Management Personnel and their Closely Related Parties;

"**Share**" means a fully paid ordinary share in the Company;

"**Share Appreciation Right**" means the Share Appreciation Rights proposed to be issued to Geoff Jones the terms and conditions set out in the Notice; and

"**Waiver**" means the Company's application to ASX for a waiver from Listing Rule 6.23.3 as described in the explanatory notes to Resolution 4.

## Annexure A

The table below demonstrates various examples as to the number of Equity Securities that may be issued under the Additional 10% Placement Capacity.

Variable 'A'	Number of Shares issued and funds raised under the Additional 10% Placement Capacity and dilution effect	Dilution		
		\$0.30 Issue Price at half the current market price	\$0.60 Issue Price at current market price	\$1.20 Issue Price at double the current market price
Current Variable 'A' 150,000,000 Shares	Shares issued	15,000,000	15,000,000	15,000,000
	Funds raised	\$4,500,000	\$9,000,000	\$18,000,000
	Dilution	10%	10%	10%
50% increase in current Variable 'A' 225,000,000 Shares	Shares issued	22,500,000	22,500,000	22,500,000
	Funds raised	\$6,750,000	\$13,500,000	\$27,000,000
	Dilution	10%	10%	10%
100% increase in current variable 'A' 300,000,000 Shares	Shares issued	30,000,000	30,000,000	30,000,000
	Funds raised	\$9,000,000	\$18,000,000	\$36,000,000
	Dilution	10%	10%	10%

*Note: This table assumes:*

- *No Options or Performance Rights are exercised/vest before the date of the issue of the Equity Securities.*
- *The issue of Equity Securities under the Additional 10% Placement Capacity consists only of Shares. If the issue of Equity Securities includes quoted Options, for the purposes of the above table, it is assumed that those quoted Options are exercised into Shares for the purposes of calculating the voting dilution effect on existing Shareholders.*
- *The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.*
- *The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.*



**GR ENGINEERING SERVICES LIMITED**  
 ABN 12 121 542 738

**Lodge your vote:**



**By Mail:**

Computershare Investor Services Pty Limited  
 GPO Box 242 Melbourne  
 Victoria 3001 Australia

Alternatively you can fax your form to  
 (within Australia) 1800 783 447  
 (outside Australia) +61 3 9473 2555

For intermediary Online subscribers only  
 (custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**

(within Australia) 1300 850 505  
 (outside Australia) +61 3 9415 4000



┌ 000001 000 GNG  
 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 11:00am (AWST) Sunday 10 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](http://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 →**

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 <p>Update your securityholding, 24 hours a day, 7 days a week:  <b><a href="http://www.investorcentre.com">www.investorcentre.com</a></b></p>	<p><b>Your secure access information is:</b>  <b>SRN/HIN: I9999999999</b></p>
<p>View the Annual Report:  <b><a href="http://www.gres.com.au">www.gres.com.au</a></b></p>	<p> <b>PLEASE NOTE:</b> For security reasons it is important that you keep your SRN/HIN confidential.</p>

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 Gr Engineering Services 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 GR Engineering Services Limited to be held at The Empire Bar Function Room, 220 Great Eastern Highway, Rivervale, Western Australia at 11:00am (AWST) on Tuesday 12 November 2013 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, 3 and 4 except where I/we have indicated a different voting intention below) even though Resolutions 1, 3 and 4 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, 3 and 4 by marking the appropriate box in step 2 below.

**Important for Resolution 3:** If the Chairman of the Meeting is your proxy or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolution 3, please place a mark in the box in this section.

By marking this box, you acknowledge that the Chair of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolution 3 and that votes cast by the Chair of the Meeting for Resolution 3 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on Resolution 3, the Chair will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

## 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.

### Ordinary Resolutions

	For	Against	Abstain
Resolution 1 Non Binding Resolution to adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Joe Ricciardo as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Issue of Share Appreciation Rights to Geoff Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval to cancel Options previously issued to Geoff Jones	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Special Resolution

Resolution 5 Approval of Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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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.*

<b>Individual or Securityholder 1</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 2</b> <input style="width: 90%; height: 20px;" type="text"/>	<b>Securityholder 3</b> <input style="width: 90%; height: 20px;" type="text"/>
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Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_/\_\_\_\_/\_\_\_\_