



GR ENGINEERING SERVICES LIMITED
ENGINEERING CONSULTANTS AND CONTRACTORS

ACN 121 542 738

PROSPECTUS

FOR THE OFFER OF 30 MILLION SHARES AT \$1.00 EACH
TO RAISE \$30 MILLION



ARGONAUT

CORPORATE ADVISER AND BROKER TO THE OFFER

IMPORTANT NOTICE

This Prospectus is dated 18 March 2011 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. Application will be made within 7 days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for quotation on ASX.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Shares. Applicants should consider the risk factors outlined in Section 8 and which are summarised in the Investment Highlights Section. Applicants should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or future value.

DEFINITIONS AND GLOSSARY

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 13.

APPLICATIONS

The Application Forms may only be distributed if they are included in, or accompanied by, a complete and unaltered copy of the Prospectus. Applications under the Offer must be made by completing a paper copy of an Application Form attached to this Prospectus.

By making an Application, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

ELECTRONIC PROSPECTUS

This Prospectus will be issued in paper form and as an Electronic Prospectus, which may be viewed online at www.gres.com.au. The Offer is available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to or accompanied by a complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by e-mail at gres@gres.com.au.

EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of 7 days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants

prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

PRIVACY

If you apply for Shares, you will be required to provide personal information to the Company and the Share Registry. The Company, the Broker to the Offer and the Share Registry will collect, hold and use your personal information in order to assess your Application, and if your Application is successful, in order to service your needs as an investor, provide facilities and services that you request and carry out appropriate administration in accordance with company and tax law. All personal information will be collected in accordance with the National Privacy Principles as set out in the *Privacy Act 1988* (Cth). If you do not provide the information requested, your Application may not be able to be accepted or processed.

Once you become a Shareholder, the Corporations Act and the Australian taxation legislation require information about you (including your name, address and the number of Shares that you hold) to be included in the Company's public register. This information must continue to be included in the Company's public register even if you cease to be a Shareholder. The Company and the Share Registry may disclose your personal information to their agents and service providers for purposes related to your investment, including those listed below, or as otherwise authorised under the Privacy Act. These agents and service providers may include, but are not limited to:

- the Share Registry, for ongoing administration of the share register;
- the printers and the mail house, for the purposes of preparation and distribution of statements and for handling of mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Your information may also be used from time to time to inform you about other products and services offered by the Company and which the Company considers may be of interest to you.

PHOTOGRAPHS

Photographs that appear in this Prospectus are for illustrative purposes only, do not provide any form of endorsement and do not purport to represent the Company. Assets pictured in this Prospectus may not be assets of the Company unless otherwise stated.

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IMPORTANT DATES

Date of Prospectus	18 March 2011
Offer Opens	28 March 2011
Employee Priority Offer Closes	5pm WST 4 April 2011
Offer Closes	5pm WST 11 April 2011
Despatch of Holding Statements	14 April 2011
Expected Quotation of Shares on ASX	19 April 2011

All dates are indicative and subject to change. The Directors reserve the right to vary these dates for any reason and may close the Offer earlier or later than as indicated above, subject to the requirements of the Corporations Act and the Listing Rules. Applicants are encouraged to submit their Application Forms as soon as possible.

CHAIRMAN'S LETTER



GR ENGINEERING SERVICES LIMITED
ENGINEERING CONSULTANTS AND CONTRACTORS

18 March 2011

Dear Investor,

It is with great pleasure that I invite you to become a shareholder in GR Engineering Services Limited.

GR Engineering is a leading engineering consulting and contracting company specialising in providing high quality process engineering design and construction services to the mining and minerals processing industries.

The Company's services cover all aspects of the project life cycle from feasibility studies through to design, construction, commissioning and operational support. GR Engineering's core focus is the delivery of integrated project development solutions via engineering, procurement and construction (EPC) contracting arrangements. The Company provides these services to a diverse client base ranging from junior and mid-size resource companies through to international mining houses.

GR Engineering is led by a highly experienced and committed management team. The key members of the management team first formed when co-founding JR Engineering in 1986. The management team then successfully grew JR Engineering into a leading engineering and contracting company servicing the mining and minerals processing industries before its sale to a major ASX listed services group in 2001.

In October 2006, this management team founded GR Engineering and quickly established the Company as a market leader with a proven reputation for delivering projects on time, on budget and to guaranteed design performance.

GR Engineering has an impressive financial track record. The Company has strong profitability and to date has internally funded its growth through operating cash flow. For FY11, the Company is forecasting revenue of \$138.3 million and NPAT of \$18.8 million. GR Engineering also has low capital expenditure requirements and an established history of paying dividends.

The Company's success reflects its most valuable asset, its employees, who have dedicated themselves to the highest professional and ethical standards. GR Engineering employs over 150 professional, technical, managerial, supervisory and support personnel across offices in Perth, Kalgoorlie and Brisbane in addition to directly employed site construction personnel and subcontractors.

GR Engineering places a high priority on occupational health and safety and has maintained a strong safety record since inception. The Company is also committed to the protection of the natural environment, the prevention of pollution and playing a constructive role in the communities in which it operates.

GR Engineering has excellent growth prospects. The Company is experiencing strong demand for its services as project spending increases within the mining and minerals processing industries. At present, GR Engineering has 9 projects, either contracted or committed and multiple studies underway. The Company's growth prospects are underpinned by key competitive advantages including early project involvement and a proven track record of successfully growing with clients. These attributes deliver intimate project knowledge ahead of formal development, repeat business and exposure to larger scale projects as successful clients reinvest in new operations.

The Company has significant potential to expand and geographically diversify its activities into new high growth regions and mineral commodity markets. Consistent with this strategy, the Company will develop existing and future planned strategic alliances with other engineering groups.

Under this Prospectus, GR Engineering is inviting investors to subscribe for 30.0 million Shares, at an Offer price of \$1.00 per Share to raise \$30.0 million. The Offer proceeds will be primarily used to fund the growth of GR Engineering. An ASX listing will also provide employees the opportunity to invest in the Company, provide liquidity to GR Engineering's Existing Shareholders and enhance the Company's public profile. Upon listing, and based on the Offer price, GR Engineering will have a market capitalisation of \$150.0 million.

This Prospectus contains detailed information about the Offer and GR Engineering's business, as well as the risks of investing in the Company. I encourage you to read it carefully.

On behalf of the Directors, I commend this investment opportunity to you and look forward to welcoming you as a fellow shareholder of GR Engineering.

Yours sincerely,

Barry Patterson - Chairman
GR Engineering Services Limited

OFFER OVERVIEW

KEY OFFER DETAILS

Offer Price	\$1.00 per share
Shares offered under this Prospectus	30.0 million
Total Shares post the Offer	150.0 million
Total raised under the Offer	\$30.0 million
Market capitalisation at the Offer Price	\$150.0 million
Net cash post the Offer¹	\$43.5 million
Enterprise Value at the Offer Price	\$106.5 million

1 Net cash after borrowings of \$1.0 million.

KEY FINANCIAL INFORMATION

Year ended 30 June	Actual FY09	Actual Audited FY10	Forecast FY11
Revenue	\$79.1 million	\$128.2 million	\$138.3 million
EBITDA	\$21.6 million	\$24.2 million	\$26.4 million
EBIT	\$21.1 million	\$23.7 million	\$25.8 million
PBT	\$22.1 million	\$24.4 million	\$26.8 million
NPAT	\$15.5 million	\$17.8 million	\$18.8 million
Earnings per Share¹			12.5 cents
EV/ EBIT²			4.1x
P / E³			8.0x
Dividend per Share⁴			4.0 cents
Dividend Yield⁵			4.0 %

1 Earnings per share is calculated by dividing net profit after tax by the total number of Shares on issue following the Offer.

2 EBIT multiple is calculated by dividing the enterprise value by the Company's earnings before interest and tax (EBIT). Enterprise value is calculated by subtracting the Company's net cash from its market capitalisation following the Offer.

3 Price earnings ratio is calculated by dividing the market capitalisation at the Offer price by the net profit after tax.

4 Dividend per share is calculated by dividing the total forecast dividend payout by the number of Shares on issue following the Offer.

5 Dividend yield is calculated by dividing the forecast dividend payout by the market capitalisation at the Offer price. The dividend forecast in respect of the financial year ending 30 June 2011 is expected to be fully franked. Further information on the dividend policy is set out in Section 1.8.



INVESTMENT HIGHLIGHTS

GR ENGINEERING IS A LEADING ENGINEERING CONSULTING AND CONTRACTING COMPANY SPECIALISING IN PROVIDING HIGH QUALITY PROCESS ENGINEERING DESIGN AND CONSTRUCTION SERVICES TO THE MINING AND MINERALS PROCESSING INDUSTRIES.



INVESTMENT HIGHLIGHTS

MARKET LEADER IN EPC CONTRACTING TO THE MINING AND MINERALS PROCESSING INDUSTRIES

- Specialised integrated service and contracting model with limited direct competitors
- Provider of innovative, efficient, high quality and cost effective solutions
- Active across precious and base metals, industrial minerals and bulk material commodities
- Comprehensive systems for managing risk
- Excellent reputation for delivering projects on time, on budget and to guaranteed design performance
- Diverse client base across junior and mid-size resource companies through to international mining houses



INTEGRATED BUSINESS MODEL

- Covers all aspects of the project life cycle
- Provides detailed and intimate understanding of projects
- Delivers important quality, efficiency and safety benefits
- Enables on-going project involvement and the conversion of studies to projects
- Expands the project pipeline



INVESTMENT HIGHLIGHTS

CONTINUED

EXPERIENCED AND COMMITTED MANAGEMENT TEAM

- Senior management with extensive experience in the engineering, mining and minerals processing industries
- Founding management have up to 25 years experience working together
- Successful track record of superior business and commercial outcomes
- Existing Shareholders are not selling under the Offer and founding management remain key shareholders
- Founding management and other key executives have affirmed their commitment to the Company through recently entering into executive employment agreements



PROVEN TRACK RECORD

- Successful delivery of 18 major projects
- Major international project recently delivered in the Solomon Islands
- Demonstrated ability to successfully grow with clients
- Strong history of repeat business
- No history of contract disputes, mediation, arbitration or litigation



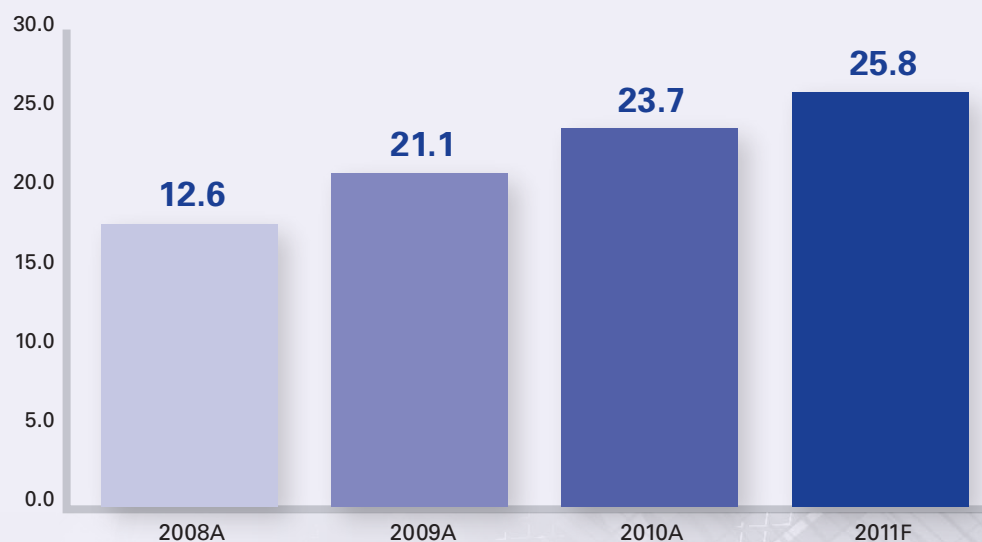
INVESTMENT HIGHLIGHTS

CONTINUED

STRONG FINANCIAL PERFORMANCE

- Consistent and profitable growth driven by attractive EPC contracting solutions
- Integrated business model delivering cost efficiencies and robust margins
- Track record of profitable contracts
- Compound annual EBIT growth rate from FY08 to forecast FY11 of 26.9%
- Low capital expenditure and growth to date internally funded through operating cash flow
- Targeted dividend payout ratio of 50% to 60% of NPAT

GR ENGINEERING'S EARNINGS BEFORE INTEREST AND TAX (\$MILLIONS)



HIGH QUALITY PERSONNEL

- Experienced personnel across all key disciplines and levels
- Over 150 personnel across process design, civil, structural, mechanical, electrical and instrumentation engineering, design drafting and project and construction management
- Proven ability to attract quality personnel
- High personnel retention rates



INVESTMENT HIGHLIGHTS

CONTINUED

OUTSTANDING OCCUPATIONAL HEALTH AND SAFETY RECORD AND STRONG SOCIAL COMMITMENT

- Strong safety track record since inception and ongoing commitment to continuous improvement in OH&S
- Committed to the protection of the natural environment
- Focused on playing a constructive role in the communities in which it operates

GR Engineering's Safety Statistics

Calendar Year	LTI ¹	LTIFR ²
2011(YTD)	0.0	0.0
2010	1.0	1.3
2009	0.0	0.0
2008	1.0	1.7
2007	1.0	4.0
2006	0.0	0.0

1. LTI = Lost time injury.
2. LTIFR = Lost time injury frequency rate (No. of LTIs per 1,000,000 manhours worked). The current 12 month rolling average LTI frequency rate is 1.3.



WELL POSITIONED FOR CONTINUED ORGANIC AND STRATEGIC GROWTH

- Strong demand fundamentals for mineral commodities
- Proximity to Australia's key mining and minerals processing regions
- Existing and future planned strategic alliances with other engineering groups targeting global growth opportunities
- Strong project pipeline with 9 projects contracted or committed and multiple studies underway
- Proven ability to successfully grow with clients by project size, commodity spread and international exposure



KEY RISK FACTORS

RISK FACTORS

Set out below is a summary of the risks associated with investing in GR Engineering. These risk factors are not exhaustive. Other risks associated with investing in GR Engineering are set out in Section 8. Potential investors should read the entire prospectus before applying for Shares under the Offer.

Risk Area	Risks
Project risk	GR Engineering derives the majority of its revenue from a concentrated number of substantial contracts which may be terminated, delayed or incur unforeseen costs in performance which may not be recoverable. GR Engineering is also potentially exposed to warranty claims which may expose it to re-performance of its contractual obligations or additional costs which may result in a call on, or exceed any performance guarantees provided by the Company to its clients.
Dependence upon key personnel	Loss of a number of GR Engineering's key personnel could adversely affect GR Engineering's growth prospects, operating results and financial performance. Further, GR Engineering may be unable to attract and hire additional personnel to facilitate the growth of the Company.
Management of growth	There is a risk that management will not be able to implement GR Engineering's growth strategy after completion of the Offer. The capacity of management to properly implement and manage the future growth of GR Engineering may affect the Company's financial performance.
Delay and termination of contracts	In most instances, clients have the power to terminate contracts entered into with GR Engineering by giving written notice. If one or more significant relationship ends, GR Engineering's revenue and growth prospects may be adversely affected.
Competition risk	Aggressive competition by current or future competitors could result in price reductions, reduced margins and loss of market share which may, in turn, adversely affect GR Engineering's growth prospects, operating results and financial performance.
Concentrated Share ownership	Following the completion of the Offer, the Existing Shareholders will together hold an interest in approximately 80% of GR Engineering and the Shares held by the Existing Shareholders will not be subject to escrow. GR Engineering's Founding Directors, following completion of the Offer, will together hold an interest in approximately 24% of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the financial year ending 30 June 2011.
Cyclical nature of the business	The clients of the Company are involved in the mining and minerals processing industry. The demand for and the prices of mineral commodities can be both cyclical and very volatile and can influence the demand for the services offered by GR Engineering to its clients. Although the Company has a diverse client base, the mining and minerals processing industry cycles in Australia and overseas may adversely impact on the Company's financial performance.
Labour shortages	Increased activity in the resources sector may lead to a shortage in the availability of skilled labour, which can create cost increases and reduce the Company's output and expansion potential.
Forecast risk	Forecasts for FY11 are dependent upon a number of factors, some of which are outside the control of the Company. The occurrence of any of these factors may impact GR Engineering's ability to achieve its forecasts.
Ability to win new projects	Failure by GR Engineering to win new projects could adversely affect its growth prospects, operating results and financial performance. GR Engineering has historically generated revenue from short term contracts. The contract lead times are typically short term in nature and as such it is difficult for GR Engineering to estimate a medium to long term forecast with any reasonable degree of accuracy.
Contractual disputes	Disputes or litigation with contracting parties could adversely affect GR Engineering's growth prospects, operating results and financial performance.
Foreign operations	GR Engineering may derive an increasing proportion of its revenue from operations in foreign countries. There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, taxes, difficulties in staffing and managing foreign operations, longer payment cycles, political instability, expropriation, nationalisation and war.
Remote locations	GR Engineering undertakes projects in remote locations. This may involve logistical difficulties for plant, equipment and materials, as well as skilled personnel and general labour. Some locations may involve inherent risk to personnel.
General risks	Changes in legislation, general financial and economic risks and market conditions may affect GR Engineering's operations.

DETAILS OF THE OFFER

SECTION 1



DETAILS OF THE OFFER

CONTINUED

1.1 The Offer

By this Prospectus, the Company offers 30.0 million Shares at an issue price of \$1.00 each, to raise \$30.0 million.

The rights attaching to the Shares are summarised in Section 11.2.

1.2 Purpose of the Offer

The purpose of the Offer is to:

- raise sufficient capital to fund the growth of GR Engineering's business, both organically and from potential acquisitions;
- provide employees the opportunity to invest in GR Engineering;
- provide liquidity for GR Engineering's Existing Shareholders; and
- raise the public profile of GR Engineering.

1.3 Use of Funds

GR Engineering intends to apply funds raised from the Offer as follows:

Description	Amount
Working Capital	\$27.9 million
Costs associated with the Offer	\$2.1 million
Total	\$30.0 million

Following the completion of the Offer, GR Engineering will have sufficient working capital to meet its objectives outlined in Section 1.2.

1.4 Indicative Timetable

Date of Prospectus	18 March 2011
Offer Opens	28 March 2011
Employee Priority Offer Closes	5pm WST 4 April 2011
Offer Closes	5pm WST 11 April 2011
Despatch of Holding Statements	14 April 2011
Expected quotation of Shares on ASX	19 April 2011

All dates are indicative and subject to change. The Directors reserve the right to vary these dates for any reason and may close the Offer earlier or later than as indicated above, subject to the requirements of the Corporations Act and the Listing Rules. Applicants are encouraged to submit their Application Forms as soon as possible.

1.5 Capital Structure

Shares ¹	Number	Post Offer Percentage
Existing Shares ²	120.0 million	80.0%
New Shares Offered	30.0 million	20.0%
Total Shares	150.0 million	100.0%

Options ³		
Existing Options ⁴	2.5 million	100.0%
Total Options	2.5 million	100.0%

1 The rights attaching to the Shares are summarised in Section 11.2.

2 All Shares on issue at the date of this Prospectus are held by Existing Shareholders.

3 The Company has adopted an Employee Share Option Plan and may issue up to 5% of its issued capital in Options to employees. Please refer to Section 9.12 for details of the Employee Share Option Plan.

4 Options which are to be held by Geoff Jones, the Company's Chief Operating Officer, which are subject to a range of vesting criteria and that are exercisable on various dates at various prices. Please refer to Section 11.3 for further details on the terms of these Options.

GR Engineering's Founding Directors, following the completion of the Offer, will together hold an interest in approximately 24% of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the year ending 30 June 2011.

The Company's non-executive Directors, Peter Hood and Terrence Strapp are not Existing Shareholders and intend to apply for 500,000 and 300,000 Shares under the Offer respectively.

None of the Company's Existing Shareholders intend to participate in the Offer.

1.6 Escrowed Securities

No Shares will be subject to escrow.

1.7 Employee Priority Offer

Eligible Employees will be entitled to participate in the Employee Priority Offer. The Employee Priority Offer and the allocation of Shares under the Employee Priority Offer will be at the discretion of the Company. Any Shares not taken up under the Employee Priority Offer by the Employee Closing Date will be available for allocation under the Offer.

The Employee Priority Offer is only open to persons who are resident in Australia and are Eligible Employees as at the date of this Prospectus. This offer is personal to the Eligible Employee and may not be transferred.

The Offer Price for Applicants under the Employee Priority Offer is \$1.00 per Share. Applications under the Employee Priority Offer must be for a minimum of 2,000 Shares and thereafter in multiples of 1,000 Shares.

Eligible Employees should complete and lodge the Application Form with the word "Employee" inserted in the box labelled "Employee Use Only" but otherwise in accordance with the instructions in the guide to the Application Form. Cheques should be made payable to "GR Engineering Services Ltd – Share Offer Account" and crossed "Not Negotiable". Completed Employee Application Forms must be received by no later than 5pm WST on the Employee Closing Date of 4 April 2011. Employee Application Forms must be delivered to the Company or sent via post to:

Employee Priority Offer
c/- Company Secretary
GR Engineering Services Limited
PO Box 258
BELMONT WA 6984

DETAILS OF THE OFFER

CONTINUED

1.8 Dividends

Subject to future business conditions, opportunities and the cash flow requirements of GR Engineering, the Directors anticipate the implementation of a policy of paying out between 50% and 60% of the Company's after tax profits as dividends. However, the Directors cannot give any assurances as to the extent, timing, level of franking or payment of any future dividends because these are dependent on a number of factors including the level of earnings, the amount of tax paid, the financial position of GR Engineering, operating conditions and the risk factors identified in Section 8.

Based on the Directors' forecasts, the Directors currently expect to declare a fully franked dividend for the period 1 July 2010 to 30 June 2011 of 4 cents per share, which is anticipated to be paid in October 2011. This equates to an annualised dividend yield of 4% on the Offer Price.

1.9 Applications

Applications for Shares under the Offer must be made using the Application Form attached to this Prospectus.

Payment for the Shares must be made in full at the issue price of \$1.00 per Share. Applications for Shares must be for a minimum of 2,000 Shares and thereafter in multiples of 1,000 Shares. Completed Application Forms and accompanying cheques must be mailed or delivered to:

Delivery Address:

Argonaut Securities Pty Limited
Level 30, 77 St Georges Terrace
PERTH WA 6000

Mailing Address:

Argonaut Securities Pty Limited
GPO Box 2553
PERTH WA 6001

Cheques should be made payable to "GR Engineering Services Ltd – Share Offer Account" and crossed "Not Negotiable". Completed Application Forms must reach one of the above addresses by no later than the Closing Date.

GR Engineering reserves the right to close the Offer early.

1.10 Allocation and Allotment

Directors of the Company, in consultation with Argonaut, retain an overriding right to accept any Application in full, accept any lesser number of Shares or decline any Application. Applicants must not assume that the Shares they apply for, or any number of Shares, will be issued to them in response to their Application. Before dealing in any Shares, Applicants must satisfy themselves as to their actual holding of Shares. If any Application is rejected, in whole or in part, the relevant Application Monies will be refunded without interest. Where the number of Shares issued is less than the number applied for by the Applicant, the surplus Application Monies will be returned by cheque within 14 days after the Closing Date. Where no Shares are issued, the Application Monies will be returned in full by cheque within 30 days of the Closing Date.

Subject to ASX granting conditional approval for the Company to be admitted to the Official List, allotment of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date. Prior to allotment, all application monies shall be held by the Company on trust. Irrespective of whether allotment of Shares takes place, any interest earned on the Application Monies will not be paid to Applicants.

The Company will not be liable to any person not allocated Shares.

1.11 Minimum Subscription

The minimum subscription for the Offer is \$30.0 million (being all the Shares offered under this Prospectus).

Should the minimum subscription not be reached within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

1.12 Oversubscriptions

Oversubscriptions will not be accepted.

1.13 Overseas Investors

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit an offering of the Shares in any jurisdiction outside Australia. The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

Each Applicant will be taken to have represented warranted and agreed that such person:

- is an Australian citizen or resident in Australia, is located in Australia at the time of such application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the 'United States Securities Act of 1933' as amended, and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold.

1.14 Brokerage

No brokerage or stamp duty will be payable by Applicants subscribing for Shares.

1.15 Broker to the Offer

Argonaut Securities Pty Limited (AFSL No. 274 099) is the appointed Broker to the Offer. The Company will pay Argonaut Securities Pty Limited a commission of 5% (exclusive of goods and services tax) of the total amount raised under the Offer. Out of the commission Argonaut Securities Pty Limited may pay other AFSL holders a fee for Applications bearing their stamp.

1.16 Underwriting

The Offer is not underwritten.

1.17 ASX Listing

Within 7 days from the date of this Prospectus, application will be made for the Company to be admitted to the Official List and for admission of the Shares offered by this Prospectus to quotation on the ASX. GR Engineering has reserved the ASX code GNG.

If the Company is not admitted to the Official List and its Shares are not admitted to quotation within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares, and will repay all Application Monies without interest and within the time prescribed by the Corporations Act.

The ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may grant quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

DETAILS OF THE OFFER

CONTINUED

1.18 CHESS

The Company proposes to participate in CHESS, operated by ASX Settlement, a wholly-owned subsidiary of ASX, in accordance with the Listing Rules and the ASX Settlement Rules.

Under this system, the Company will not issue certificates to investors. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored, ASX Settlement will send them a CHESS statement.

The CHESS statement will set out the number of Shares allotted to each holder under the Prospectus and give details of their holder identification number, in the case of a holding on the CHESS sub-register.

In the case of an Issuer Sponsored sub-register, the statement will contain the number of Shares allotted under the Prospectus and the Shareholder's security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A holder may request a statement at any other time, however a charge may be incurred for additional statements.

1.19 Opening and Closing Dates

The proposed opening date for acceptance of the Offer will be 28 March 2011 or such later date as may be prescribed by ASIC.

The Offer will remain open until 5.00pm WST on 11 April 2011.

The Company reserves the right to open and close the Offer at any other date and time, without prior notice.

Applicants are encouraged to submit their Applications as early as possible.

No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

1.20 Enquiries in Relation to the Offer

This Prospectus provides information for potential investors in the Company and should be read in its entirety. If after reading this Prospectus, you have any questions about any aspect of an investment in the Company, please contact your stockbroker, accountant or independent financial adviser.

1.21 Risk Factors

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of risks. These risks are set out in Section 8 and investors are urged to consider those risks (and if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 8 and summarised the Key Risk Factors Section, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

1.22 Reports

This Prospectus includes an Investigating Accountants' Report and a Report on Directors' Forecast in Section 6 and Section 7 respectively.

INDUSTRY OVERVIEW

SECTION 2

GR



INDUSTRY OVERVIEW

2.1 Overview

GR Engineering provides services to the mining and minerals processing industries in which the level of business activity is driven by the global supply and demand for mineral commodities. Strong demand from the rapid industrialisation and urbanisation of China, combined with increasing supply shortages have resulted in historically high prices across many mineral commodities. These positive fundamentals have in turn resulted in strong demand and growth for engineering consulting and construction services as provided by GR Engineering.

2.2 Services

The services engineering consulting and construction companies typically provide to the mining and minerals processing industries include:

- engineering consulting for feasibility studies and project development;
- detailed design;
- project management and construction;
- project maintenance, enhancement and support; and
- project retirement.

Engineering consulting and construction services are typically conducted based on service or consulting agreements. Services are provided for various phases of project development from initial feasibility studies through to project definition and execution planning. Projects are then typically delivered through either engineering, procurement and construction management (EPCM) or engineering, procurement and construction (EPC) contracts.

For EPCM contracts, the contractor provides design services and project manages third party suppliers and construction contractors. EPCM providers typically receive a professional service fee based on hourly rates as well as incentive payments for project completion on time and within budget.

EPC contract models vary but are based on the contractor being responsible for design, procurement and construction. Models range from “fixed price lump sum” where all the contract value risk lies with the contractor through to cost underrun sharing contracts such as “guaranteed maximum price”, and cost under-run and over-run sharing contracts such as “target cost estimate”, “reimbursable cost plus margin” and “alliance” style relational contracts.

2.3 Competition

Engineering consulting and construction service providers generally compete on key personnel quality, capability, price, timing, safety, reliability and experience. While price and timing are important considerations, often management’s experience, technical ability and reputation, as well as quality of service and safety are key factors in the selection of an engineering consulting and construction service provider.

There are a number of companies providing engineering consulting and construction services to the markets in which GR Engineering operates, but limited companies are focused or capable of providing integrated EPC project development solutions as GR Engineering.

The key barriers to entry in the engineering consulting and construction service sector include the technical, business and industry knowledge and enterprise, capital required to establish an operating base and for funding contracts, a well recognised operational track record and access to a team of well qualified and experienced personnel.

2.4 Outlook

Strong demand for the provision of engineering consulting and construction services to the mining and mineral processing industries is expected to continue. This favourable outlook is driven by spending on new project developments (greenfields), capacity upgrades of existing projects (brownfields) and refurbishment of existing projects being undertaken by mining companies in order to meet strong demand for mineral commodities. Through a specialised service offering with limited direct competitors, an excellent reputation and proven track record, GR Engineering is well positioned to take advantage of this strong growth outlook.

GR ENGINEERING'S BUSINESS

SECTION 3

GR



GR ENGINEERING'S BUSINESS

3.1 Overview

GR Engineering is a leading engineering consulting and contracting company that specialises in providing high quality process engineering design and construction services to the mining and minerals processing industries.

The Company's services cover all aspects of the project life cycle from the initial evaluation and study phase through to design, construction, commissioning and operational support.

Founded in October 2006, GR Engineering has experienced consistent growth and has quickly established itself as a market leader with an excellent reputation for delivering projects on time, on budget and to guaranteed design performance. The Company has achieved this strong performance while maintaining a high level of occupational health and safety and environmental standards.

GR Engineering has a proven track record of delivering integrated project solutions having provided services in 18 countries for a range of commodities including gold, nickel, copper, lead, zinc, molybdenum, tungsten, tin, vanadium and iron ore. The Company has completed over 50 studies and successfully delivered 18 major projects.

GR Engineering's clients range from junior and mid-size resource companies through to international mining houses. In a number of cases, GR Engineering has successfully delivered the client's first project and has since successfully grown with these clients as they have maintained and expanded their operations.

The Company is headquartered in Perth, and also has offices in Kalgoorlie and Brisbane. GR Engineering employs a dedicated workforce of over 150 professional, technical, managerial, supervisory and support personnel, in addition to directly employed site construction personnel and subcontractors.

3.2 Business Model

GR Engineering's business model focuses on utilising in-house evaluation, process and engineering design, construction and asset management capabilities to provide integrated services covering all aspects of a project's life cycle. The services provided by the Company include:

- feasibility studies ranging from scoping, pre-feasibility and definitive engineering studies through to bankable feasibility studies;
- engineering and process consulting;
- design and construction of minerals processing facilities and associated infrastructure for greenfields and brownfields projects;
- plant modifications, debottlenecking, optimisation, upgrades and expansions;
- plant evaluation and condition reports;
- plant operations and maintenance technical support and optimisation;
- plant relocation, refurbishment and recommissioning;
- asset management; and
- provision of owners representatives and teams for project management and delivery.

GR Engineering has extensive experience and expertise in undertaking feasibility studies for processing plants and associated services and infrastructure. The focus of GR Engineering's studies is to assist clients maximise project value through fit for purpose and cost effective design solutions whilst accurately estimating project performance, design, cost and schedule.

Undertaking feasibility studies is a key feature of GR Engineering's business model. Involvement in studies enables GR Engineering to gain detailed project knowledge and the opportunity to develop strong client relationships which provide a key competitive advantage in winning future work. Through detailed project knowledge GR Engineering is able to optimise the required engineering and construction services and also provide clients with attractive contracting solutions. The Company focuses on developing and maintaining strong relationships with clients for whom studies have been completed and has been highly successful at converting studies into projects.

GR Engineering focuses on delivering its projects via turnkey EPC contracting arrangements. The Company predominantly provides its EPC contracts either on a fixed price lump sum or guaranteed

maximum price basis depending upon the client's risk profile and needs. The Company also delivers projects via standard and traditional EPCM contracts. GR Engineering's main contract types are summarised in Section 9.2.

Although EPC contracting exposes GR Engineering to greater risk in the form of cost overruns and time delay penalties, it has the potential to generate higher rewards. GR Engineering has been able to consistently capitalise on the higher rewards of EPC contracting through a combination of its experience and expertise, integrated in-house capabilities and comprehensive management and cost control systems.

GR Engineering has developed comprehensive reporting systems for tracking project costs against budgeted forecasts which have enabled it to accurately estimate project risk as well as manage project capital costs and timing. Another feature of GR Engineering's risk management system is that it does not undertake project design and construction contracts outside its field of expertise. The effectiveness of GR Engineering's risk management systems is highlighted by the Company having no history of loss-making contracts, contract disputes, mediation, arbitration or litigation.

GR Engineering's comprehensive service offering combined with specialist in-house expertise enables the Company to deliver clients innovative, efficient, high quality, timely and cost effective project solutions. By being able to maximise project control, GR Engineering can provide clients with guaranteed outcomes in terms of plant performance, as well as enhanced safety, cost and schedule efficiencies, improved planning, enhanced site utilisation and simplification of warranties and performance guarantees. Through providing these benefits, GR Engineering has firmly established itself as a market leader with a reputation for excellence.

3.3 Projects

A selection of GR Engineering's completed and current projects which highlight its expertise and capabilities are presented below:

Selected Completed Projects

Project	Client	Location	GR Engineering's Revenue ¹	Completed (Calendar Year)
Gold Ridge Gold Processing Plant Reconstruction	Allied Gold	Solomon Islands	\$62.0m	2011
Boddington Gold Processing Plant Upgrade	Newmont Mining	WA	EPCM Fee	2011
Randalls Gold Processing Plant	Integra Mining	WA	\$37.0m	2010
Edna May Gold Processing Plant	Catalpa Resources	WA	\$52.0m	2010
Porgera Paste Fill Plant	Barrick Gold	Papua New Guinea	EPCM Fee	2010
Cosmic Boy Nickel Concentrator Incl. Upgrade	Western Areas	WA	\$60.0m	2010
Sinclair Nickel Processing Plant	Xstrata Nickel	WA	\$50.0m	2008
Higginsville Gold Processing Plant	Avoca Resources	WA	\$56.0m	2008

¹ To nearest \$ million.

Gold Ridge Gold Processing Plant Reconstruction

Allied Gold Limited – Solomon Islands – \$62.0 million – 2011¹

The Gold Ridge Project is located on the island of Guadalcanal in the Solomon Islands. The project originally commenced operations in 1998 before being abandoned in 2000 due to civil unrest.

GR Engineering completed the initial cost study and was subsequently engaged to complete EPC engineering, design, procurement, reconstruction, upgrade, refurbishment and recommissioning services for the processing plant and infrastructure upgrade from throughput capacity of 2.0Mtpa to 2.5Mtpa. Despite the remote and challenging operating location, commissioning of the plant commenced in late February 2011.

Boddington Gold Processing Plant Upgrade

Newmont Mining Corporation – Western Australia – EPCM Fee – 2011

GR Engineering was contracted initially by Newmont to provide EPCM services for the installation of additional screening equipment at the Boddington Gold Processing Plant facility. Following the successful completion of this assignment in 2010, GR Engineering was subsequently selected to provide EPCM services for the installation of additional crushing equipment with this work being successfully commissioned on time and on budget in 2011.

Randalls Gold Processing Plant

Integra Mining Limited – Western Australia – \$37.0 million – 2010

GR Engineering was appointed by Integra to undertake the engineering design, procurement, construction and commissioning of the Randalls Gold Processing Plant. The plant is designed to treat an ore throughput of 800,000 tpa. GR Engineering commenced the EPC design, construction and refurbishment of the processing plant facilities in December 2009 and the project was completed in September 2010.

Edna May Gold Processing Plant

Catalpa Resources Limited – Western Australia – \$52.0 million – 2010

GR Engineering was appointed by Catalpa to redesign, refurbish and construct the former Big Bell processing facility at the Edna May Gold Project. Plant earthworks and refurbishment of the 2.8Mtpa processing plant commenced in July 2009 and the project was completed within budget, with zero lost time injuries and two months ahead of schedule in April 2010.

Porgera Paste Fill Plant

Barrick Gold Corporation – Papua New Guinea – EPCM Fee – 2010

GR Engineering was engaged by Barrick to undertake an engineering study for the Porgera Gold Mine Paste Fill Plant in Papua New Guinea. Following the completion and approval of the study, GR Engineering continued to provide Barrick with EPCM services for detailed design, procurement specification and project management assistance with the plant being successfully commissioned in 2010.

Cosmic Boy Nickel Concentrator

Western Areas NL – Western Australia – \$60.0 million – 2010

GR Engineering successfully completed EPC services for the engineering, design, procurement, construction and commissioning of Western Areas' Cosmic Boy Concentrator. The nickel sulphide floatation processing plant was initially designed and constructed by GR Engineering in 2009 for a throughput of 250,000 tpa, with allowance for future upgrade. In 2010, GR Engineering subsequently completed the stage two expansion of the Cosmic Boy Concentrator to a capacity of 550,000 tpa.

¹ All work under the Gold Ridge Contract has been completed and commissioning of the Gold Ridge processing plant has commenced, however practical completion as defined in GR Engineering's contract with Gold Ridge Mining Limited has not been achieved.

Sinclair Nickel Processing Plant

Xstrata Nickel Australasia Operations Pty Limited – Western Australia – \$50.0 million – 2008

GR Engineering was appointed to undertake the EPC engineering, design, procurement, construction and commissioning of the new processing plant facilities and associated infrastructure at the Sinclair Nickel Project. The plant treats 300,000 tpa of ore to produce a saleable nickel concentrate. GR Engineering commenced the design and construction of the processing plant facilities in September 2007 and completed the project, on schedule, in October 2008.

Higginsville Gold Processing Plant

Avoca Resources Limited – Western Australia – \$56.0 million – 2008

GR Engineering was appointed by Avoca (subsequently Alacer Gold Corp) to undertake the engineering, design, procurement, construction and commissioning for the new 1.0Mtpa processing facilities at the Higginsville Treatment Plant. The plant was successfully commissioned on schedule in July 2008.

Selected Current Projects

Project	Client	Location	GR Engineering's Revenue ¹	Expected Completion (Calendar Year)
Prominent Hill Paste Fill Plant	OZ Minerals	SA	\$14.0m	2011
Cosmos Nickel Processing Plant Upgrade	Xstrata Nickel	WA	\$15.0m	2011
Randalls Gold Processing Plant Upgrade	Integra Mining	WA	\$8.0m	2011
Rasp Mine Lead Zinc Processing Plant	CBH Resources	NSW	\$76.0m	2012

1 To nearest \$ million.

Prominent Hill Copper Paste Fill Plant

OZ Minerals Limited – South Australia – \$14.0 million – 2011

OZ Minerals is currently expanding its Prominent Hill operation with an underground development. Through a competitive tender process, GR Engineering was awarded an EPC contract for the engineering, design, procurement, construction and commissioning of a paste fill plant to support underground mining operations.

Cosmos Nickel Processing Plant Upgrade

Xstrata Nickel – Western Australia – \$15.0 million – 2011

GR Engineering has been engaged to provide EPC services for the upgrade of Xstrata's Cosmos nickel processing plant with a throughput of a nominal 500,000 tpa. GR Engineering was selected to perform this contract following the provision of similar EPC contracting services for Xstrata's Sinclair nickel project in 2008.

Randalls Gold Processing Plant Upgrade

Integra Mining Limited – Western Australia – \$8.0 million – 2011

Following the EPC design and construction of Integra's 800,000 tpa Gold Project by GR Engineering in 2010, GR Engineering has been re-engaged to provide EPC services to upgrade plant throughput by a nominal 20% increase in capacity.

Rasp Mine Lead Zinc Processing Plant

CBH Resources Limited – New South Wales – \$76.0 million – 2012

GR Engineering has been issued with a letter of intent by Broken Hill Operations Pty Limited, a wholly owned subsidiary of CBH to provide EPC services for a lead and zinc processing plant with a throughput capacity of 750,000 tpa at a brownfields site in Broken Hill, New South Wales.

GR ENGINEERING'S BUSINESS

CONTINUED

Project pipeline

GR Engineering currently has a significant number of projects in its project pipeline with estimated start dates for these projects ranging from 2011 to 2013.

GR Engineering's project pipeline consists of projects for which the Company believes there is a reasonable likelihood of the Company being awarded a contract to provide its services or it has been approached to submit a tender.

It is uncertain as to whether GR Engineering will be awarded the contract for these projects, as is the financial impact on the Company that such an award may have. A fundamental objective of the Company's business development activity is to expand the project pipeline by demonstrating GR Engineering's expertise and capability of delivering innovative and cost effective project solutions through various contracting models.

3.4 Financial Performance

Since 2006, GR Engineering has consistently grown from a zero base to having strong revenues and profitability.

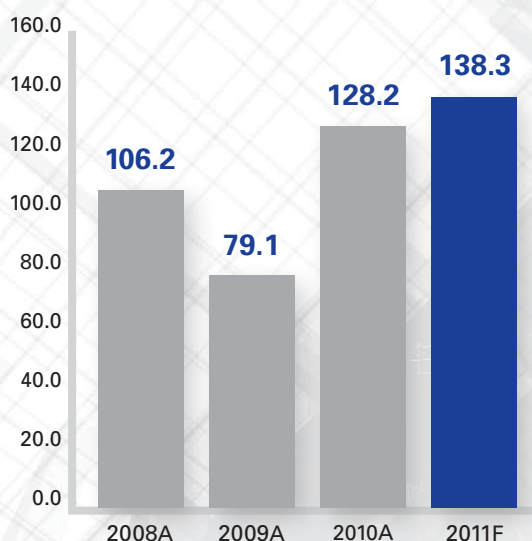
In FY10, GR Engineering recorded revenue of \$128.2 million and EBIT of \$23.7 million. GR Engineering is forecasting its strong financial performance to continue with FY11 revenue increasing to \$138.3 million and EBIT growing to \$25.8 million.

Based on FY08, these forecasts represent a compound annual growth rate of 9.2% for revenue and 26.9% for EBIT. The Company's historical and forecast revenue and EBIT are presented in the graphs below.

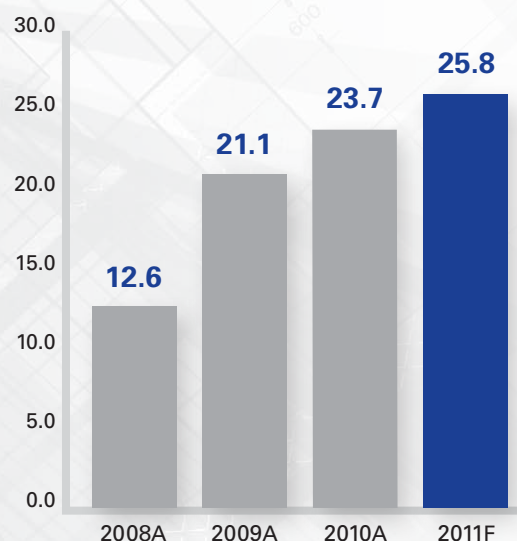
The majority of GR Engineering's earnings have to date been derived from the delivery of Western Australian gold and nickel projects. The Company recently delivered a major international EPC project in the Solomon Islands and has also generated earnings for services completed in other commodities including copper, lead, zinc, molybdenum, tungsten, tin, vanadium and iron ore.

As GR Engineering expands its operations, it is expected that the Company's earnings will become increasingly diversified both geographically and by commodity.

Revenue (\$ millions)

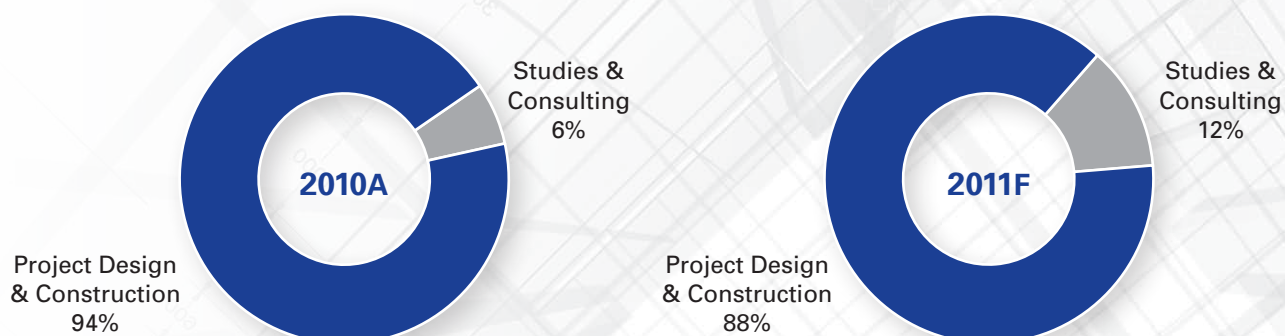


Earnings Before Interest and Tax (\$ millions)

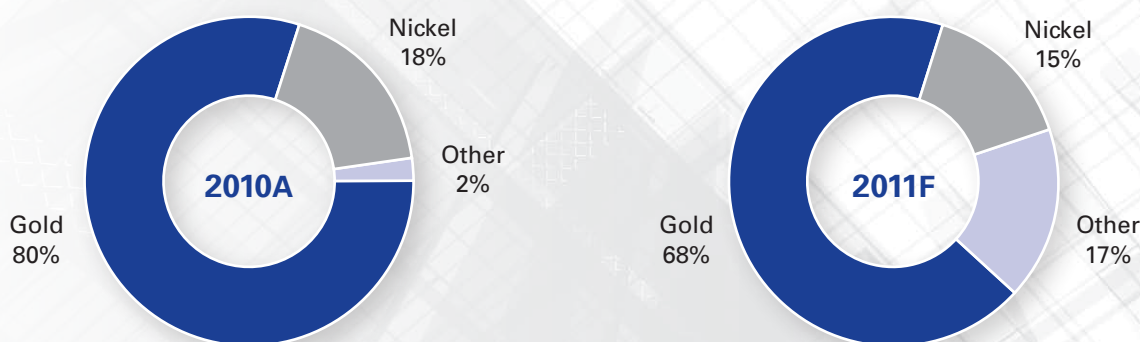


The Company's historical and forecast revenue by key service type and commodity are presented in the graphs below.

Revenue by Service



Revenue by Commodity



3.5 Strategic Alliance with MDM Engineering

In January 2011, GR Engineering formed a Strategic Alliance with MDM Engineering Group Limited, a South African based engineering group which is listed on the Alternative Investment Market of the London Stock Exchange.

MDM Engineering provides similar services to GR Engineering and has a proven track record of completing studies and projects in Africa for a variety of minerals and commodities including precious and base metals, ferrous and non-ferrous metals, uranium and diamonds.

The Strategic Alliance is an equal partnership focused on collaboratively pursuing opportunities in Africa. The Strategic Alliance may also be expanded to include other regions and does not preclude either company from operating independently or entering other alliance type agreements.

This Strategic Alliance enables GR Engineering to efficiently extend its geographic reach into Africa and provides the immediate ability to service the growing number of Australian companies with African mining projects. In particular, GR Engineering believes the Strategic Alliance will enable both companies to leverage their combined gold expertise across the increasing number of junior and mid-tier gold companies operating in Africa. Through shared expertise and combined funding capability the Strategic Alliance also enhances GR Engineering's ability to undertake larger scale projects.

3.6 Competitive Advantages

Experienced and committed management team

GR Engineering's management team has considerable experience in the engineering, mining and minerals processing industries. This management team has highly respected technical, project development and business management skills and a proven track record of successful project delivery. This extensive experience and reputation together with its team of dedicated and reliable staff and sub-contractors provides GR Engineering with a key competitive advantage in securing new contracts and winning repeat business.

Integrated service capability

GR Engineering's integrated business model enables the Company to provide clients with innovative, efficient, high quality and cost effective project solutions across the project development life cycle. Through this integrated service offering, GR Engineering has been able to maintain continuity of project participation from studies through to development and operational support. As a result, the majority of GR Engineering's projects have been directly negotiated with clients on fair and competitive terms.

Attractive contracting method

GR Engineering's ability to provide integrated EPC solutions with flexible contract arrangements reflecting client and project risk profiles and needs has provided GR Engineering with a key competitive advantage in winning projects and expanding the Company's project pipeline. This competitive advantage is attractive especially amongst junior and mid-sized resource companies seeking the certainty of a fixed price arrangement and schedule as well as innovative, high quality and cost effective project solutions. In addition, GR Engineering provides 'total make good' plant performance warranties and guarantees.

Established management systems

GR Engineering's history of successful and profitable project delivery reflects its comprehensive management systems designed to accurately manage risk and enable informed and robust risk-reward outcomes. For all projects, GR Engineering undertakes detailed in-house contract, engagement and completion reviews in order to limit potential liability and loss exposures and to ensure high quality standards are continually met. These management systems combined with GR Engineering's deep industry knowledge and its excellent cost capturing and control systems provide a strong competitive advantage.

Strong client relationships

GR Engineering and its management team have successfully developed and maintained strong client relationships that provide a key competitive advantage in winning new contracts as clients seek to maintain, expand and diversify their operations. The Company's ability to develop and maintain such relationships is reflected by GR Engineering having no history of mediation, arbitration or litigation with any of its clients.

Geographic positioning

With offices in Perth, Kalgoorlie and Brisbane, GR Engineering is well located to service Australia's numerous mining projects. This provides the Company with a competitive advantage through local knowledge, proximity and reputation. GR Engineering's strategic alliance with a South African based engineering group also provides it with strategic access to Africa's high growth mining regions. GR Engineering's geographic positioning in both these high growth markets provides it with a strong competitive advantage.

3.7 Growth Strategy

GR Engineering plans to grow organically and by acquisitions of complementary businesses. It is intended that well-managed growth will increase the diversity and the strength of GR Engineering's earnings and reduce the impact of changing market forces. GR Engineering's growth strategy is underpinned by the following key initiatives:

Expand geographic reach

One of the Company's initiatives will be to extend its geographical reach. GR Engineering has provided services across 18 countries and recently completed a major international EPC project in the Solomon Islands.

GR Engineering will continue to focus on pursuing projects in attractive geographic mining regions, in particular Africa, South America and Asia, in order to provide diversification of geographic risk and expand the project pipeline.

Strategic alliances

The Company will seek to form strategic alliances to support growth initiatives. For example, the Strategic Alliance with a South African based engineering group enhances GR Engineering's ability to take advantage of African growth opportunities.

Extend and diversify commodities

GR Engineering has predominantly provided project development services to its clients in the gold and nickel industries. More recently the Company has applied its capabilities to other mineral commodities, such as copper, lead, zinc, molybdenum, tungsten, tin, vanadium and iron ore. As part of its growth strategy GR Engineering intends to continue expanding its services across a wide range of mineral commodities.

Maintain and develop client relationships

GR Engineering will also continue to develop and maintain strong client relationships which are based on providing clients innovative, efficient, high quality and cost effective project solutions. The Company sees these relationships as an integral part of its growth strategy as it seeks to secure additional work as past and existing clients maintain, expand and diversify their operations. As a result, the majority of GR Engineering's projects are directly negotiated with clients on fair and competitive terms.

Increase project scale

GR Engineering has a proven track record of successfully growing with clients and remains committed to continuing to grow with its clients and increasing the scale of projects it undertakes.

Acquire complementary businesses

The ASX listing of GR Engineering will also provide the Company with increased flexibility and capability to expand and diversify through acquisition. GR Engineering's focus when identifying and pursuing acquisition opportunities will be on complementary businesses with services that can be successfully integrated into existing operations.

3.8 People

A key factor in GR Engineering's success has been its ability to attract, recruit and retain high quality personnel. The Company employs over 150 professional, technical, managerial, supervisory and support personnel, including process design, civil, structural, mechanical, electrical and instrumentation engineers, design draft persons and project and construction management and supervision staff. In addition, the Company directly employs site construction personnel and subcontractors.

GR Engineering's key personnel each have between 15 and 25 years industry experience in design, project delivery, operations management and implementation. Many of GR Engineering's personnel have previously worked together in project teams to deliver successful feasibility studies and projects in the mining and minerals processing industries.

GR ENGINEERING'S BUSINESS

CONTINUED

GR Engineering is founded on a strong belief in its core values. These core values drive its people and underpin the Company's corporate goals of providing clients with superior service, establishing safe and effective working relationships as well as respect for the culture, diversity and values of others.

GR Engineering's Core Values
Our clients are our focus
A commitment to innovation and quality
Our people are our most significant asset
Provision of a safe and healthy workplace
We will always act with honesty and integrity
Respect for the community and the environment

3.9 Occupational Health and Safety

GR Engineering places a high priority on the occupational health and safety of its employees, contractors, clients, visitors to its sites and the general public. The Company is committed to continuous performance improvement in these areas with the target being zero injuries.

Corporate and project safety management systems provide the framework for the identification, management and mitigation of hazards. On each project, GR Engineering prepares and implements detailed health and safety management plans by working with all parties to ensure a safe working environment. These plans provide for continuous safety monitoring as well as reviews at key points in project execution.

GR Engineering has maintained a strong safety record since being founded in 2006 as shown in the table below.

GR Engineering's Safety Statistics

Calendar Year	LTI ¹	LTIFR ²
2011(YTD)	0.0	0.0
2010	1.0	1.3
2009	0.0	0.0
2008	1.0	1.7
2007	1.0	4.0
2006	0.0	0.0

1 LTI = Lost time injury.

2 LTIFR = Lost time injury frequency rate (No. of LTIs per 1,000,000 manhours worked). The current 12 month rolling average LTI frequency rate is 1.3.

3.10 Environment and Community

GR Engineering is committed to the protection of the natural environment, the prevention of pollution and the optimisation of resource consumption. The Company meets its commitment to the protection of the environment and sustainability by incorporating sound environmental protection principles into its designs and ensuring that its projects are executed in an environmentally responsible way. Construction environmental management plans are completed for all projects to ensure that they comply with high standards of environmental protection practice and all relevant legislation.

GR Engineering is also committed to playing a constructive role in the communities in which it operates. It respects community traditions and culture and ensures that they benefit from employment opportunities, training and social programs. The Company seeks indigenous participation in its Australian and offshore projects and, where possible, forms constructive relationships with indigenous representatives in project areas.

DIRECTORS AND MANAGEMENT

SECTION 4



DIRECTORS AND MANAGEMENT

4.1 Board

GR Engineering's management team has significant experience in the engineering, mining and minerals processing industries.

GR Engineering's founding management team's key members have up to 25 years experience working together.

Barry Patterson - Non-Executive Chairman
ASMM, MIMM, FAICD

Barry is a mining engineer with over 50 years experience in the mining industry and is a co-founder of GR Engineering.

He co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management. Barry was also a founding shareholder of leading engineering services provider JR Engineering.

Barry has served as a director of a number of public companies across a range of industries. He was formerly a non-executive chairman of Sonic Healthcare Limited and Silex Systems Limited.

Joseph (Joe) Ricciardo - Managing Director
BAppSc (Mech Eng)

Joe co-founded GR Engineering. Joe is a mechanical engineer with over 32 years experience in feasibility studies, design, construction, maintenance and operation of minerals processing facilities.

In 1986, Joe 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. Joe subsequently led the combined business for 4.5 years following the sale.

In 2006, Joe was instrumental in regrouping the former key executives from JR Engineering to establish GR Engineering.

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

Tony Patrizi - Executive Director
BE (Mech Eng)

Tony co-founded GR Engineering. Tony is a mechanical engineer with over 20 years experience in the mining and minerals processing industry as a company director, operations manager, project manager and maintenance engineer. Tony was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and minerals processing projects in Western Australian and interstate.

Peter Hood - Non-Executive Director
BE (Chem), MAusIMM, FI ChemE, FAICD

Peter is a Chemical Engineer and has over 40 years experience in the resources and energy sectors. He formerly served in senior management and project development roles for WMC in nickel and gold production. Peter was formerly the chief executive officer of Coogee Chemicals and then oil and gas operator Coogee Resources.

Peter has considerable board experience and is currently President of the Chamber of Commerce and Industry of Western Australia and former Chairman of Apollo Gas Limited.

Terrence (Terry) Strapp - Non-Executive Director
CPA, F Fin., MAICD

Terry has extensive experience in banking, finance and corporate risk management and has over 30 years experience in the mining and resources industry.

He was formerly Chairman of Mercator Gold plc and a non-executive director of The Mac Services Group Limited.

Terry is Chairman of Oakvale Capital and a non-executive director of Ausdrill Limited.



From left to right
Peter Hood
Terrence (Terry) Strapp
Barry Patterson
Joseph (Joe) Ricciardo
Tony Patrizi

DIRECTORS AND MANAGEMENT

CONTINUED

4.2 Executive Management Team

Giuseppe (Joe) Totaro - Chief Financial Officer & Company Secretary
BComm, CPA, FTIA

Joe co-founded GR Engineering. Joe is a certified practicing accountant (CPA) with over 25 years experience in commercial and public practice specialising in mining and mining services. Joe was formerly company secretary of and business consultant to JR Engineering. Joe's experience includes corporate advisory services having consulted on and managed numerous corporate transactions involving private and publicly listed companies.

Joe is a non-executive director of Tectonic Resources NL.

Geoffrey (Geoff) Jones - Chief Operating Officer
BE (Civil), FIEAust, CPEng

Geoff is a Civil Engineer with over 27 years experience in construction, engineering, minerals processing and project development in Australia and overseas.

Geoff previously worked for Boulderstone Hornibrook, John Holland, Minproc Engineers and Signet Engineering before serving over six years as Group Project Engineer for Resolute Mining Limited, where he was responsible for the development of its mining projects in Australia, Ghana and Tanzania. He founded his own project management and engineering consultancy concentrating on the management of projects for ASX listed companies in the resources sector.

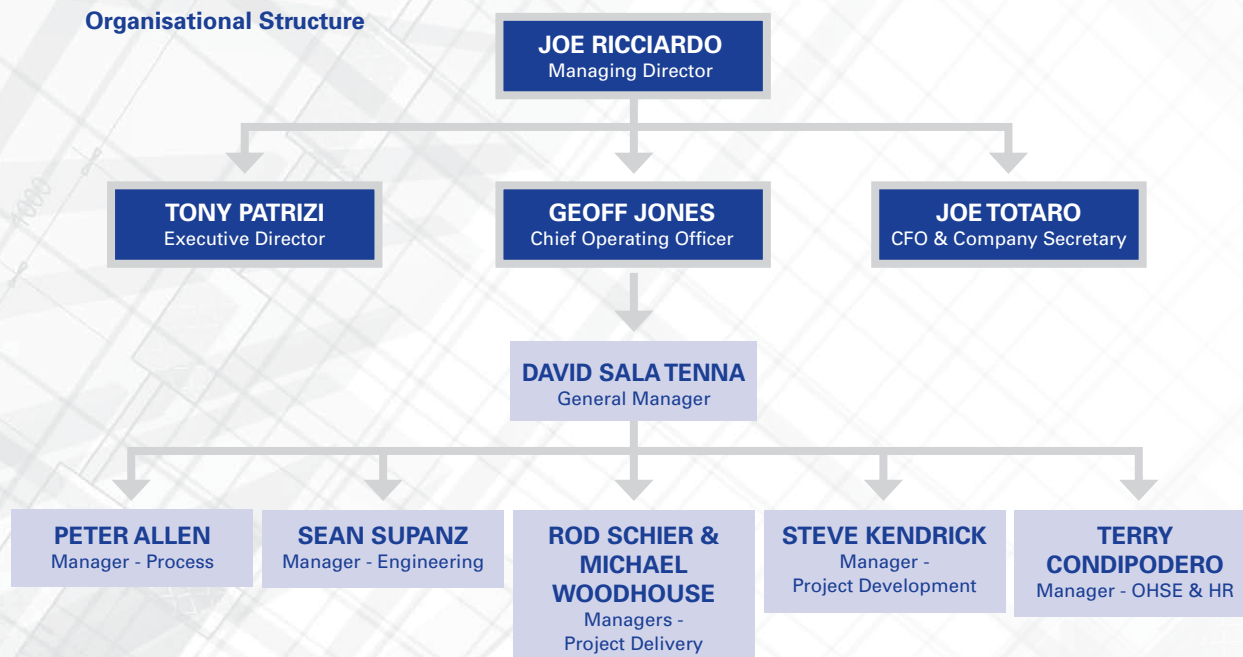
Most recently, Geoff was General Manager of Sedgman Limited's metals engineering business and also responsible for the strategic development of the metals engineering division internationally.

Geoff was formerly a non-executive director of Adamus Resources and is currently non-Executive Chairman of Brumby Resources Limited and a non-executive director of Energy Metals Limited, Azumah Resources Limited and Matrix Metals Limited.

David Sala Tenna - General Manager
BE (Mech Eng)

Dave co-founded GR Engineering. Dave is a mechanical engineer with over 30 years experience in the mining industry as a general manager, project manager, project engineer, design engineer and construction manager. Dave has an outstanding track record in the timely and efficient delivery of many feasibility studies and design and construction contracts under a variety of contracting models for a wide range of commodities including gold, nickel, tantalum, lead, zinc and iron ore and his knowledge in all facets of project execution provides dedicated management support to project managers and execution teams.

Organisational Structure



FINANCIAL INFORMATION

SECTION 5



FINANCIAL INFORMATION

5.1 Introduction

This Section contains a summary of the:

- (a) historical financial information of the Company for the financial years ended 30 June 2009 and 30 June 2010;
- (b) historical and pro forma financial information as at 31 December 2010 ("**Financial Information**"); and
- (c) forecast financial information for the financial year ended 30 June 2011 ("**Forecast**").

The Financial Information and Forecast has been prepared in accordance with the recognition and measurement principles of applicable Australian Accounting Standards.

The Forecast set out in this Section has been prepared with due care and attention and reflects the Directors' judgement of the likely 30 June 2011 results based upon current and anticipated operating and economic conditions and on a number of best-estimate assumptions regarding future events and activities, which at the date of the Prospectus, the Directors expect to take place. Actual results are likely to differ from the Forecast and the differences may have a material impact either positively or negatively on the performance of GR Engineering.

By their nature, forecasts involve risk and uncertainty and depend upon future circumstances many of which are outside the control of GR Engineering and the Directors. Accordingly, the Directors cannot give any guarantee that the Forecast will be achieved.

The Forecast should be read in conjunction with the best-estimate general and specific assumptions and sensitivity analysis outlined below together with the risk factors in Section 8, the Financial Information in Section 12, the Investigating Accountants' Report in Section 6 and the Report on Directors' Forecast in Section 7.

The Financial Information and Forecast included in this Section are presented in an abbreviated form and do not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. Section 12 details the Financial Information of GR Engineering and the pro-forma adjustments.

The Financial Information and Forecast included in this Section 5 has been prepared in accordance with the measurement and recognition principles prescribed in Australian accounting standards as set by the Australian Accounting Standards Board (AASB) and other mandatory professional reporting requirements in Australia and the accounting policies adopted by GR Engineering as disclosed in Section 12.6.

5.2 Summary Historical and Forecast Statements of Comprehensive Income

The following table provides a summary of historical statements of comprehensive income and earnings metrics of GR Engineering for the financial years ended 30 June 2009 and 30 June 2010 and the forecast statement of comprehensive income for the financial year ended 30 June 2011. The statements of comprehensive income should be read in conjunction with all other information contained in this Prospectus.

Financial Year Ending 30 June	FY09 Actual \$'000	FY10 Actual Audited \$'000	FY11 Forecast \$'000
Total Revenue	79,074	128,217	138,326
EBITDA	21,564	24,228	26,364
Depreciation & Amortisation	(478)	(500)	(540)
EBIT	21,086	23,728	25,824
Net Interest Income	1,025	699	999
PBT	22,111	24,427	26,823
Tax	(6,640)	(6,592)	(8,050)
NPAT	15,471	17,835	18,773

5.3 Key specific assumptions on which the Forecast Information is prepared

The key specific assumptions adopted in preparing the Forecast are summarised below and have taken into account GR Engineering's reviewed half year actual performance to 31 December 2010. Growth rates are expressed in percentage terms and represent growth in relation to financial year ended 30 June 2010.

- a) the Forecast has been derived from a formal budget-setting process and incorporates and assesses the expected performance in terms of revenue under contract or committed or in the pipeline, growth and profitability. The budget setting process considers the historical performance of the business, adjusted for forecast levels of activity and performance expected to be achieved.
- b) revenue to grow 8%, based on work on hand and revenue which is either under contract or committed or expected by GR Engineering to soon become contracted or committed. Approximately 96% of revenue forecast for FY11 is either achieved, under contract, committed or expected to soon become contracted or committed;
- c) GR Engineering is able to meet demand for its engineering and construction services;
- d) no capacity or resource constraints during the Forecast year;
- e) no working capital constraints;
- f) no material change in the scope of existing contracts and contract margins or cancellations of existing contracts;
- g) all customers are creditworthy and meet their financial commitments to GR Engineering in accordance with the terms of their contracts;
- h) no claims by customers or reperformance of contractual obligations required to be fulfilled by GR Engineering;
- i) material costs and wages payments to remain at similar levels to the levels at the date of this Prospectus;
- j) increase in corporate governance, shareholder liaison, ASX listing costs and other costs associated with the change to a listed public company;
- k) no material change in capital expenditure;
- l) depreciation rates consistent with prior years;
- m) no material disruptions to GR Engineering's contracts;
- n) no material impairment of assets; and
- o) effective tax rate of 30%.

FINANCIAL INFORMATION

CONTINUED

5.4 General assumptions in relation to the Forecast Information

The general assumptions adopted in preparing the Forecast are set out below:

- a) no significant change in general economic conditions;
- b) no significant change in the legislative regimes and regulatory environments in the jurisdictions in which GR Engineering or its key customers or suppliers operate;
- c) no change in applicable accounting standards that would have a material impact on GR Engineering's financial reporting or disclosure;
- d) no change in taxation legislation that would have a material impact on GR Engineering's financial position;
- e) no material environmental losses or material legal claims;
- f) no material adverse change in the competitive environment for engineering and construction services within the global mining sector;
- g) no material changes to any material contracts;
- h) no material workforce disturbances;
- i) GR Engineering not being subject to any material litigation or claims;
- j) no material acquisitions or disposals; and
- k) no significant changes to GR Engineering's funding or capital structure other than as set out in, or contemplated by this Prospectus.

5.5 Sensitivity Analysis

The Forecast is based on certain economic and business assumptions about future events. A summary of the key best estimate assumptions underlying the Forecast is set out above.

The Forecast is sensitive to a number of key assumptions. A summary of the likely impact of movements in certain key assumptions is presented in the table below. However, the changes in the key assumptions set out below are not intended to be indicative of the complete range of variations that may occur and are not intended as any indication of potential changes considered likely by the Directors.

Earnings are influenced by movements in a number of key variables, including:

- a) the quantum and timing of revenue under contracts;
- b) the margins achieved; and
- c) the level of overhead expenditure.

FY11 Forecast Sensitivity	Movement	Impact on NPAT
		FY11 '000
Revenue	+/- 5%	+/- \$1,116
Gross Margin	+/- 2%	+/- \$1,936
Overheads	+/- 5%	+/- \$210

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. It is possible that more than one variable may move at any one point in time, giving rise to cumulative effects, which are not reflected in the above analysis.

In practice, changes in variables may offset each other or may be additive, and it is likely that GR Engineering's management would, to the extent possible, respond to any adverse change in one variable by taking action to minimise the net effect on GR Engineering's earnings. The effect of any such action has not been considered in the analysis above.

5.6 Selected financial measures and metrics

The table below presents a selection of key financial performance measures. Growth is expressed in percentage terms and represents growth over the previous year.

	Actual	Actual Audited	Forecast
Year Ended 30 June	FY09	FY10	FY11
Revenue	\$79.1 million	\$128.2 million	\$138.3 million
Revenue growth	-26%	62%	8%
Growth in operating expenses	-38%	81%	8%
EBIT	\$21.1 million	\$23.7 million	\$25.8 million
EBIT growth	67%	13%	9%
EBIT as a % of revenue	27%	19%	19%
NPAT	\$15.5 million	\$17.8 million	\$18.8 million
NPAT growth	65%	15%	5%
NPAT as a % of revenue	20%	14%	14%



FINANCIAL INFORMATION

CONTINUED

5.7 Management discussion and analysis of historical and forecast financial information

FY10 compared to FY09

Revenue growth of 62% in FY10 was primarily driven by the Company undertaking major contracts for Catalpa's Edna May Gold Processing Plant, Western Areas' Cosmic Boy Nickel Concentrator Upgrade and Integra's Randalls Gold Processing Plant, which was partially completed at the end of FY10.

Growth in operating expenses exceeded revenue growth in FY10 and was due primarily to a higher than normal EBIT margin in FY09. This high EBIT margin in FY09 was a result of the timing of revenue recognition for completed projects for which costs had previously been recognised in a prior financial period.

During FY10, overhead costs, depreciation and amortisation remained constant.

NPAT for FY10 was \$17.8 million and represented growth of 15% over the prior year.

FY11 compared to FY10

Revenue is forecast to increase by 8% in FY11. This forecast reflects performance to date as well as the expected completion of several key contracts including Allied Gold's Gold Ridge Processing Plant Reconstruction and Xstrata's Cosmos Nickel Processing Plant Upgrade.

Growth in operating expenses in FY11 is expected to be in line with the increase in revenue. Depreciation and amortisation in FY11 are forecast to be consistent with FY10.

NPAT for FY11 is forecast to increase by 5% to \$18.8 million. This increase in NPAT is expected to be less than the increase in EBIT due mainly to a higher effective tax rate. The effective tax rate for FY11 is expected to increase to 30% in FY11 from 27% in FY10 due to the correction of an underestimated tax provision of \$0.8 million in FY10 and a timing mis-match caused by international taxation treatment and profit recognition in relation to earnings from the contract for Allied Gold's Gold Processing Plant Reconstruction in the Solomon Islands during the first half of FY11. Due to this correction and timing mismatch, GR Engineering had an effective tax rate of 39% for the first half of FY11 and is subsequently expecting a lower tax rate for the second half of FY11.



5.8 Pro forma Statement of Financial Position

The historical and pro forma Statement of Financial Position for GR Engineering as at 31 December 2010 with pro-forma adjustments to reflect the impact of the Offer is set out below:

	HY2011	HY2011	HY2011
	Actual	Pro Forma	Pro Forma
	Reviewed	Adjustments	Reviewed
	\$'000	\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	20,635	23,937	44,572
Trade and other receivables	7,158		7,158
Inventories	1,674		1,674
Current tax asset	2,681		2,681
Total Current Assets	32,148	23,937	56,085
Non-Current Assets			
Deferred income tax asset	3,101	619	3,720
Property, plant and equipment	1,299		1,299
Total Non-Current Assets	4,400	619	5,019
TOTAL ASSETS	36,548	24,556	61,104
LIABILITIES			
Current Liabilities			
Trade and other payables	9,827	-	9,827
Borrowings	757	-	757
Income tax payable	-	-	-
Provisions	13,330	(4,000)	9,330
Unearned income	10,534	-	10,534
Total Current Liabilities	34,448	(4,000)	30,448
Non-Current Liabilities			
Borrowings	285	-	285
Total Non-Current Liabilities	285	-	285
TOTAL LIABILITIES	34,733	(4,000)	30,733
NET ASSETS	1,815	28,556	30,371
EQUITY			
Issued capital	1	28,556	28,557
Retained earnings	1,814	-	1,814
TOTAL EQUITY	1,815	28,556	30,371

FINANCIAL INFORMATION

CONTINUED

5.9 Pro forma adjustments to Statement of Financial Position

The pro forma Statement of Financial Position as at 31 December 2010 incorporates the reviewed Statement of Financial Position as at 31 December 2010 adjusted for the impact of certain material transactions effected prior to the Offer and transactions associated with the Offer (collectively "Pro-forma Transactions").

The Pro-forma Transactions were:

- (a) a dividend payment made on 4 January 2011 of \$4.0 million, which was declared by the board of directors on 22 December 2010 and which was recorded as a provision at 31 December 2010;
- (b) on 10 February 2011, the Existing Shareholders approved a Share split of 120,000:1 for each ordinary share, to create a total of 120.0 million ordinary Shares in the Company;
- (c) on 10 February 2011, the Company agreed to issue a total of 2.5 million Options to Geoff Jones, Chief Operating Officer pursuant to an employment agreement. The Options have been accounted for in accordance with Australian Accounting Standards AASB 2, applying option valuation methodology, and accordingly at the pro forma date no value has been accounted for. Refer to Section 9.9 and 11.3 for further details on the terms of the Options; and
- (d) Transactions associated with the Offer were:
 - (i) the receipt of proceeds of \$30.0 million for the issue of 30.0 million Shares at the Offer Price;
 - (ii) the payment of \$2.1 million of net equity raising expenses, recorded as a reduction of total equity; and
 - (iii) recognition of a deferred tax asset of \$0.6 million, on the estimated capital raising costs of \$2.1 million.



INVESTIGATING ACCOUNTANTS' REPORT SECTION 6



INVESTIGATING ACCOUNTANTS' REPORT



Deloitte Touche Tohmatsu
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18 March 2011

The Directors
GR Engineering Services Limited
71-73 Daly Street
BELMONT WA 6104

Dear Sirs

Investigating Accountants' Report

1. Introduction

The Directors of GR Engineering Services Limited (GR Engineering or the Company) have requested Deloitte Touche Tohmatsu (Deloitte) to prepare an Investigating Accountants' Report (Report) for inclusion in a Prospectus to be dated on or around 18 March 2011 (Prospectus), relating to the Offer of up to 30 million Ordinary Shares at \$1.00 per share, to raise \$30 million.

All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

2. FINANCIAL INFORMATION

Deloitte has been engaged by the Directors of GR Engineering to prepare an Investigating Accountants' Report covering the following financial information:

2.1 Historical Financial Information

The Historical Financial Information presented in Section 12 of the Prospectus comprises:

- (i) The Historical Statement of Financial Position of GR Engineering as at 31 December 2010;
- (ii) The Historical Statements of Comprehensive Income of GR Engineering for the years ended 30 June 2008, 30 June 2009, 30 June 2010 and the six month period ended 31 December 2010;
- (iii) The Historical Statements of Cash Flows of GR Engineering for the year ended 30 June 2010 and the six month period ended 31 December 2010; and
- (iv) Accompanying notes

together referred to as the Historical Financial Information.

The historical financial information for the year ended 30 June 2010 has been extracted from the audited financial statements of GR Engineering. The financial statements of GR Engineering for the year ended 30 June 2010 were audited by Deloitte upon which we issued an unqualified audit opinion dated 28 October 2010. The historical financial information for the six month period ended 31 December 2010 has been extracted from the reviewed half-year financial statements of GR Engineering. The half-year financial statements of GR Engineering for the half-year ended 31

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Member of Deloitte Touche Tohmatsu Limited

Deloitte

December 2010 were reviewed by Deloitte upon which we issued an unqualified review conclusion dated 14 March 2011.

2.2 Pro Forma Financial Information

The Pro Forma Financial Information presented in Section 12 of the Prospectus comprises:

- (i) The Pro Forma Statement of Financial Position of GR Engineering as at 31 December 2010;
- (ii) The Pro Forma adjustments set out in Section 12.5 (Pro Forma Adjustments); and
- (iii) Accompanying notes

together referred to as the Pro Forma Financial Information.

The Pro Forma Financial Information has been derived from the Historical Financial Information assuming completion of the Pro Forma Adjustments as at 31 December 2010.

The Historical Financial Information and the Pro Forma Financial Information are collectively referred to as the Financial Information for the purposes of this Report.

2.3 Responsibility for the Financial Information

The Directors of GR Engineering are responsible for the preparation and presentation of the Financial Information (including the determination of the Pro Forma Adjustments) set out in Section 12 of the Prospectus.

The Financial Information has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates, for any purpose other than that for which it was prepared.

The Financial Information is presented in summarised form in that it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001.

3. Scope

We have reviewed the Financial Information set out in Section 12 of the Prospectus in order to report whether anything has come to our attention which causes us to believe that the Financial Information is not presented fairly in accordance with the basis of preparation as described in Section 12.6 of the Prospectus.

Our review has been conducted in accordance with Australian Standard on Review Engagements ASRE 2405 "Review of Historical Financial Information Other than a Financial Report". We have made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- Analytical procedures on the Financial Information;
- A review of workpapers, accounting records and other documents;
- A review of the Pro Forma Adjustments and the assumptions on which they are based as described in Section 12.5 of the Prospectus;
- A review of the application of the recognition and measurement principles in Australian Accounting Standards and the accounting policies adopted by GR Engineering as disclosed in Section 12.6 of the Prospectus; and
- Enquiry of the Directors and management of GR Engineering.

Deloitte

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. For the purposes of this Report, we have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

4. Review Statements

4.1 Review of Historical Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as set out in Section 12 of the Prospectus is not presented fairly in accordance with the basis of preparation as described in Section 12.6 of the Prospectus.

4.2 Review of Pro Forma Financial Information

Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information as set out in Section 12 of the Prospectus is not presented fairly in accordance with the basis of preparation as described in Section 12.6 of the Prospectus.

5. Subsequent Events

Apart from the matters dealt with in this Report, and having regard for the scope of our Report, nothing has come to our attention that would cause us to believe that matters arising after 31 December 2010, other than matters dealt with in Section 12.5 of the Prospectus, would require comment on, or adjustments to, the information contained in Section 12 of the Prospectus, or would cause such information to be misleading or deceptive.

6. Independence and Disclosure of Interest

Deloitte Touche Tohmatsu does not have any interest in the outcome of the Offer other than the preparation of this Report and other related services in relation to the Offer for which normal professional fees will be received.

7. Consent

Deloitte Touche Tohmatsu has consented to the inclusion of this Investigating Accountants' Report in the Prospectus in the form and context in which it is so included, but has not authorised the issue of the Prospectus. Accordingly, Deloitte Touche Tohmatsu makes no representation regarding, and takes no responsibility for, any other documents or material in, or omissions from, the Prospectus.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Conley Manifs

Partner

Chartered Accountants

REPORT ON DIRECTORS' FORECAST SECTION 7



REPORT ON DIRECTORS' FORECAST



Deloitte Corporate Finance Pty Limited
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AFSL 241457

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The Directors
GR Engineering Services Limited
179 Great Eastern Highway
Belmont WA 6104

18 March 2011

Dear Sirs

REPORT ON DIRECTORS' FORECAST AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of GR Engineering Services Limited (GR Engineering) for inclusion in a Prospectus to be issued by GR Engineering in respect of the offer of 30 million shares in GR Engineering at \$1.00 each (the Offer).

Deloitte Corporate Finance Pty Limited has been engaged by the Directors of GR Engineering to conduct a limited assurance engagement of the forecast income statement for the year ending 30 June 2011 as set out in Section 5 of the Prospectus (the Forecast). Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence for the issue of this report.

This engagement has been conducted in accordance with professional standard APES 345 "*Reporting on prospective financial information prepared in connection with a Disclosure Document*" issued by the Accounting Professional and Ethical Standards Board.

References to GR Engineering and other terminology used in this report have the same meaning as defined in the Glossary.

Directors' Responsibility for the Forecast

The Directors are solely responsible for the preparation and presentation of the Forecast and the information contained within the Prospectus, including the assumptions on which they are based.

Forecast

The Forecast has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of GR Engineering for the year ending 30 June 2011. There is a considerable degree of subjective judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties and contingencies which are often outside the control of GR Engineering. The Forecast has been prepared using assumptions summarised in the Prospectus which are based on best estimate assumptions relating to future events that management expect to occur and actions that management expect to take.

Member of Deloitte Touche Tohmatsu

The sensitivity analysis set out in Section 5 of the Prospectus demonstrates the impacts on the Forecast of changes in key assumptions. The Forecast is therefore only indicative of the financial performance which may be achievable. Prospective investors should be aware of the material risks and uncertainties relating to an investment in GR Engineering, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information.

Accordingly prospective investors should have regard to the sensitivities and investment risks set out in Sections 5 and 8 of the Prospectus.

Our Responsibility

Our responsibility is to express a conclusion on the Forecast based on our procedures.

We conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3000 *“Assurance Engagements Other than Audits or Reviews of Historical Financial Information”* (ASAE 3000), issued by the Australian Auditing and Assurance Standards Board, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that, in all material respects:

- a) The Directors’ best estimate assumptions do not provide reasonable grounds for the preparation of the Forecast
- b) The Forecast is not properly prepared on the basis of the Directors’ best estimate assumptions, consistent with the accounting policies adopted and used by GR Engineering and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards
- c) The Forecast itself is unreasonable.

Our engagement provides limited assurance as defined in ASAE 3000. Our procedures consisted primarily of enquiry, comparison, and analytical review procedures we considered necessary including discussions with management and Directors of GR Engineering of the factors considered in determining their assumptions. Our procedures included examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast and the evaluation of accounting policies used in the Forecast.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3000 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an opinion providing reasonable assurance.

Limitations of Use

We disclaim any responsibility for any reliance on this report or on the Forecast to which it relates for any other purpose than that for which it was prepared.

Inherent Limitations

Prospective financial information, such as the Forecast, relate to events and actions that have not yet occurred and may not occur. While evidence may be available to support the assumptions on which the Forecast is based, those assumptions are generally future orientated and therefore speculative in nature. Accordingly, actual financial performance may vary from the prospective financial information presented in the Prospectus and such variations may be material. We express no opinion as to whether the Forecast will be achieved.

Independence

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and the Investigating Accountant’s Report included in Section 6 and participation in the due diligence procedures for which normal professional fees will be received. Deloitte Touche Tohmatsu is the auditor of GR Engineering.



Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that, in all material respects:

- i) The Directors' best estimate assumptions, as set out in the Prospectus, do not provide reasonable grounds for the preparation of the Forecast
- ii) The Forecast is not properly prepared on the basis of the Directors' best estimate assumptions, consistent with the accounting policies adopted and used by GR Engineering and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards
- iii) The Forecast itself is unreasonable.

Yours faithfully

A handwritten signature in black ink, appearing to read "Andrew Annand".

Andrew Annand
Director



Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately owned by the Deloitte member firm in Australia (Deloitte Australia). Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

We and Deloitte Australia (and other entities related to Deloitte Australia):

- do not have any formal associations or relationships with any entities that are issuers of financial products; and
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9255 8434

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
info@fos.org.au
www.fos.org.au
Tel: 1300 780 808
Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

31 July 2010

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000



RISK FACTORS

SECTION 8

GR



RISK FACTORS

Investors should be aware that an investment in the Company involves risks that may be higher than risks associated with an investment in some other companies. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors prior to applying for Shares offered for subscription under this Prospectus. Some of these risks can be mitigated by the use of appropriate safeguards and actions, but some are outside the control of the Company and cannot be mitigated. Prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

8.1 General Risks

The following general risks apply to an investment in GR Engineering:

Additional financing requirements

The Directors expect that the proceeds of the Offer will provide sufficient capital resources to enable GR Engineering to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will be met without future borrowings or further capital raisings, and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company. Depending on GR Engineering's ability to generate income from its operations, it may require further financing in addition to amounts raised under this Prospectus. Any additional equity financings will dilute Shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If GR Engineering is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its expansion and development programs as the case may be.

Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although GR Engineering is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect GR Engineering's growth prospects, operating results and financial performance.

Economic risks

General economic conditions (including demand for and prices obtained for commodities), movements in interest and inflation rates, and currency exchange rates may have an adverse effect on GR Engineering's activities, as well as on its ability to fund those activities.

Legislative changes

There is a risk that the elected government will introduce new policies and legislation that relate to the mining industry (such as a resource or carbon tax). It is possible that any such policies or legislation will have a negative impact on the mining industry generally and this could, in turn, have an adverse effect on the Company's operations and results.

Potential acquisitions

GR Engineering may in the future pursue strategic acquisitions in the course of its business. Growth through acquisitions entails numerous operational and financial risks. These include, but are not limited to, poor integration of the acquired business, entry into market segments with more risk than existing operations, and loss of managerial focus on existing businesses. These risks may have an adverse impact on GR Engineering's financial performance.

Intellectual property

The Company's ability to leverage its innovation and expertise depends upon its ability to protect its intellectual property and any improvements to it. Such intellectual property may not be capable of being legally protected, it may be the subject of unauthorized disclosure or unlawfully infringed, or the Company may incur substantial costs in asserting or defending its intellectual property rights.

Environmental claims

GR Engineering operates in an industry where environmental issues may potentially delay contract performance or result in a shutdown of the project, causing a deferral or preventing receipt of anticipated revenues. The mining and minerals processing industry is particularly exposed to environmental risks and these may give rise to remediation obligations, civil claims and criminal penalties. Any potential liability or penalty could potentially exceed GR Engineering's available resources.

Force Majeure

Force majeure is a term used to refer to an event beyond the control of a party claiming that the event has occurred. These include, but are not limited to, acts of God, fire, flood, earthquakes, war and strikes. To the extent that force majeure events occur, they may adversely affect the Company's financial performance, the value and price of Shares and the Company's ability to operate.

Equity market conditions

Market conditions may affect the value of GR Engineering's quoted securities regardless of GR Engineering's operating performance. These can be affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- demand for, and supply of capital; and
- terrorism or other hostilities.

8.2 Specific Risks

The following specific risks apply to an investment in GR Engineering:

Project risk

GR Engineering derives the majority of its revenue at any given time from a concentrated number of substantial contracts which may be terminated, delayed or incur unforeseen costs in performance which may not be recoverable. Important financial information concerning GR Engineering's revenue, historical performance and forecast assumptions are contained in Section 5. GR Engineering's material agreements are summarised in Section 9.

The cost and availability of plant, equipment and construction materials may affect profitability particularly in a rising cost environment.

GR Engineering is also potentially subject to warranty claims which may expose it to re-performance of its contractual obligations or additional costs. GR Engineering is particularly exposed to risk in circumstances where it has agreed to an EPC contract where it may suffer loss in the event expenses exceed anticipated costings for the project. The Company constructs large and often complex processing plants which operate under extreme conditions. The potential for failure of components is always present. If this failure results in loss to the Company, the Company may have exposure to rectification costs and these costs may result in a call on performance guarantees provided by the Company to its clients (if any), or in some cases, may exceed the quantum of any such performance guarantees.

Dependence upon key personnel

GR Engineering depends on the expertise and experience of its personnel as its primary assets.

It is essential that appropriately skilled personnel be available in sufficient numbers to support the quality of GR Engineering's services and maintain the diversity of its business skills. GR Engineering requires personnel that are professionally skilled in many areas, some of which may be considered niche specialties in which few practitioners are available for recruitment. Growth in the demand for skilled personnel in the mining and minerals industries has also created greater competition.

Should a number of its key personnel leave GR Engineering, this may have a negative impact on the Company. It may be difficult to replace them, or to do so in a timely manner or at a comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may adversely impact the Company.

GR Engineering's ability to attract and retain personnel will have a direct correlation upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment, wages and contractor costs may adversely impact upon the financial performance of the Company.

RISK FACTORS

CONTINUED

Management of growth

There is a risk that management of GR Engineering will not be able to implement GR Engineering's growth strategy after completion of the Offer. The capacity of management to properly implement and manage the growth of GR Engineering may affect the Company's financial performance.

If GR Engineering is unable to achieve its anticipated growth, it is likely that the Company's financial performance will be less favourable than the projected financial performance as set out in Section 5.

Delay and termination of contracts

In most instances, clients have the power to terminate contracts entered into with GR Engineering by giving written notice. The early termination of contracts, for any reason, may mean that the Company will not realise the full value of the contract, which is likely to adversely affect the growth prospects, operating results and financial performance of GR Engineering.

Competition

There are providers of engineering services working both in Australian and overseas that compete vigorously with GR Engineering. Some of the providers have greater capital and resources available to them or have been established for a longer period of time in relevant locations. This competition may adversely impact the Company's financial performance and its ability to execute its growth strategies.

Forecasts

The Directors consider that it is not possible to accurately predict the future profitability of GR Engineering beyond the year ended 30 June 2011. GR Engineering has made a number of assumptions in preparing its forecasts. The growth rates forecast in this Prospectus are dependent on a number of factors explained in Section 5. Many of these factors are outside the control of GR Engineering. If GR Engineering is unable to achieve its anticipated growth, it is likely that the Company's financial performance will be less favourable than the forecast financial performance as set out in Section 5.

GR Engineering has received a letter of intent from Broken Hill Operations Pty Limited, a wholly owned subsidiary of CBH Resources Limited to award the EPC contract for the Rasp project. The letter of intent is summarised in Section 9.6. The forecast period to 30 June 2011 includes \$12.0 million of revenue from the Rasp project which may not be received by the Company if the letter of intent does not materialise into a formal contract in the near term.

Ability to win new projects

GR Engineering's performance is influenced by its ability to win new contracts and complete projects in a timely manner. The failure of the Company to win new projects could adversely impact its growth prospects, operational results and financial performance. GR Engineering has historically generated revenue from short term contracts. The contract lead times are typically short term in nature and as such it is difficult for GR Engineering to estimate a medium to long term forecast with any reasonable degree of accuracy.

Strategic Alliance risk

GR Engineering has entered into a Strategic Alliance Agreement with MDM Engineering. Whilst GR Engineering and MDM Engineering are independently owned, capitalised and operated, GR Engineering is exposed to MDM Engineering's business risks in the performance of contracts being completed pursuant to the Strategic Alliance. If these risks materialise it may impact upon GR Engineering's ability to complete contracts subject to the Strategic Alliance and have adverse effects on the Company's financial performance.

Contractual disputes and litigation

GR Engineering has no current involvement in any material contractual disputes or litigation matters with their customers or other third parties. However, there is a risk that GR Engineering may in the future have disputes with its customers or other third parties (including payment disputes) and that this may have an adverse impact on its growth prospects, operating results and financial performance.

Concentrated Share ownership

Following the completion of the Offer, the Existing Shareholders will together hold an interest in approximately 80% of GR Engineering. Following the completion of the Offer, the Shares held by the Existing Shareholders will not be subject to escrow. None of the Existing Shareholders intend on participating in the Offer.

GR Engineering's Founding Directors, following the completion of the Offer, will together hold an interest in approximately 24% of the Company and have indicated that they do not intend to sell any Shares prior to the Company releasing its audited financial statements for the year ending 30 June 2011.

Any future sales of Shares by any of the Existing Shareholders may have a negative impact on the Share price of GR Engineering as traded on ASX.

Professional negligence and insurance

Claims of professional negligence may be made against GR Engineering.

GR Engineering maintains significant professional indemnity insurance to cover liabilities in the event of a claim of negligence.

In the event of a successful claim for professional negligence being made against GR Engineering or its subsidiaries, this may impact upon the Company by:

- adversely affecting the reputation of GR Engineering;
- the payment of excesses incurred in defending claims;
- the payment of any amount of liability that exceeds available insurance coverage; and
- increasing future insurance premiums.

The Company may be unable to obtain appropriate professional indemnity cover for all work, particularly given the state of the international insurance industry and the fact that GR Engineering's work in overseas countries may be considered by insurers to present additional risk, depending upon political and litigious circumstances in the country in question.

Legal risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares. In addition there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

Loss of reputation

GR Engineering has developed a reputation in the name and mark 'GR Engineering Services', which it uses in the services provided by it. There is a risk that any event by which GR Engineering suffers a loss of reputation in one part of its business may adversely affect the other parts of the Company's business by virtue of the common use of the name GR Engineering Services.

Adverse publicity regarding professional negligence of engineers in other engineering services practices may impact on the overall reputation of the industry and accordingly, GR Engineering.

Cyclical nature of the business

The clients of the Company are involved in the mining and minerals processing industry. The demand for and the prices of mineral commodities can be both cyclical and very volatile and can influence the demand for the services offered by GR Engineering to its clients. Although the Company has a diverse client base, the mining and minerals processing industry cycles in Australia and overseas may adversely impact on the Company's financial performance.

The loss of major clients through industry downturns for any other reason could also impact the earnings of the Company.

Labour shortages

The provision of engineering and construction services is dependent on the availability and cost of skilled labour. The current strength of the resource and mining industry has led to shortages in the availability of a skilled labour pool. In addition, the labour shortage has created cost increases for the supply of labour and management services. A continued shortage of labour may adversely affect the Company's ability to continue with or expand its operations and may limit earnings and profitability.

RISK FACTORS

CONTINUED

Foreign operations

GR Engineering may derive an increasing proportion of its revenue from operations in foreign countries.

There are certain risks inherent in doing business on an international level, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, political instability, expropriation, nationalisation and war. There may also be fluctuations in currency exchange rates (see below), foreign exchange controls which restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions and delays from customers, brokers or government agencies. GR Engineering could also be adversely affected by seasonal reductions in business activity and potentially adverse tax consequences, any of which could adversely impact the success of GR Engineering's international operations.

In some countries, GR Engineering may need to enter a joint venture or other strategic relationship with one or more third parties in order to successfully conduct its operations, and may be required by law to hold only a minority interest in any operating entity. To the extent it is a party to joint ventures, GR Engineering may be subject to loss of proprietary information and other assets, risky business practices and other strategic decisions contrary to GR Engineering's interests. In addition, any international expansion could require a significant diversion of financial and technical resources and management attention from operations in Australia. There can be no assurance that laws or administrative practice relating to taxation, foreign exchange or other matters of countries in which GR Engineering intends to operate will not change.

There is also a risk that Australian government policies in relation to particular regions may change, affecting trade and investment opportunities in that region.

Remote locations

GR Engineering frequently undertakes projects in remote locations. This may involve logistical difficulties for plant, equipment and materials, as well as skilled personnel and general labour. Some locations may involve inherent risk to personnel.

Foreign exchange rates

GR Engineering's practice is to contract international projects in Australian dollars where possible, however the Company may incur some revenue and expenditure in US dollars or other local currencies. Where GR Engineering is materially exposed to fluctuations in foreign exchange rates, it will attempt to offset this exposure through the use of appropriate financial products, such as hedging or forward rate contracts.

There may be circumstances where GR Engineering is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of financial products is not commercially viable.

International hostilities and disasters

GR Engineering's performance and / or the ability of its clients to commission work may be impacted by global tensions or the commencement of military action in the overseas markets in which it works. In addition, the risk of terrorist activity may reduce work opportunities or make it unsafe for the Company to continue operations in a particular country. The occurrence of natural disasters can also prevent planned work from taking place.

8.3 Speculative Nature of Investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by GR Engineering or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

MATERIAL AGREEMENTS

SECTION 9

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MATERIAL AGREEMENTS

9.1 Key Documents

Certain agreements relating to GR Engineering are significant to the Offer, the operations of the Company or may be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements is set out below.

9.2 Client Contracts

GR Engineering enters into contracts with each of its clients which regulate each party's rights and obligations in respect of the work undertaken by GR Engineering. GR Engineering utilises predominantly EPC but also engages in limited EPCM contract models which are consistent with industry practice. These contract models and their various derivatives can be outlined as follows:

- (a) EPC – Engineering, Procurement and Construction: Under these contracts, GR Engineering absorbs the risk of project construction to varying extents, depending on the type of EPC contract that is entered into. GR Engineering has traditionally entered into EPC contracts on the following basis:
 - (i) lump sum style contract, where GR Engineering earns a margin on the estimated project cost. The contract is structured such that GR Engineering incurs all cost over-runs above and all cost under-runs below the lump sum price. Some contracts include incentives or penalties for early or late project delivery. The project cost estimate is prepared to reflect the risk profile accepted by GR Engineering; and
 - (ii) guaranteed maximum price style contract, where GR Engineering earns a fixed margin on the estimated project cost. The contract is structured so that GR Engineering incurs all cost over-runs above the guaranteed maximum price and shares with the client any cost under-runs. Some contracts include incentives or penalties for early or late project delivery. The project cost estimate has been prepared to reflect the risk profile accepted by GR Engineering;
- (b) EPCM – Engineering, Procurement and Construction Management: Cost reimbursable style contract where GR Engineering earns a margin on the actual cost of the project. Some contracts are structured such that GR Engineering incurs a share of the project cost over-runs, which is limited to the contracted margin amount or less and is entitled to a share of any project cost under-run. Some contracts also include incentives/penalties for early/late project delivery.

Process engineering services contractors traditionally provide warranties and indemnities to their clients in relation to the performance of their work. GR Engineering via EPC contracts has provided and will continue to provide total 'make good' warranties to its clients to warrant that it has the requisite skills, ability and experience to undertake the contracted works. GR Engineering seeks to limit its liability through imposing limits and excluding consequential loss.

GR Engineering's clients generally have a right to terminate the contract at their election, even if there has been no breach by the Company. GR Engineering's contracts usually provide for the Company to recover payment for work performed to the date of termination and for the costs of disassembling the project team and demobilisation and in some cases an additional penalty payment based upon a pre agreed formula.

9.3 Xstrata Nickel Australasia Operations Pty Ltd - EPC Contract

The Company has entered into a contract with Xstrata Nickel Australasia Operations Pty Ltd ("Xstrata") to design, construct, deliver, install, test and commission a mill plant upgrade at the Cosmos nickel mine in Western Australia. The upgrade is intended to increase the metals processing capability of Cosmos and the contract is to be undertaken on the following material terms:

- (a) Term – The term of the contract is from 17 November 2010 until practical completion. Work commenced prior to the contract date upon GR Engineering receiving a letter of intent from Xstrata.
- (b) Remuneration – The Company is remunerated on a lump sum basis, earning a fixed margin on the estimated project cost.

- (c) Bank Guarantee –The Company has provided a bank guarantee to Xstrata of 5% of the contract sum to guarantee its performance of the contract works.
- (d) Termination – Xstrata may, without cause, terminate the contract provided that not less than 30 days notice is provided to the Company and the Company is paid for unpaid works and reasonable cancellation costs.
- (e) Indemnity –The Company shall be liable to the extent of its negligence and shall indemnify and hold harmless Xstrata in relation to injury or death or damage to property arising out of or in the course of the Company's performance of the work. GR Engineering shall maintain an adequate level of professional indemnity insurance.
- (f) Assignment – Xstrata may assign the contract in whole or in part with the written consent of the Company. The Company shall not assign or sub-let the contract or any part of the works without the prior written approval of Xstrata. Approvals shall not be unreasonably withheld.
- (g) Change of Control – Any change in the shareholders of the Company which has the effect of altering the effective control of the Company is deemed to be an assignment of the contract. Effective control means control of the composition of the board of directors or control of more than 50% of the shares with the right to vote in general meetings of the corporation.
- (h) Governing Law –The contract is governed by the law of Western Australia.

9.4 Gold Ridge Mining Limited - EPC Contract

The Company has entered into a contract with Gold Ridge Mining Limited Pty Ltd ("**Gold Ridge**"), a wholly owned subsidiary of Allied Gold Limited to carry out the refurbishment and expansion of facilities in the process plant located at Guadalcanal, Solomon Islands on the following material terms:

- (a) Term –The term of the contract is from 14 May 2010 until practical completion.
- (b) Remuneration –The Company is remunerated on a lump sum basis, earning a fixed margin on the estimated project cost.
- (c) Termination – Gold Ridge may, without cause, terminate the contract provided that not less than 30 days notice is provided to the Company and the Company is paid for unpaid works and reasonable cancellation costs.
- (d) Indemnity –The Company shall be liable to the extent of its negligence and shall indemnify and hold harmless Gold Ridge in relation to injury or death or damage to property arising out of or in the course of the Company's performance of the work. GR Engineering shall maintain an adequate level of professional indemnity insurance.
- (e) Assignment – Gold Ridge may assign the contract in whole or in part with the written consent of the Company. The Company shall not assign or sub-let the contract or any part of the works without the prior written approval of Gold Ridge. Approvals shall not be unreasonably withheld.
- (f) Governing Law –The contract is governed by the law of Western Australia.

MATERIAL AGREEMENTS

CONTINUED

9.5 OZ Minerals Prominent Hill Operations Pty Limited – EPC Contract

The Company is presently negotiating to enter into a contract with OZ Minerals Prominent Hill Operations Pty Limited (“**OZ Minerals**”) to provide EPC services for the provision of a backfill plant and underground fill reticulation system at the Prominent Hill Ankata project. The contract is currently in advanced draft form and the Directors do not believe that there will be any material changes prior to execution on the following material terms:

- (a) Term – The term of the contract is for twelve months from 3 January 2011, or as otherwise extended pursuant to the contract.
- (b) Remuneration – The Company is remunerated on a lump sum basis, earning a fixed margin on the estimated project cost for the EPC work to be undertaken. Some work will be undertaken in accordance with a schedule of rates determined on an hourly basis.
- (c) Bank Guarantee – GR Engineering will provide security in the form of a bank guarantee to OZ Minerals of 5% of the contract value to guarantee its performance of the contract works.
- (d) Termination – OZ Minerals may without cause and at any time terminate the contract. OZ Minerals will not be liable for liabilities suffered or incurred by GR Engineering by reason of any such termination, except for those liabilities expressly provided for in the contract.
- (e) Indemnity – The Company shall indemnify OZ Minerals against all liabilities OZ Minerals may suffer in connection with GR Engineering’s performance of its work, negligence and wilful or unlawful act or omission as well as the illness, injury or death of any personnel or loss of or damage to any property in connection with the works.
- (f) Assignment – OZ Minerals may assign its rights or obligations under the contract at any time. GR Engineering must not assign its rights or obligations under the contract without OZ Minerals consent, which will not be reasonably withheld.
- (g) Change of Control – OZ Minerals may terminate the contract upon a change of control event occurring that OZ Minerals considers, acting reasonably, will adversely affect GR Engineering’s ability to undertake the contract works. Under the contract, change of control occurs where a person that controlled the entity ceases to control the entity, or if no person controlled the entity and a person obtained control of the entity, or if the entity is owned or controlled by a group or consortium of persons, there is a material change in the composition of the group or consortium.
- (h) Governing Law – The contract will be governed by the law of Victoria.

9.6 CBH Resources Limited – Letter of Intent

On 26 November 2010, GR Engineering received a letter of intent from Broken Hill Operations Pty Ltd, a wholly owned subsidiary of CBH Resources Limited (“**CBH**”) to award GR Engineering the EPC contract for CBH’s Rasp project. The letter of intent outlines that the award of the contract is subject and conditional upon:

- (a) CBH obtaining board approval for the Rasp project and receipt of necessary statutory and regulatory project approvals;
- (b) CBH securing project debt financing;
- (c) GR Engineering undertaking the project as proposed on a guaranteed maximum price basis plus a provision sum for spare parts, initial fills and refurbishment;
- (d) CBH and GR Engineering agreeing to negotiate in good faith to execute a formal agreement for the contract based on Australian Standard Conditions of Contract AS4902-2000; and
- (e) until the formal execution of the contract document, GR Engineering being authorised by CBH to commit to and incur expenditure and costs for early initiation activities including engineering design and preparation for the procurement of equipment items. Actual commitments for the procurement of any items can only be made with the prior written consent of CBH.

9.7 Executive Employment Agreement – Joe Ricciardo

GR Engineering has entered into an executive employment agreement with Mr Joe Ricciardo, the Company's Managing Director on the following material terms and conditions:

- (a) Salary: \$311,927 per annum plus superannuation of \$28,073 per annum.
- (b) Mr Ricciardo will have the right to participate in the Employee Share Option Plan;
- (c) Termination date: 31 January, 2013 at which time the executive employment agreement may be renegotiated or renewed;
- (d) Termination by Mr Ricciardo: Mr Ricciardo may terminate the executive employment agreement by:
 - (i) giving written notice to that effect in the event of any breach, non-observance or non-performance by the Company of any provision of the executive employment agreement and the failure by the Company to remedy or adequately respond to the breach, non-observance or non-performance within 10 business days of written notice requiring it to remedy such breach; or
 - (ii) giving three months' written notice to the Company without providing a reason for termination;
- (e) Termination by the Company: The Company may terminate the executive employment agreement by giving four months' written notice to Mr Ricciardo without needing to provide any reason for termination;
- (f) Restraint on Activities: After termination, unless otherwise agreed in writing by the Company, Mr Ricciardo must not for a period of 24 months in Australia (or such period and area that is deemed to be enforceable):
 - (i) directly or indirectly engage or prepare to engage in any business or activity that is the same or similar to that part or parts of the business carried on by the Company in which they were involved at any time during their last 12 months with the Company;
 - (ii) solicit, canvas, approach or accept any approach from any person who was at any time during their last 12 months' of employment with the Company, a client of the Company in that part or parts of the business carried on by the Company in which they were involved with a view to obtaining the custom of that person in a business that is the same or similar to that of the Company;
 - (iii) interfere with the relationship between the Company and its clients, employees or suppliers; or
 - (iv) induce or assist in the inducement of any employee of the Company to leave their employment.

MATERIAL AGREEMENTS

CONTINUED

9.8 Executive Employment Agreement – Tony Patrizi

GR Engineering has entered into an executive employment agreement with Mr Tony Patrizi, an Executive Director of the Company on the following material terms and conditions:

- (a) Salary: \$311,927 per annum plus superannuation of \$28,073 per annum.
- (b) Mr Patrizi will have the right to participate in the Employee Share Option Plan;
- (c) Termination date: 31 January, 2013 at which time the executive employment agreement may be renegotiated or renewed;
- (d) Termination by Mr Patrizi: Mr Patrizi may terminate the executive employment agreement by:
 - (i) giving written notice to that effect in the event of any breach, non-observance or non-performance by the Company of any provision of the executive employment agreement and the failure by the Company to remedy or adequately respond to the breach, non-observance or non-performance within 10 business days of written notice requiring it to remedy such breach; or
 - (ii) giving three months' written notice to the Company without providing a reason for termination;
- (e) Termination by the Company: The Company may terminate the executive employment agreement by giving four months' written notice to Mr Patrizi without needing to provide any reason for termination;
- (f) Restraint on Activities: After termination, unless otherwise agreed in writing by the Company, Mr Patrizi must not for a period of 24 months in Australia (or such period and area that is deemed to be enforceable):
 - (i) directly or indirectly engage or prepare to engage in any business or activity that is the same or similar to that part or parts of the business carried on by the Company in which they were involved at any time during their last 12 months with the Company;
 - (ii) solicit, canvas, approach or accept any approach from any person who was at any time during their last 12 months' of employment with the Company, a client of the Company in that part or parts of the business carried on by the Company in which they were involved with a view to obtaining the custom of that person in a business that is the same or similar to that of the Company;
 - (iii) interfere with the relationship between the Company and its clients, employees or suppliers; or
 - (iv) induce or assist in the inducement of any employee of the Company to leave their employment.

9.9 Executive Employment Agreement – Geoff Jones

GR Engineering has entered into an executive employment agreement with Mr Geoff Jones, the Company's Chief Operating Officer on the following material terms and conditions:

- (a) Salary: \$435,780 per annum plus superannuation of \$39,220 per annum.
- (b) COO Options: The Company has agreed to issue to the Executive or the Executive's nominee, a total of 2,500,000 Options subject to the vesting criteria and in accordance with the terms and conditions outlined in Section 11.3. In addition, the Executive will be entitled to participate in the Employee Share Option Plan.
- (c) Termination date: 30 June 2016 at which time the executive employment agreement may be renegotiated or renewed.
- (d) Termination by Executive: The Executive may terminate the executive employment agreement by:
 - (i) giving written notice to that effect in the event of any breach, non-observance or non-performance by the Company of any provision of the executive employment agreement and the failure by the Company to remedy or adequately respond to the breach, non-observance or non-performance within 10 business days of written notice requiring it to remedy such breach; or
 - (ii) giving three months' written notice to the Company without providing a reason for termination.
- (e) Termination by the Company: The Company may terminate the executive employment agreement by the Company giving four months' written notice to the Executive without needing to provide any reason for termination.

9.10 Directors' and Company Secretary Deeds of Indemnity, Access and Insurance

The Company has entered into a deed of indemnity, access and insurance with each of its Directors and the company secretary.

Under these deeds, GR Engineering indemnifies each Director (or company secretary) to the extent permitted by the Corporations Act against any liability as a result of the Director (or company secretary) acting in such capacity with GR Engineering.

The deeds also provide for the Company to agree to insure the Director (or company secretary) to the extent permitted by law against liabilities incurred by the Director (or company secretary) in acting in such a capacity except where unreasonable to do so or such insurance is unavailable.

The Company agrees that during the term of the directorship (or term as company secretary) and for a period commencing on the retirement date of the Director (or company secretary) up until 7 years thereafter ("**Insurance Run-Off Period**") it will use its best endeavours to procure and pay the premium for (or ensure the procurement and payment of premiums for) an insurance policy which insures the Director (or company secretary) against all liabilities other than excluded liabilities under the Corporations Act incurred by the Director (or company secretary) acting directly or indirectly as a Director (or company secretary) of the Company, except to the extent such insurance cannot be procured at a reasonable cost or is otherwise unavailable to the Company.

Throughout the term of the directorship (or term as company secretary) and the Insurance Run-Off Period, the Director (or company secretary) is entitled, during office hours (or at such other times which the parties agree), to have access to and inspect the company records or records which have been either prepared, or provided to the Director (or company secretary), and are in any way relevant to the Director's (or company secretary's) holding of office as a director (or company secretary) in respect of the Company or any claim which the Director (or company secretary) reasonably anticipates may be made against the Director (or company secretary) in relation to matters arising in the course of the Director (or company secretary) acting in connection with the affairs of the Company or otherwise concerning or relating to the Director's (or company secretary's) holding of office as a Director (or company secretary) in respect of the Company.

MATERIAL AGREEMENTS

CONTINUED

9.11 Bank Guarantee Facility

In January 2010, GR Engineering accepted an offer by NAB for a facility to provide bank guarantees to support project performance in favour of certain clients of GR Engineering. The bank guarantee facility currently has an approved limit of \$4,413,503 and at the date of this Prospectus, the facility is drawn down to \$2,259,676. The facility expires on 30 November 2011.

The bank guarantee facility is secured by a fixed and floating charge over all the assets of GR Engineering, a guarantee and indemnity in favour of NAB by Existing Shareholders and a term deposit letter of set off over a \$413,503 term deposit in the name of GR Engineering.

The bank guarantee facility is ongoing but can be reviewed by NAB at any time and will generally be reviewed at least annually. The offer letter specifies the fees payable by GR Engineering to NAB in respect of the facilities.

GR Engineering has given representations and warranties, and entered into undertakings, which are customary for facilities of this type. Events of default under the facility include failure to make any payments due to NAB, breach of any term or condition of the finance documents, breach of representations and warranties under the finance documents, any orders and judgments being made against GR Engineering which are not satisfied within a set period of time, usual insolvency type events occurring in relation to GR Engineering, the occurrence of any material adverse effect or anything which would allow NAB to terminate any other agreement or transaction GR Engineering has with NAB or reduces enforceability of the security granted to NAB.

NAB may terminate the facilities at any time without notice whilst an event of default is subsisting. NAB may terminate the facilities at any time by fulfilling its obligation under the facilities. NAB may vary the facility limit at any time by providing notice of any changes to GR Engineering.

GR Engineering is not aware, as at the date of this Prospectus, of any event of default occurring and has received from NAB written confirmation to the effect that the Offer will not be regarded as an event of default under the bank guarantee facility.

9.12 Employee Share Option Plan

The Company has established an Employee Share Option Plan. The full terms of the Employee Share Option Plan may be inspected at the registered office of the Company during normal business hours.

A summary of the terms of the Employee Share Option Plan is set out below.

- (a) Under the Employee Share Option Plan the Company may offer Options to subscribe for Shares in the Company to Eligible Persons. A Director or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company are "Eligible Persons" for the purposes of the Employee Share Option Plan. Eligible Persons may nominate a nominee to hold Options in their place;
- (b) The Board may determine that an Eligible Person is entitled to participate in the Employee Share Option Plan and the extent of that entitlement after consideration of specified matters. The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions;
- (c) Options offered under the Employee Share Option Plan are to be offered on such terms as the Board determines and the offer must set out specified information including the number of Options, the period of the offer, calculation of the exercise price and any exercise conditions. The exercise price is to be determined by the Board in its absolute discretion and set out in the offer provided that the exercise price is not less than the average market price on ASX on the five trading days prior to the day the Directors resolve to grant the Option(s). Eligible Persons may accept the whole or a lesser number of the Options offered to them;

- (d) No consideration is payable for the grant of the Options unless the Board decides otherwise;
- (e) The Options are not transferable except to the Options holder's personal representative in the event of the death of the holder of the Options;
- (f) The Options may be exercised in whole or part by notice to the Company accompanied by payment of the required exercise price. Within 10 business days of exercise the Board must issue the required number of Shares, which will rank pari passu with previously issued Shares;
- (g) The Options may be exercised prior to the expiry date determined by the Board prior to the offer of the relevant Options but no longer than 5 years from the date of grant of the Options. Any Options not exercised by that time will lapse;
- (h) Notwithstanding the terms of the Options, the Options may be exercised in the event of specified occurrences including during a bid period, a change of control event or on an application under section 411 of the Corporations Act;
- (i) Unless otherwise determined by the Board, if any Options are granted subject to exercise conditions and, prior to satisfaction of the exercise conditions (such that the Options are not exercisable), an Eligible Person ceases to be an Eligible Person then:
 - (i) if the Eligible Person ceases to be an Eligible Person for any reason other than a specified reason (being retirement, total and permanent disability, redundancy or death) any such Options held by such Eligible Person, or if appropriate, his or her permitted nominee, will automatically lapse; and
 - (ii) if the Eligible Person ceases to be an Eligible Person for a specified reason (being retirement, total and permanent disability, redundancy or death), such Eligible Person, or if appropriate, his or her permitted nominee, may exercise any such Options held by him or her within:
 - A. 3 months of the date of (as the case may be) retirement, redundancy, death or total and permanent disablement; or
 - B. such longer period as the Board determines,

subject to the Board, in its absolute discretion, reducing, waiving or varying the exercise conditions applying to those Options so that those Options may be exercised. Options not exercised by an Eligible Person that ceases to be an Eligible Person for a specified reason (being retirement, total and permanent disability, redundancy or death) within the 3 months or the longer period determined by the Board, will automatically lapse;
- (j) Option holders may only participate in new issues of securities if an Option has been exercised and Shares have been allotted before the record date for determining entitlements to the new issue. If there is a bonus issue the number of Shares over which the Options are exercisable will be increased by the number of Shares the Option holder would have received if the Option had been exercised before the record date of the bonus issue. If there is a pro rata issue (other than a bonus issue), the exercise price of the Options will be adjusted in the manner provided for in the Listing Rules. If there is a reorganisation of capital the Options will be reorganised in the manner provided for in the Listing Rules. If a resolution for a members' voluntary winding up of the Company is proposed and the Board decides to give written notice of the proposed resolution, Eligible Persons may, during the period referred to in the notice, exercise their Options;

MATERIAL AGREEMENTS

CONTINUED

- (k) The Company shall not offer Options under the Employee Share Option Plan if the total number of Shares the subject of the Options to be offered will exceed 5% of the total number of issued Shares of that class when aggregated with:
 - (i) the number of Shares which would be issued were each outstanding offer or Option, being an offer made or Option acquired pursuant to the Employee Share Option Plan or any other employee share scheme extended only to employees or Directors of the company, exercised; and
 - (ii) the number of Shares issued during the previous 5 years pursuant to the Employee Share Option Plan or any other employee share scheme extended only to employees or Directors of the Company,

but disregarding any offer made, Option acquired or share issued by way of or as a result of an offer under the Employee Share Option Plan to a person situated outside Australia; or an offer under the Employee Share Option Plan that did not need disclosure to investors because of section 708 of the Corporations Act; or an offer made under a disclosure document;

- (l) The rules of the Employee Share Option Plan do not form part of any contract of employment of the Option holder and the holder has no rights of compensation or damages as a result of termination of his or her employment so far as those rights arise from the holder ceasing to have rights under the Employee Share Option Plan; and
- (m) The Employee Share Option Plan is administered by the Board who have the power to determine procedures for administration of the Employee Share Option Plan and resolve questions of fact or interpretation of the Employee Share Option Plan. The Board may also alter, delete or add to the rules of the Employee Share Option Plan at any time, subject to the Listing Rules.



CORPORATE GOVERNANCE

SECTION 10

GR



CORPORATE GOVERNANCE

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Corporate Governance Principles and Recommendations ("**Principles & Recommendations**") as published by the ASX Corporate Governance Council.

A summary of the Company's corporate governance practices is set out below.

10.1 Summary of Board Charter

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction. The Board is responsible for promoting the success of the Company through its oversight role. The Board also reviews the Company's policies on risk oversight and management, internal compliance and control, its Code of Conduct, and legal compliance. There are mechanisms in place so that the Board can satisfy itself that senior management has developed and implemented a sound system of risk management and internal controls in relation to financial reporting risk and material business risk. The Board monitors and reviews senior management's performance and implementation of strategy.

The Board Charter also sets out quantitative and qualitative materiality thresholds.

The Board delegates to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director then directly to the Chair or the lead independent Director, as appropriate.

The Board Charter describes the division of responsibilities between the Chair, the lead independent Director and the Managing Director.

The role of non executive and independent Directors is also set out in the Board Charter.

10.2 Summary of Audit Committee Charter

The role of the audit committee is to monitor and review the integrity of the financial reporting of the Company and to review significant financial reporting judgments. The audit committee is also to review the Company's internal financial control systems and risk management systems and to monitor, review and oversee the external audit function.

The audit committee has the power to conduct or authorise investigations into any matters within the audit committee's scope of responsibilities. The audit committee has the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.

The audit committee also assesses whether external reporting is consistent with audit committee members' information and knowledge and is adequate for shareholder needs and assesses the management processes supporting external reporting.

10.3 Summary of Nomination Committee Charter

The role of the nomination committee is to effectively examine the selection and appointment practices of the Company. The nomination committee regularly reviews the size and composition of the Board and makes recommendations to the Board on any appropriate changes. The nomination committee identifies and assesses necessary and desirable Director competencies with a view to enhancing the Board.

The nomination committee also regularly reviews the time required from non executive Directors and whether non executive Directors are meeting that requirement.

Initial Director appointments are made by the Board. Any new Director will be required to stand for election at the Company's next annual general meeting following their appointment.

10.4 Summary of Remuneration Committee Charter

The function of the remuneration committee is to review and make appropriate recommendations on remuneration packages of executive Directors, non executive Directors and senior executives. The remuneration committee is also responsible for reviewing any employee incentive and equity-based plans, including the appropriateness of performance hurdles and total payments proposed.

10.5 Summary of Remuneration Policy

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives.

The Company's policy is to remunerate non executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for non executive Directors is not linked to individual performance. This policy is subject to annual review. From time to time, and subject to obtaining the relevant approvals, the Company may grant options to non executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide non executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Executive pay and reward consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant regulatory and shareholder approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

10.6 Summary of Code of Conduct

The Code of Conduct sets out the principles and standards which the Board, management and employees of the Company are encouraged to strive towards when dealing with each other, shareholders, other stakeholders and the broader community.

The Company is to comply with all legislative and common law requirements which affect its business. The Company will deal with others in a way that is fair and will not engage in deceptive practices.

The Code of Conduct sets out directives for Directors, management and staff relating to conflicts of interests, protection of the Company's assets and confidentiality.

10.7 Summary of Policy and Procedure for Selection and (Re)Appointment of Directors

In considering new candidates, the nomination committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the nomination committee is to identify the particular skills that will best increase the Board's effectiveness. In this process, consideration is also given to the balance of independent Directors on the Board, while reference is made to the Company's size and operations as they evolve from time to time. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

All Directors are required to consider the number and nature of their directorships and calls on their time from other commitments.

Shareholders shall be informed of the names and details of candidates submitted for election as Directors, in order to enable shareholders to make an informed decision regarding the election.

10.8 Summary of Process for Performance Evaluation

The Chair evaluates the performance of the Board by way of an informal round-table discussion with all Directors and through questionnaires completed by each Director.

The Chair reviews the performance of the committees of the Board by way of an informal round-table discussion with all Directors and through questionnaires completed by each Director who is a member of the committee being evaluated.

Individual Director's performance evaluations are completed by the Chair. The Chair meets with each individual Director and reviews questionnaires completed by each Director.

The Managing Director's performance evaluation is conducted by the Chair. The Chair conducts a performance evaluation of the Managing Director by way of meeting with the Managing Director and with an informal round-table discussion with all Directors, and by reference to the Managing Director's key performance indicators which are set by the Nomination Committee.

The Managing Director reviews the performance of the senior executives. The Managing Director conducts a performance evaluation of the senior executives by way of on-going informal monitoring throughout each financial year and at an annual formal interview.

10.9 Summary of Policy for Trading in Company Securities

The Board has adopted a policy which prohibits dealing in the Company's securities by Directors, officers, employees (including connected persons) and, contractors when those persons possess inside information. The policy also contains a blackout period within which directors, officers and employees are prohibited from trading. The policy prohibits short term or speculative trading of the Company's securities. Trading may be permitted in a blackout period in certain exceptional circumstances subject to obtaining prior written clearance. Directors, officers and employees are required to obtain clearance prior to trading at all times.

10.10 Summary of Diversity Policy

The Board has adopted a Diversity Policy which describes the Company's commitment to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Company performance. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the process by which the Board will set measurable objectives to achieve the aims of its Diversity Policy. The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of any diversity objectives.

10.11 Summary of Compliance Procedures

The Board has adopted Compliance Procedures to assist it to comply with the Listing Rules disclosure requirements. Under the Compliance Procedures, a responsible officer is appointed who is primarily responsible for ensuring the Company complies with its disclosure obligations. The duties of the responsible officer are set out in the Compliance Procedures. The Compliance Procedures provide guidelines as to the type of information that needs to be disclosed and encourages thorough recording of disclosure decision making. The Compliance Procedures contain information on avoiding a false market, safeguarding confidentiality of corporate information, and information on external communication for the purpose of protecting the Company's price sensitive information. The Compliance Procedures also provide guidance relating to potential disclosure material.

10.12 Summary of Procedure for the Selection, Appointment and rotation of External Auditor

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit Committee.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period.

The Audit Committee will review the performance of the external auditor on an annual basis and make any recommendations to the Board.

10.13 Summary Shareholder Communication Strategy

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company. The Company provides shareholder materials directly to shareholders through electronic means. A shareholder may request a hard copy of the Company's annual report to be posted to them. The Company maintains a website on which the Company makes certain information available on a regular basis.

10.14 Summary of Risk Management Policy

The Board has adopted a Risk Management Policy. Under the policy, the Board delegates day-to-day management of risk to the Managing Director, with the assistance of senior management as required. The Policy sets out the role and accountabilities of the Managing Director. It also contains the Company's risk profile and describes some of the policies and practices the Company has in place to manage specific business risks.

The Managing Director is required to report on the progress of, and on all matters associated with risk management. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

The Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself at least annually that management has developed and implemented a sound system of risk management and internal control.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

10.15 ASX Corporate Governance Council Principles and Recommendations

The Board sets out below its "if not, why not" report. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and a reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

The Company has not made an early transition to the amended 2nd edition Principles & Recommendations and the following "if not, why not" report reflects this. The Company will report against the 2nd edition Principles & Recommendations for its financial year commencing 1 July 2011.

	ASX P & R ¹	If not, why not ²		ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 ³	n/a	n/a
Recommendation 1.3 ³	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2 ³	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 ³	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 ³	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 ³	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 ³	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 ³	n/a	n/a
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and those delegated to seniors executives and has set out these functions in its Board Charter, summarised above in the section titled "Summary of Board Charter".

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

A summary of the Company's Board Charter is noted above under the section titled "Summary of Board Charter" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

The Company will from time to time conduct performance evaluations of its senior executives in accordance with the Company's Process for Performance Evaluation.

Principle 2: Structure the board to add value

Recommendation 2.1: A majority of the board should be independent Directors.

Disclosure:

The Board has a majority of Directors who are independent.

The independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent).

The Board deems Barry Patterson to be an independent director notwithstanding his substantial shareholding in the Company because he is not a member of management and is otherwise free of any business or other relationship (including those referred to in Box 2.1 of the Principles & Recommendations and the Company's Policy on Assessing the Independence of Directors) that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgment. Furthermore, Barry Patterson's interests as a major shareholder are considered by the Board to be in line with the interests of all other shareholders.

The non independent Directors of the Company are Joseph Ricciardo and Tony Patrizi.

Recommendation 2.2: The Chair should be an independent Director.

Disclosure:

The independent Chair of the Board is Barry Patterson.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Joe Ricciardo who is not currently Chair of the Board.

Recommendation 2.4: The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

Refer to the section titled "Summary of Process for Performance Evaluation" above.

Recommendation 2.6: Companies should provide the information indicated in the Guide to Reporting on Principle 2.

Disclosure:

A profile of each Director containing their skills, experience, expertise and term of office is set out in Section 4 of this Prospectus.

As noted above, the independent Directors of the Company are Peter Hood, Terrence Strapp and Barry Patterson (deemed independent). These directors are independent as they are non executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than \$1.3 million.
- Profit and loss items are material if they will have an impact on the current year operating result of \$1.3 million or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of \$1.3 million or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than \$1.3 million.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

The Board has established a Nomination Committee. Barry Patterson (chair), Peter Hood, Terrence Strapp and Joe Ricciardo are members of the Nomination Committee. The Company's Nomination Committee Charter is summarised above in the section titled "Summary of Nomination Committee Charter" and will also be made publicly available on the Company's website at www.gres.com.au.

Performance evaluations of the Board, its Committees and the Directors will be conducted from time to time in accordance with the Company's Process for Performance Evaluation.

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure summarised in the section titled "Summary of Policy and Procedure for Selection and (Re)Appointment of Directors" above and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third or the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Code of Conduct is summarised above in the section titled "Summary of Code of Conduct".

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by Directors, senior executives, employees and contractors. This policy is summarised above in the section titled "Summary of Policy for Trading in Company Securities".

Recommendation 3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

A summary of the Company's Code of Conduct and Policy for Trading in Company Securities is included above under the sections titled "Summary of Code of Conduct" and "Summary of Policy for Trading in Company Securities" respectively and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of non executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members

Disclosure:

The Audit Committee comprises three directors, Terrence Strapp (Chair), Peter Hood and Barry Patterson all of whom are independent non executive Directors.

Recommendation 4.3: The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter, which is summarised above in the section titled "Summary of Audit Committee Charter".

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

As noted above, the Company has established a separate Audit Committee. The Audit Committee is comprised of the following members Terrence Strapp (chair), Peter Hood and Barry Patterson. The Company's Audit Committee Charter is summarised above in the section titled "Summary of Audit Committee Charter" and will also be made publicly available on the Company's website at www.gres.com.au.

Details of each of the Director's qualifications are set out in Section 4 of this Prospectus.

The Company has established procedures for the selection, appointment and rotation of its external auditor. These are summarised under the section titled "Summary of Procedure for the Selection, Appointment and Rotation of External Auditor" above and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

Principle 5: Make timely and balanced disclosures

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance. These are summarised under the section titled "Summary of Compliance Procedures" above.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

Disclosure:

A summary of the Company's policy to guide compliance with ASX Listing Rule disclosure is included above under the section titled "Summary of Compliance Procedures" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings. This is summarised under the section titled "Summary of Shareholder Communication Strategy" above.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

A summary of the Company's shareholder communication strategy is included above in the section titled "Summary of Shareholder Communication Strategy" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

It is the Company's policy to require the external auditor to attend its annual general meeting and be available to respond to shareholder questions.

Principle 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. This policy is summarised under the section titled "Summary of Risk Management Policy" above.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal controls systems to manage the Company's material business risks. The Board also requires management to report to it in confirming that those risks are being managed effectively.

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

When the Company becomes listed on ASX, the Board will require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to provide a declaration to the Board in accordance with section 295A of the Corporations Act and to assure the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

A summary of the Company's Risk Management Policy is included above in the section titled "Summary of Risk Management Policy" and will also be made publicly available on the Company's website at www.gres.com.au under the section marked Corporate Governance.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee.

Notification of departure:

The Company has established a Remuneration Committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non executive Directors' remuneration from that of executive Directors and senior executives.

Disclosure:

Refer to the section titled "Summary of Remuneration Policy" above.

Recommendation 8.3:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Disclosure:

As noted above, the Company has established a separate Remuneration Committee. The Remuneration Committee is comprised of the following members Barry Patterson (Chair), Terrence Strapp, Peter Hood and Joe Ricciardo. The Company's Remuneration Committee Charter is summarised above in the section titled "Summary of Remuneration Committee Charter" and will also be made publicly available on the Company's website at www.gres.com.au.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

ADDITIONAL INFORMATION

SECTION 11

GR



ADDITIONAL INFORMATION

11.1 Registration

The Company was incorporated on 4 September 2006.

11.2 Rights Attaching to Shares

There is only one class of Shares on issue in the Company being fully paid ordinary shares. The rights attaching to Shares are:

- (a) set out in the constitution of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASX Settlement Rules and the general law.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

All Shares issued pursuant to this Prospectus will from the time they are issued, rank *pari passu* with all the Company's existing Shares.

Voting

Subject to any rights restrictions for the time being attached to any class or classes of shares (at present there is only one class) every holder of Shares present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share held by him or her, but, in respect of partly-paid shares, shall have a fraction of a vote for each partly-paid share.

A poll may be demanded before or immediately upon the declaration of the voting results on a show of hands by the chairman of the meeting, by any five Shareholders present in person or by proxy, attorney or representative and entitled to vote on the resolution, or by any one or more Shareholders who together hold not less than 5% of the total voting rights of all those Shareholders having the right to vote on the resolution.

Dividends

Subject to the rights of persons (if any) entitled to Shares with special rights to dividends, the Directors may declare a dividend out of profits in accordance with the Corporations Act. The Directors may authorise the payment to Shareholders of an interim dividend as the Directors may determine. Interest may not be paid by the Company on any dividend.

Transfer of Shares

A Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the Listing Rules or the Corporations Act for the purpose of facilitating dealings in Shares including a transfer that may be effected pursuant to the SCH Business Rules (superseded by the ATSC Settlement Rules) or some other electronic transfer process or by an instrument in writing, in a form sufficient for transfer of the marketable securities under the Corporations Act, or approved by ASX, or in any other usual or common form or in any form approved by the Directors.

The Directors may refuse to register any transfer of Shares, other than a market transfer, where permitted or required by the Listing Rules or the SCH Business Rules (superseded by the ASX Settlement Rules) or where the transfer would breach the Listing Rules. Where the Directors exercise their right to refuse a transfer, they must give written notice in accordance with Listing Rules to the transferee and lodging broker (if any). Failure to give notice will not invalidate the decision of the Directors. The Company must not refuse to register or give effect to or delay or in any way interfere with the registration of a market transfer where to do so would be contrary to the Listing Rules or any of the SCH Business Rules (superseded by the ASX Settlement Rules).

Meetings and Notice

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the Listing Rules.

Winding Up

Subject to the rights of Shareholders entitled to Shares with special rights in winding up (at present there are none), all monies and property to be distributed between Shareholders shall be distributed to them in proportion to the Shares held by them (irrespective of the amount paid up or credited as paid upon the Shares). A liquidator may, with the sanction of special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on any property to be divided and may determine how the division is to be carried out between Shareholders or different classes of Shareholders (presently there are none). The liquidator may, with the sanction of special resolution of the Company, vest the whole or any part of the property of the Company in trustees on such trusts for the benefit of the contributories as the liquidator thinks fit, but that no Shareholder is compelled to accept Shares or other securities in respect of which there is any liability.

Shareholder Liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List, notwithstanding anything in the constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

11.3 Rights attaching to COO Options

The Company has issued a total of 2,500,000 Options to its Chief Operating Officer, Geoff Jones subject to the following vesting criteria and terms and conditions:

1. General

- (a) The Executive will be entitled to the issue of the following Options:
 - (i) 500,000 Options exercisable at \$1.25 each, vesting on the first anniversary of the Listing Date and expiring on the second anniversary of the Listing Date;
 - (ii) 500,000 Options exercisable at \$1.50 each, vesting on the second anniversary of the Listing Date and expiring on the third anniversary of the Listing Date;
 - (iii) 750,000 Options exercisable at \$1.80 each, vesting on the third anniversary of the Listing Date and expiring on the fourth anniversary of the Listing Date; and
 - (iv) 750,000 Options exercisable at \$2.10 each, vesting on the fourth anniversary of the Listing Date and expiring on the fifth anniversary of the Listing Date.
- (b) The Options will not be exercisable unless:
 - (i) the Company's Shares are admitted to the official list of ASX at the time the Executive elects to exercise the Options; and
 - (ii) the Options have vested in accordance with the relevant vesting dates and have not expired.

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- (c) No monies will be payable for the grant of the Options.
 - (d) A certificate will be issued for the Options.
 - (e) The Board may, at its discretion, by notice to the Executive reduce, waive or vary (provided such variation is not adverse to the Executive) the relevant vesting dates attaching to the Options provided shareholder approval and any other approvals required by the Listing Rules of the change is received.
 - (f) Each Option shall carry the right to subscribe for one Share in the Company.
 - (g) Options may be exercised in whole or in part in parcels of not less than 10,000 except if the Executive holds less than 10,000 Options. An exercise of only some Options shall not affect the rights of the Executive to the balance of the Options held by him.
 - (h) The relevant exercise price of the Options shall be payable in full upon the exercise of the Options. Options shall only be exercisable by the delivery to the registered office of the Company of a notice in writing. The notice must specify the number of Options being exercised and must be accompanied by:
 - (i) the Option certificate for those Options, for cancellation by the Company and reissue of a certificate for the remaining Options, if applicable; and
 - (ii) payment of the exercise price for each Option specified in the notice to be exercised.
- The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the exercise price (for example, if the exercise price is paid by cheque, by clearance of that cheque) by the expiry date and subject to the Options the subject of the notice vesting.
- (i) The Company shall allot the resultant Shares and deliver the holding statements within 10 Business Days of the exercise of the Option.
 - (j) The Executive agrees not to offer any of the Options or Shares issued pursuant to the exercise of any Options for sale to any person within 12 months from the date of issue of the Options or Shares unless the offer:
 - (i) does not require disclosure as a result of section 708 or 708A of the Corporations Act (excluding section 708 (1) of the Corporations Act); or
 - (ii) is made pursuant to a disclosure document in accordance with the Corporations Act; or
 - (iii) is received by a person outside Australia.
 - (k) The Options shall not be listed for Official Quotation.
 - (l) The Options are not transferable other than as set out in clause 3(d).
 - (m) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
 - (n) The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation, if the Company is listed on the ASX at the time.
 - (o) The Executive is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - (i) the Executive has become entitled to exercise the Options under clauses 1(b) or 2; and
 - (ii) the Executive does so before the record date for the determination of entitlements to the new issue of securities and participates as a result of being a holder of Shares.

The Company must give the Executive, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

- (p) If there is a bonus share issue ("Bonus Issue") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Executive would have received if the Option had been exercised before the record date for the Bonus Issue ("Bonus Shares"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other Shares of that class on issue at the date of issue of the Bonus Shares.
- (q) If there is a pro rata issue (other than a bonus issue) to the holders of Shares during the currency of, and prior to the exercise of any Options, the relevant exercise price of an Option will be reduced according to the formula provided for in the Listing Rules (whether or not the Company is listed on the ASX at the time).
- (r) If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, then the rights of a Executive (including the number of Options to which each a Executive is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation (whether or not the Company is listed on the ASX at the time).
- (s) The Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

2. Takeover Provisions

- (a) Notwithstanding the relevant vesting and expiry dates, all Options may be exercised by the Executive:
 - (i) in the event a takeover bid (as defined in the Corporations Act) to acquire any Shares becomes or is declared to be unconditional, irrespective of whether the takeover bid extends to Shares issued and allotted after the date of the takeover bid or not; or
 - (ii) at any time after a Change of Control Event has occurred; or
 - (iii) if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court under section 411(4)(b) of the Corporations Act .

3. Lapse of Options

- (a) Options not validly exercised on or before the relevant expiry dates will automatically lapse.
- (b) Unless otherwise determined by the Board, if the Executive ceases to be employed or engaged by the Company, then:
 - (i) (if the Executive ceases to be employed or engaged by the Company for any reason other than a Specified Reason, any such Options held by the Executive will automatically lapse, whether or not any Options have vested and become exercisable under clauses 1(b) or 2; or
 - (ii) if the Executive ceases to be employed or engaged by the Company for a Specified Reason prior to the Options vesting and becoming exercisable under clauses 1(b) or 2, the Executive may exercise any such Options held by him within:
 - A. 3 months of the date of (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
 - B. such longer period as the Board determines,
 subject to the Board, if applicable and in its absolute discretion, reducing, waiving or varying the exercise conditions applying to those Options so that those Options may be exercised. Options the subject of clause 3(b)(ii) not exercised within 3 months or the longer period determined by the Board, will automatically lapse; or
 - (iii) if the Executive ceases to be employed or engaged by the Company for a Specified Reason after the Options becoming exercisable under clauses 1(b) or 2, the Executive may exercise any such Options held by him at any time prior to the relevant expiry date.

ADDITIONAL INFORMATION

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- (c) A certificate signed by the company secretary of the Company stating that Executive ceased for any reason to be employed or engaged by the Company shall (in the absence of manifest error) be conclusive for the purposes of these terms, both as to such occurrence and the date of such occurrence.
- (d) Subject to clause 3(b), if at any time prior to the relevant expiry date of any Options an Executive dies, the deceased Executive's Legal Personal Representative may:
 - (i) elect to be registered as the new holder of the deceased Executive's Options;
 - (ii) whether or not he or she becomes so registered, exercise those Options in accordance with and subject to these terms as if he were the Executive of them; and
 - (iii) if the deceased Executive had already given the Company a notice of exercise of his or her Options, pay the exercise price in respect of those Options.

11.4 Recent transactions

GR Engineering has a financial year end of 30 June. Details relevant to the pro-forma Financial Statements to half year ended 31 December 2010 are contained in Section 5. These include:

- (a) on 22 December 2010 the Company declared a dividend of \$4.0 million to Existing Shareholders that was paid on 4 January 2011;
- (b) on 10 February 2011 the Company resolved to issue a total of 2.5 million Options to Geoff Jones the Company's Chief Operating Officer pursuant to an executive employment agreement. The Options are subject to a range of performance based vesting criteria and expire on various dates and are exercisable at various prices. Please refer to Section 9.9 and 11.3 for further details on the terms of these Options; and
- (c) on 10 February 2011 the Existing Shareholders of the Company approved a Share split on a 120,000:1 basis to create a total of 120.0 million Shares in the Company.

11.5 Shareholding Structure and Substantial and Significant Shareholders

The following table shows the shareholding structure of GR Engineering at the date of this Prospectus and on completion of the Offer:

Shareholder	Current Shares	Post Offer Shares	Post Offer % ¹
Existing Shareholders	120.0 million	120.0 million	80.0%
New Shareholders	-	30.0 million	20.0%
Total	120.0 million	150.0 million	100.0%
Substantial and Significant Shareholders ²	Current Shares	Post Offer Shares	Post Offer % ¹
David Joseph & Jane Frances Sala Tenna ³	16.8 million	16.8 million	11.2%
Polly Pty Limited ⁴	12.0 million	12.0 million	8.0%
Paksian Pty Limited ⁵	12.0 million	12.0 million	8.0%
Kingarth Pty limited ⁶	12.0 million	12.0 million	8.0%
Joley Pty Limited ⁷	12.0 million	12.0 million	8.0%
Quintal Pty Limited ⁸	12.0 million	12.0 million	8.0%
Giuseppe Totaro ⁹	12.0 million	12.0 million	8.0%
Beverley June Schier ¹⁰	9.6 million	9.6 million	6.4%
Barbara Ann Woodhouse ¹¹	9.6 million	9.6 million	6.4%
Ledgking Pty Limited ¹²	6.0 million	6.0 million	4.0%
Stephen Paul Kendrick ¹³	6.0 million	6.0 million	4.0%

1. Based on the number of Shares to be on issue following the Offer and assuming no Options are exercised.
2. Following the Offer and applying the definition outlined in section 9 of the Corporations Act with respect to a substantial holding.
3. Shares held jointly by David Joseph Sala Tenna & Jane Frances Sala Tenna as trustee for the Sala Tenna Family Trust.
4. Shares held by Polly Pty Ltd as trustee for the B. S. Patterson Family Trust. Barry Patterson, the Company's non-executive chairman is a director of and controls Polly Pty Ltd.
5. Shares held by Paksian Pty Ltd. Joe Ricciardo, the Company's Managing Director is the sole director and shareholder of Paksian Pty Ltd.
6. Shares held by Kingarth Pty Ltd. Tony Patrizi, an Executive Director of the Company, is a director of and controls Kingarth Pty Ltd.
7. Shares held by Joley Pty Ltd as trustee for the Botica Family Trust.
8. Shares held by Quintal Pty Ltd as trustee for the Harken Family Trust.
9. Shares held by Giuseppe Totaro as trustee for the Totaro Family Trust.
10. Shares held by Beverley June Schier as trustee for the R and B Schier Family Trust.
11. Shares held by Barbara Ann Woodhouse as trustee for the Woodhouse Family Trust.
12. Shares held by Ledgking Pty Ltd as trustee for the Stretan Trust.
13. Shares held by Stephen Paul Kendrick as trustee for the Kendrick Family Trust.

11.6 Interests of Directors

Directors' Shares

At the date of this Prospectus, the Directors interests in the Company are as follows:

Director	Shares
Barry Patterson ¹	12.0 million
Joseph (Joe) Ricciardo ²	12.0 million
Tony Patrizi ³	12.0 million
Peter Hood ⁴	Nil
Terrence Strapp ⁴	Nil

1. Shares held by Polly Pty Ltd as trustee for the B. S. Patterson Family Trust. Mr Patterson is a director of and controls Polly Pty Ltd.
2. Shares held by Paksian Pty Ltd. Mr Ricciardo is the sole director and shareholder of Paksian Pty Ltd.
3. Shares held by Kingarth Pty Ltd. Mr Patrizi is a director of and controls Kingarth Pty Ltd.
4. Peter Hood and Terrence Strapp intend to apply for 500,000 and 300,000 Shares under the Offer respectively.

Directors' Remuneration

As at the date of this Prospectus, the Directors are entitled to the following annual remuneration:

Director	Role	Annual Remuneration ¹
Barry Patterson	Chairman	\$87,200
Joseph (Joe) Ricciardo	Managing Director	\$340,000 ²
Tony Patrizi	Executive Director	\$340,000 ²
Peter Hood	Non-executive Director	\$65,400
Terrence Strapp	Non-executive Director	\$65,400

1. Directors' fees include the prevailing statutory rate of superannuation which is currently 9%. Additional remuneration may be payable to compensate the Directors for membership on board committees.
2. Payable pursuant to an executive employment agreement. Details of Messrs Ricciardo and Patrizi's executive employment agreements are summarised in sections 9.7 and 9.8 respectively. Messrs Ricciardo and Patrizi will not be receiving a director's fee.

GR Engineering's constitution provides that the Directors shall be paid out of the funds of the Company by way of remuneration for their services as Directors such sum as may from time to time be determined by the Company in general meeting, to be divided among the Directors in such proportions as they shall from time to time agree or in default of agreement equally.

The aggregate remuneration for non-executive Directors has been set at an amount not to exceed \$500,000 per annum.

The remuneration of executive Directors will be fixed by the Directors and may be paid by way of fixed salary.

ADDITIONAL INFORMATION

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Related Party Agreements

The Company leases office space at 71 – 73 Daly Street, Belmont, Western Australia from Ashguard Pty Ltd. Directors of the Company, namely Barry Patterson, Tony Patrizi and Joe Ricciardo each have a non-controlling interest in Ashguard Pty Ltd. Total payments to Ashguard Pty Ltd in financial year 2010 amounted to \$82,464 including GST (half year 2011 – \$146,193). The rent payable by the Company to Ashguard Pty Ltd is payable on arms length terms and has been determined by reference to market rates.

Executive Employment Agreements

GR Engineering has entered into executive employment agreements with Mr Joe Ricciardo and Mr Tony Patrizi which are summarised in Sections 9.7 and 9.8 respectively.

Non-Executive Chairman's and Non Executive Director's Letters of Appointment

Pursuant to a letter of appointment from the Company and accepted by Mr Barry Patterson on 15 March 2011, Mr Patterson is continuing his appointment to the Board as Non-Executive Chairman.

Pursuant to a letter of appointment from the Company and accepted by Mr Peter Hood on 15 March 2011, Mr Hood is continuing his appointment to the Board as a non-executive Director.

Pursuant to a letter of appointment from the Company and accepted by Mr Terrence Strapp on 15 March 2011, Mr Strapp is continuing his appointment to the Board as a non-executive Director.

In consideration for the services provided by Mr Hood and Mr Strapp, the Company will pay each of them \$60,000 per annum (\$65,400 including statutory superannuation) and Mr Patterson \$80,000 (\$87,200 including statutory superannuation).

The non-executive Chairman and non-executive Directors are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform services outside the scope of the ordinary duties of a director. They may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Interests of Directors

Other than as set out above or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its promotion or formation or the Offer; or
- (c) the Offer.

Except as set out above, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- (a) to induce him to become, or to qualify him as, a Director; or
- (b) for services rendered by him in connection with the formation or promotion of the Company or the Offer.

11.7 Interests of Persons Named

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or broker to the Company has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him in connection with the formation or promotion of the Company or the Offer.

Argonaut is corporate adviser and broker to the Offer. Argonaut Capital Limited, as corporate adviser, will be paid a fee of approximately \$25,000 per calendar month (exclusive of GST) in respect of this Offer and Argonaut Securities Pty Limited, as broker to the Offer will be paid a fee of approximately \$1,500,000 (exclusive of GST) in respect of this Offer. Argonaut will also be reimbursed for its own out of pocket expenses in relation to the Offer. During the 24 months preceding lodgement of this Prospectus with the ASIC, Argonaut has received \$145,000 (exclusive of GST) for services it has provided to the Company. Argonaut and its directors and staff may participate in the Offer.

Deloitte Touche Tohmatsu has acted as the Investigating Accountant and has prepared the Investigating Accountants' Report which has been included in Section 6. GR Engineering estimates it will pay Deloitte Touche Tohmatsu \$40,000 (exclusive of GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. Deloitte Touche Tohmatsu has acted as Independent Auditor to the Company. During the 24 months preceding lodgement of this Prospectus with the ASIC, Deloitte Touche Tohmatsu has received fees totalling \$39,797 (exclusive of GST) from the Company in relation to this role.

Deloitte Corporate Finance Pty Limited has prepared the Report on Directors' Forecast which has been included in Section 7. GR Engineering estimates it will pay Deloitte Corporate Finance Pty Limited \$110,000 (exclusive of GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates.

Blakiston & Crabb have acted as solicitors to the Company in providing general advice in relation to this Prospectus and has been involved in due diligence enquiries on legal matters. Blakiston & Crabb will receive professional fees of approximately \$150,000 (exclusive of GST) for providing general advice in relation to this Prospectus. Blakiston & Crabb have received fees totalling \$11,312 (exclusive of GST) for other services provided to the Company during the 24 months preceding lodgement of this Prospectus.

11.8 Consents

Each of the parties referred to in this Section 11.8:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 11.8; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 11.8.

The Existing Shareholders have given their written consent to the inclusion of information relating to all statements made by the Existing Shareholders, or attributed to or derived from those statements in the form and context in which they are included in the Prospectus and have not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Deloitte Touche Tohmatsu has given its written consent to the inclusion in this Prospectus of its Investigating Accountants' Report and to all statements referring to that report in the form and context in which they appear and to the references to the historical financial information of the Company outlined in Section 5 and Section 12 as being audited or reviewed in the form and context in which those references appear and has not withdrawn such consents before lodgement of this Prospectus with ASIC.

Deloitte Corporate Finance Pty Limited has given its written consent to the inclusion in this Prospectus of its Report on Directors' Forecast and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

ADDITIONAL INFORMATION

CONTINUED

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (a) Argonaut Capital Limited, as corporate adviser to the Company;
- (b) Argonaut Securities Pty Limited as broker to the Offer;
- (c) Blakiston & Crabb, as the solicitors to the Company;
- (d) Deloitte Touche Tohmatsu, as the auditor of the Company and author of the Investigating Accountants' Report;
- (e) Deloitte Corporate Finance Pty Limited as investigating accountant for the report on Directors' Forecast; and
- (f) Computershare Investor Services Pty Limited, as the share registry to the Company.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

11.9 Expenses of the Offer

It is estimated that the Company will pay the following costs in connection with the preparation and issue of this Prospectus (exclusive of GST):

Service	Estimate of Cost
ASIC fees	\$2,068
ASX fees	\$110,620
Corporate Adviser	\$100,000
Broker to the Offer	\$1,500,000
Legal	\$150,000
Investigating Accountant	\$150,000
Design and Printing	\$35,000
Other	\$15,000
Total	\$2,062,688

11.10 Company Tax Status

The Directors expect the Company will be taxed in Australia as a public company.

11.11 Litigation

The Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

11.12 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper prospectus lodged with the ASIC and the issue of Shares in response to an electronic Application Form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company (at email: gres@gres.com.au or telephone +61 8 6272 6000) and the Company will send to you free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

HISTORICAL FINANCIAL STATEMENTS

SECTION 12

GR



HISTORICAL FINANCIAL STATEMENTS

12.1 Information Prepared

This section contains historical financial information and pro forma financial information in respect of GR Engineering. The historical financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and the accounting policies adopted by GR Engineering as Section 12.6. The pro forma financial information has been derived from the historical financial information and assumes the completion of the pro forma adjustments as set out in Section 12.5 as if those adjustments had occurred as at 31 December 2010.

The financial information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Accounting Interpretations).

The historical financial information comprises:

- (a) Statements of Comprehensive Income for the years ended 30 June 2008, 30 June 2009 and 30 June 2010;
- (b) Statement of Comprehensive Income for the six month period ended 31 December 2010;
- (c) Statements of Cash Flows for the year ended 30 June 2010 and for the six month period ended 31 December 2010; and
- (d) Statement of Financial Position as at 31 December 2010.

The pro forma financial information comprises:

- (a) Pro forma Statement of Financial Position as at 31 December 2010 assuming the transactions set out in Section 12.5 of the Prospectus have been completed as at 31 December 2010.

The historical financial information for the year ended 30 June 2010 has been extracted from the audited financial statements of GR Engineering. The financial statements of GR Engineering for the year ended 30 June 2010 were audited by Deloitte Touche Tohmatsu upon which they issued an unqualified audit opinion dated 28 October 2010. The historical financial information for the six month period ended 31 December 2010 has been extracted from the reviewed half-year financial statements of GR Engineering. The half-year financial statements of GR Engineering for the half-year ended 31 December 2010 were reviewed by Deloitte Touche Tohmatsu upon which they issued an unqualified review conclusion dated 14 March 2011.

12.2 Statement of Comprehensive Income

	30 June 2008 12 months \$	30 June 2009 12 months \$	Audited 30 June 2010 12 months \$	Reviewed 31 December 2010 6 months \$
Revenue				
Rendering of services	106,163,408	79,074,023	128,217,354	70,673,078
Cost of Sales	89,251,650	52,978,287	99,661,044	50,961,699
Gross profit	16,911,758	26,095,736	28,556,310	19,711,379
Finance income	718,435	1,071,680	737,534	385,130
Other income	29,593	165,317	224,471	400,597
Finance costs	70,250	46,984	38,298	21,513
Occupancy expenses	613,541	592,210	855,631	514,797
Administrative expenses	3,350,346	4,105,026	3,696,760	2,268,844
Depreciation	350,005	477,992	500,147	257,822
Profit before income tax	13,275,644	22,110,521	24,427,479	17,434,130
Income tax expense	(3,886,590)	(6,639,714)	(6,591,842)	(6,804,073)
Net profit for the period	9,389,054	15,470,807	17,835,637	10,630,057
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the period	9,389,054	15,470,807	17,835,637	10,630,057

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

12.3 Statement of Cash Flows

		Audited	Reviewed
		30 June	31 December
		2010	2010
		12 months	6 months
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		126,458,297	84,279,425
Payments to suppliers and employees		(95,346,162)	(55,015,974)
Interest received		737,534	385,130
Income tax paid		(16,120,423)	(6,181,090)
Net cash provided by operating activities		15,729,246	23,467,491
Cash flows from investing activities			
Payment for property, plant and equipment		(443,169)	(123,009)
Net cash used in investing activities		(443,169)	(123,009)
Cash flows from financing activities			
Dividends paid		(15,000,000)	(15,000,000)
Net payments from finance leases		(37,101)	(108,990)
Net cash used in financing activities		(15,037,101)	(15,108,990)
Net increase in cash held		248,976	8,235,492
Cash at beginning of the period		12,150,656	12,399,632
Cash at end of the period	12.7	12,399,632	20,635,124

12.4 Statement of Financial Position

		Reviewed	Pro forma
		31 December	31 December
	Note	2010	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	12.7	20,635,124	44,572,436
Trade and other receivables		7,157,984	7,157,984
Inventories		1,673,918	1,673,918
Current tax asset		2,681,169	2,681,169
Total Current Assets		32,148,195	56,085,507
Non-Current Assets			
Deferred tax asset	12.8	3,100,575	3,719,381
Property, plant and equipment		1,299,121	1,299,121
Total Non-current Assets		4,399,696	5,018,502
TOTAL ASSETS		36,547,891	61,104,009
LIABILITIES			
Current Liabilities			
Trade and other payables		9,827,656	9,827,656
Borrowings		756,566	756,566
Provisions	12.9	13,329,607	9,329,607
Unearned Income		10,534,312	10,534,312
Total Current Liabilities		34,448,141	30,448,141
Non-Current Liabilities			
Borrowings		284,595	284,595
Total Non-Current Liabilities		284,595	284,595
TOTAL LIABILITIES		34,732,736	30,732,736
NET ASSETS		1,815,155	30,371,273
EQUITY			
Issued capital	12.10	1,000	28,557,118
Retained earnings		1,814,155	1,814,155
TOTAL EQUITY		1,815,155	30,371,273

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

12.5 Pro Forma Adjustments

The Pro Forma Statement of Financial Position has been derived from the Historical Statement of Financial Position as at 31 December 2010, assuming the following transactions (Pro Forma Adjustments) have been completed as at 31 December 2010:

- (i) Payment of a dividend on 4 January 2011 of \$4,000,000, which was declared by the board of directors on 22 December 2010 and recorded as a provision in the Statement of Financial Position as at 31 December 2010;
- (ii) On 10 February 2011, the existing shareholders approved a share split of 120,000:1 for each ordinary share, resulting in a total of 120,000,000 ordinary shares in the Company;
- (iii) The receipt of \$30,000,000 pursuant to the Offer through the issue of 30,000,000 ordinary shares at \$1.00 each;
- (iv) The payment and recognition in equity as a reduction of the proceeds from the Offer of costs associated with the Offer of \$2,062,688; and
- (v) Recognition of a deferred tax asset of \$618,806 in respect of the costs associated with the Offer.

12.6 Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the historical financial information have been set out below.

(a) Basis of Preparation

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure, requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with Australian Accounting Standards ensures that the historical financial information, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

The historical financial information has also been prepared on a historical cost basis, except where stated.

(b) Significant accounting judgements, estimates and assumptions

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Because the Company undertakes projects on an Engineering, Procurement & Construction ("EPC") turnkey design and construction contract basis, all the risks associated with cost, time, plant performance and plant warranty (defects period) rest with the Company. As such the Company is responsible for the total "make-good" of any defects of underperformance. The Company includes a project completion and close out provision (liability) in design and construction project cost forecast reports, nominally being 5% of the project revenue. This percentage has been assessed based on management's best estimate.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Sales revenue

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(d) Accounting for Construction Contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Contract costs are recognised as expenses in the period in which they are incurred. Where construction contracts are still in the completion stage, they are included as work in progress.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(e) Foreign Currency Translation

Both the functional and presentation currency of the Company is Australian dollars (\$AUD).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates prevailing at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising are recognised in the statement of comprehensive income in the period in which they arise.

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

(f) **Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Property, plant and equipment - over 2.5 to 20 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(g) **Recoverable Amount of Assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) **Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(i) **Cash and Cash Equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(j) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and as well as through the amortisation process.

(k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(m) Unearned income

Unearned income classified as current consists of customer advances for construction work in progress. The Company recognises a liability upon receipt of customer advances and subsequently as revenue when earned.

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

(n) **Income Tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised;

- except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and
- at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(o) **Other Taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(q) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. The amounts are unsecured and are paid on normal commercial terms.

(s) Share Based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period.

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(u) Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period.

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

12.7 Cash and Cash Equivalents

	\$
Balance as at 31 December 2010	20,635,124
Add / (Less) : Pro forma adjustments	
- Payment of dividends declared on 22 December 2010, paid on 4 January 2011	(4,000,000)
- Proceeds pursuant to the Offer	30,000,000
- Transaction costs pursuant to the Offer	(2,062,688)
Pro forma Balance as at 31 December 2010	44,572,436

12.8 Deferred Tax Asset

	\$
Balance as at 31 December 2010	3,100,575
Add / (Less) : Pro forma adjustments	
- Deferred tax effect of transaction costs pursuant to the Offer	618,806
Pro forma Balance as at 31 December 2010	3,719,381

12.9 Provisions

	\$
Balance as at 31 December 2010	13,329,607
Add / (Less) : Pro forma adjustments	
- Payment of dividends declared on 22 December 2010, paid on 4 January 2011	(4,000,000)
Pro forma Balance as at 31 December 2010	9,329,607

12.10 Issued Capital

	\$
Balance as at 31 December 2010	1,000
Add / (Less) : Pro forma adjustments	
- Shares issued pursuant to the Offer	30,000,000
- Transaction costs pursuant to the Offer	(2,062,688)
- Deferred tax effect of transaction costs pursuant to the Offer	618,806
Pro forma Balance as at 31 December 2010	28,557,118

Movement in Issued Capital:	No.	\$
Balance as at 31 December 2010	1,000	1,000
Adjusted balance following the completion of the Share split (120,000 : 1)	120,000,000	1,000
Shares issued pursuant to the Offer	30,000,000	30,000,000
Less: Transaction costs pursuant to the Offer, net of deferred tax asset	-	(1,443,882)
Pro forma Balance as at 31 December 2010	150,000,000	28,557,118

Movement in Options of Issue:	No.
Opening Balance as at 31 December 2010	-
Options issued to Chief Operating Officer, pursuant to employment agreement	2,500,000
Pro forma Balance as at 31 December 2010	2,500,000

On 10 February 2011, the Company agreed to issue a total of 2,500,000 Options to Geoff Jones, Chief Operating Officer, pursuant to an employment agreement. The Options have been accounted for in accordance with Australian Accounting Standards AASB 2, applying option valuation methodology, and accordingly no value has been accounted for at the pro forma date. An expense will be recognised in the statement of comprehensive income in relation to these options for the year ending 30 June 2011. Refer to Section 9.9 and 11.3 for further details on the terms of the Options.

HISTORICAL FINANCIAL STATEMENTS

CONTINUED

12.11 Related Party Disclosures

Transactions with Related Parties and Directors' interests are disclosed in Section 11.6 of the Prospectus.

12.12 Commitments

The Company has the following commitments as at 31 December 2010:

	\$
Finance Leases	
Not longer than 1 year	810,315
Longer than 1 year and not longer than 5 years	294,258
Minimum lease payments	1,104,573
Less: future finance charges	(63,412)
Present value of minimum lease payments	1,041,161
Representing Borrowings:	
Current	756,566
Non-current	284,595
	1,041,161
Non-cancellable Operating Lease Commitments	
Not longer than 1 year	865,295
Longer than 1 year and not longer than 5 years	1,946,638
Longer than 5 years	-
Total lease payments	2,811,933

12.13 Contingencies

	\$
Bank guarantees	
Bank guarantees issued	2,664,084
	2,664,084

GR Engineering has a bank guarantee facility with the National Australia Bank to provide bank guarantees to support project performance in favour of certain clients of GR Engineering. The facility has an approved limit of \$4,413,503, with an expiry date of 30 November 2011. The facility is secured by a fixed and floating charge over all the assets of GR Engineering, a guarantee and indemnity in favour of the National Australia Bank by existing shareholders and a term deposit letter of set-off over a \$413,503 term deposit.

12.14 Subsequent Events

At the date of this Prospectus, other than those matters disclosed in Section 12.5, no other matter or circumstance has arisen since 31 December 2010 that has significantly affected or may significantly affect the operations of the Company in future financial years.

DEFINITIONS

SECTION 13

GR



DEFINITIONS

“**\$**” means Australian Dollars.

“**AFSL**” means Australian Financial Services Licence.

“**AIM**” means the London Stock Exchange’s international market for smaller and growing companies.

“**Applicant**” means a person who submits an Application.

“**Application**” means a valid application to subscribe for Shares.

“**Application Form**” means the form so described which is attached in this Prospectus.

“**Application Monies**” means monies paid under an Application.

“**Argonaut**” means the Argonaut Group, an investment and advisory house including Argonaut Capital Limited, Argonaut Securities Pty Ltd and Argonaut Equity Partners Pty Ltd.

“**ASIC**” means Australian Securities and Investments Commission.

“**ASX Settlement**” means ASX Settlement Pty Ltd ACN 008 504 532.

“**ASX Settlement Rules**” means the ASX Settlement Operating Rules as amended from time to time.

“**ASX**” means ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

“**Auditor**” means Deloitte Touche Tohmatsu.

“**Board**” means the Board of Directors of the Company unless the context indicates otherwise.

“**Business Day**” means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

“**Company**” or “**GR Engineering**” means GR Engineering Services Limited ACN 121 542 738.

“**Change of Control Event**” means a shareholder, or group of associated shareholders, being entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the Board.

“**CHESS**” means the ASX Clearing House Electronic Sub-register System.

“**Closing Date**” means 5pm WST, 11 April 2011.

“**Corporations Act**” means the *Corporations Act 2001 (Cth)*.

“**Director**” means a director of the Company.

“**Electronic Prospectus**” means the electronic version of this Prospectus.

“**Eligible Employees**” means employees eligible to participate in the Employee Priority Offer as determined by the Company.

“**Employee Closing Date**” means 5pm WST, 4 April 2011, being the closing date of the Employee Priority Offer.

"Employee Priority Offer" means the offer described in Section 1.7.

"Employee Share Option Plan" means the plan summarised in Section 9.12 pursuant which employees of the Company may receive Options to acquire Shares.

"Entitlement Date" means a date to be announced by the Company by at least 5 Business Day's Notice.

"Executive" means, for the purposes of section 9.9 and 11.3, Geoffrey Michael Jones, the Company's Chief Operating Officer.

"EPC" means engineering, procurement and construction.

"EPCM" means engineering, procurement and construction management.

"Existing Shareholders" means the founding Shareholders of the Company, consisting of Barbara Woodhouse, Beverley Schier, David Sala Tenna and Jane Sala Tenna, Giuseppe Totaro, Joley Pty Limited, Kingarth Pty Limited, Ledgking Pty Limited, Paksian Pty Limited, Polly Pty Limited, Quintal Pty Limited and Stephen Kendrick.

"Exposure Period" means the period of 7 days after lodgement of this Prospectus which may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act.

"Founding Directors" means Barry Patterson, Joe Ricciardo and Tony Patrizi who became Directors on or around the date of the Company's incorporation and who control the Existing Shareholders Polly Pty Limited, Paksian Pty Limited and Kingarth Pty Limited respectively.

"Gold Ridge Contract" means the contract between the Company and Gold Ridge Mining Limited dated 14 May 2010 and the material terms of which are summarised in Section 9.4.

"Investigating Accountant" means Deloitte Touche Tohmatsu.

"Investigating Accountants' Report" means the report contained in Section 6 of this Prospectus.

"Issue" means the issue of Shares pursuant to this Prospectus.

"Issuer Sponsored" means shares issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

"Legal Personal Representative" means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person.

"Listing Date" means the date that Shares commence trading on ASX.

"Listing Rules" means the Listing Rules of the ASX.

"MDM Engineering" means MDM Engineering Group Limited, company number 1067430 of 7 Avenue de Grande Bretagne, Monte Carlo, Monaco.

"NAB" means the National Australia Bank Limited ACN 004 044 937.

"Offer" means the invitation to apply for Shares pursuant to this Prospectus.

DEFINITIONS

CONTINUED

"Offer Period" means the period commencing on the Opening Date and ending on the Closing Date.

"Official List" means the Official List of the ASX.

"Official Quotation" means quotation of the Shares on the Official List.

"Opening Date" means 28 March 2011.

"Option" means an option to acquire one Share.

"Prospectus" means this prospectus dated 18 March 2011 for the Offer and includes an Electronic Prospectus.

"Redundancy" means a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by the Executive has ceased (but, for the avoidance of any doubt, does not include the dismissal of the Executive for personal or disciplinary reasons or where the Executive leaves the employ of the Company of his own accord).

"Retirement" means retirement by the Executive from the Company at age 60 or over or such earlier age as considered appropriate by the Board.

"Section" means a section in the Prospectus.

"Share" means one fully paid ordinary share in the Company.

"Shareholder" means a holder of Shares.

"Specified Reason" means Retirement, Total and Permanent Disablement, Redundancy or death.

"Strategic Alliance" means the strategic alliance between the Company and MDM Engineering in accordance with the terms of the Strategic Alliance Agreement.

"Strategic Alliance Agreement" means the agreement entered into between the Company and MDM Engineering on 14 January 2011.

"Total and Permanent Disablement" means that the Executive has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Executive unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

"WST" means Western Standard Time.

DIRECTORS' STATEMENT

SECTION 14



DIRECTORS' STATEMENT

Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 18 March 2011

Signed for and on behalf of the Company



Barry S. Patterson
Chairman



GR ENGINEERING SERVICES LIMITED

ABN 12 121 542 738

Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

M000001456Q02

Registry Use Only

Employee Use Only

Broker Code

Adviser Code

A I/we apply for

Number of Shares in GR Engineering Services Limited at A\$1.00 per Share or such lesser number of Shares which may be allocated to me/us

B I/we lodge full Application Money

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name

Given Name(s)

Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit

Street Number

Street Name or PO Box /Other Information

City / Suburb / Town

State

Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

F CHESS Participant

Holder Identification Number (HIN)

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Payment details – Please note that funds are unable to be directly debited from your bank account

G Drawer

Cheque Number

BSB Number

Account Number

Amount of cheque

Make your cheque or bank draft payable to GR Engineering Services Ltd - Share Offer Account.

By submitting this Application Form, I/we declare that I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form or a direct derivative of the Application Form, before applying for Shares and that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

G N G

I P O



128658_012WYA

How to complete this form

A

Shares Applied for
Enter the number of Shares you wish to apply for. The application must be for a minimum of 2,000 Shares. Applications for greater than 2,000 Shares must be in multiples of 1,000 Shares.

B

Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C

Applicant Name(s)
Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D

Postal Address
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E

Contact Details
Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F

CHES
GR Engineering Services Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Securities Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G

Payment
Make your cheque or bank draft payable to GR Engineering Services Ltd - Share Offer Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

This Application Form relates to the Offer pursuant to the Prospectus dated 18 March 2011. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge. By lodging the Application Form, the applicant agrees that this application for Shares in GR Engineering Services Limited is upon and subject to the terms of the prospectus and the Constitution of GR Engineering Services Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Argonaut Securities Pty Limited by no later than 5pm WST on 11 April 2011. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Delivery Address:

Argonaut Securities Pty Limited
Level 30 77 St Georges Tce
PERTH WA 6000

Mailing Address:

Argonaut Securities Pty Limited
GPO Box 2553
PERTH WA 6001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 850 505.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

DIRECTORS

Barry Patterson (Non-Executive Chairman)

Joe Ricciardo (Managing Director)

Tony Patrizi (Executive Director)

Peter Hood (Non-Executive Director)

Terrence Strapp (Non-Executive Director)

COMPANY SECRETARY & CFO

Joe Totaro

REGISTERED OFFICE

71-73 Daly Street
BELMONT WA 6104

PRINCIPAL PLACE OF BUSINESS

179 Great Eastern Highway
BELMONT WA 6104

Telephone: (61 8) 6272 6000

Facsimile: (61 8) 6272 6001

Email: gres@gres.com.au

Website: www.gres.com.au

RESERVED ASX CODE

GNG

CORPORATE ADVISER

Argonaut Capital Limited
Level 30, 77 St Georges Terrace
PERTH WA 6000

BROKER TO THE OFFER

Argonaut Securities Pty Limited
Level 30, 77 St Georges Terrace
PERTH WA 6000

Telephone: (61 8) 9224 6888

Facsimile: (61 8) 9225 5511

Website: www.argonautlimited.com

INVESTIGATING ACCOUNTANTS

Deloitte Touche Tohmatsu
Level 14, 240 St Georges Terrace
PERTH WA 6000

Deloitte Corporate Finance Pty Limited
Level 14, 240 St Georges Terrace
PERTH WA 6000

AUDITOR

Deloitte Touche Tohmatsu
Level 14, 240 St Georges Terrace
PERTH WA 6000

SOLICITORS TO THE COMPANY

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000

Telephone: (61 8) 9323 2000

Facsimile: (61 8) 9323 2033

Website: www.computershare.com.au





GR ENGINEERING SERVICES LIMITED
ENGINEERING CONSULTANTS AND CONTRACTORS

www.gres.com.au