



GR ENGINEERING SERVICES LIMITED

ABN 12 121 542 738

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

30 November 2012

Time of Meeting

11:00am (AWST)

Place of Meeting

Empire Bar Function Room

220 Great Eastern Highway, Rivervale, Western Australia

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

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

GR Engineering Services Ltd

ABN 12 121 542 738

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of GR Engineering Services Limited ABN 12 121 542 738 ("Company") will be held at Empire Bar Function Room, 220 Great Eastern Highway, Rivervale on 30 November 2012 at 11:00am (AWST) for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

AGENDA

ITEMS OF BUSINESS

Financial Reports

To receive and consider the financial statements of the Company for the year ended 30 June 2012, together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

1. Resolution 1 - Non Binding Resolution to adopt Remuneration Report

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

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

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

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

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

Further, the Company will not disregard a vote cast by the Chair of the meeting as a proxy, if the appointment of the Chair expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

2. Resolution 2 - Re-election of Terrence Strapp as a Director

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

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

3. Resolution 3 - Re-election of Peter Hood as a Director

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

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

4. Resolution 4 - Equity Incentive Plan

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

"That, pursuant to and in accordance with Listing Rule 7.2, Exception 9 and for all other purposes, the Company approves the issue of securities under the Company's equity incentive plan known as the "GR Engineering Services Limited Equity Incentive Plan", the rules of which are annexed as Annexure A to the Explanatory Memorandum, as an exception to Listing Rule 7.1."

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme of the Company) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as

proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Resolution 5 – Ratification of issue of performance rights to Eligible Employees

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

“That, for the purpose of Listing Rule 7.4 and for all other purposes, the Company ratify the allotment and issue of 2,215,000 Performance Rights to various Eligible Employees on 11 September 2012 on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: *The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue the subject of Resolution 5 and any associates of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or the vote is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

OTHER BUSINESS

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

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

By order of the Board



Joe Ricciardo
Managing Director

Dated: 22 October 2012

How to vote

Shareholders can vote by either:

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

Voting in person (or by attorney)

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

Voting by a Corporation

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

Voting by proxy

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

- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice.
- To be effective, proxies must be lodged by 11:00am (AWST) on 28 November 2012. Proxies lodged after this time will be invalid.
- Proxies may be lodged using any of the following methods:
 - by returning a completed proxy form in person or by post using the pre-addressed envelope provided with this Notice; or
 - by faxing a completed proxy form to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
 - for Intermediary Online Subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 11:00am (AWST) on 28 November 2012. If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (AWST) 28 November 2012.

EXPLANATORY MEMORANDUM

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

FINANCIAL REPORTS

The first item of the Notice of Annual General Meeting deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 30 June 2012 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

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

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

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

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

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

RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

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

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

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

It is noted that at the Company's 2011 AGM, the votes cast against the Remuneration Report was less than 25% and accordingly, a spill resolution is not required for this AGM.

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

Voting

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

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

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

RESOLUTION 2 - RE-ELECTION OF TERENCE STRAPP AS A DIRECTOR

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

Mr Strapp has extensive experience in banking, finance and corporate risk management and has over 40 years' experience in the mining and resources industry.

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

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

RESOLUTION 3 - RE-ELECTION OF PETER HOOD AS A DIRECTOR

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

Mr Hood 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.

Mr Hood has considerable board experience and is currently a Non-Executive Chairman of Matrix Composites and Engineering Limited

and the President of the Chamber of Commerce and Industry of Western Australia. He was formerly Chairman of Apollo Gas Limited.

RESOLUTION 4 - EQUITY INCENTIVE PLAN

The Directors considered that it was desirable to establish an equity incentive plan under which Eligible Employees may be offered the opportunity to subscribe for equity securities in the Company and accordingly adopted the GR Engineering Services Limited Equity Incentive Plan (**Plan**) on 28 March 2012. The Plan is designed to align the interests of Eligible Employees with the interests of Shareholders by providing an opportunity for them to acquire and retain an equity interest in the Company and therefore directly participate in the future success of the Company over the medium to long term.

The Directors consider that the issue of equity securities to employees is a cost effective and efficient means for the Company to incentivise Eligible Employees as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure and retain personnel who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

It is intended that the following awards will be made to Eligible Employees under the Plan:

- Performance Rights, with each Performance Right being a right to acquire a Share subject to the satisfaction of specified performance conditions; and
- Share Appreciation Rights, being rights to receive a future payment in Shares, equal to the amount of increase in market value of one Share in the Company in a specified period between the grant of the Share Appreciation Right and exercise of that Share Appreciation Right.

The Plan Securities will be subject to vesting criteria as determined by the Board and have a term of 3 years (or such other term as determined by the Board).

Listing Rule 7.1 broadly provides that in any 12 month period, a company may issue Equity Securities up to 15% of its issued share capital without shareholder approval. Exception 9(b) of Listing Rule 7.2 provides that an issue of Equity Securities under an employee incentive scheme which has been approved by shareholders within 3 years of the issue, may be issued as an exception to the 15% limit imposed by Listing Rule 7.1. Accordingly, the Company seeks Shareholder approval of the Plan pursuant Listing Rule 7.2 Exception 9(b) such that the issue of Plan Securities under the Plan may be issued as an exception to the 15% limit imposed by Listing Rule 7.1.

Prior Shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

Under the Plan, the Board may offer to Eligible Employees the opportunity to subscribe for such number of Plan Securities as the Board may decide and on the terms set out in the rules of the Plan, a copy of which is contained in Annexure A of this Explanatory Memorandum. Plan Securities granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the Eligible Employee to the Company.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b) the following information is provided:

- (a) a copy of the Plan Rules is attached as Annexure A to this Explanatory Memorandum;
- (b) this is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 3.

RESOLUTION 5 - RATIFICATION OF ISSUE OF PERFORMANCE RIGHTS TO ELIGIBLE EMPLOYEES

On 11 September 2012, the Company issued 2,215,000 Performance Rights to various Eligible Employees under the Plan. None of the Eligible Employees were related parties of the Company. The Performance Rights were issued to align the interests of the Eligible Employees with the interests of Shareholders by providing an opportunity for them to acquire and retain an equity interest in the Company and therefore directly participate in the future success of the Company over the medium to long term.

The Performance Rights the subject of Resolution 4 were issued prior to Shareholder approval of the Plan for the purposes of Exception 9 of Listing Rule 7.2 (the subject to Resolution 3), and accordingly they were issued under the Company's 15% placement capacity under Listing Rule 7.1. Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold noted by Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further securities up to 15% of the issued capital of the company without requiring Shareholder approval.

Pursuant to Resolution 4, the Directors are seeking ratification under Listing Rule 7.4 of the issue of 2,215,000 Performance Rights that was made on 11 September 2012 in order to restore the right of the Company to issue further securities within the 15% limit during the next 12 months.

The following information in relation to the Performance Rights is provided to shareholders for the purposes of Listing Rule 7.5:

- (a) 2,215,000 Performance Rights were allotted and issued;
- (b) the Performance Rights were issued to provide incentive for the Eligible Employees to contribute to the success of the Company, and were issued for nil consideration;

- (c) the Performance Rights were issued under the Plan (the full terms of which are set out in Annexure A to this Explanatory Memorandum). The terms and conditions of the Performance Rights are set out in Annexure B to this Explanatory Memorandum;
- (d) the Performance Rights were issued to various Eligible Employees of the Company, none of whom are related parties of the Company; and
- (e) no funds were raised from the issue of the Performance Rights.

GLOSSARY

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

"**AGM**" means annual general meeting;

"**Annual Report**" means the annual report of the Company for the year ended 30 June 2012;

"**ASIC**" means the Australian Securities and Investments Commission;

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

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

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

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

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

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

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

"**Eligible Employee**" has the meaning given to it in the Plan Rules;

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

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

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

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

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

"**Plan Rules**" means the rules of the Plan as set out in Annexure A;

"**Plan Securities**" means Performance Rights or Share Appreciation Rights issued pursuant to the Plan;

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

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

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

"**Share Appreciation Right**" has the meaning defined in the Plan Rules.



GR Engineering Services Limited
Equity Incentive Plan

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GR Engineering Services Limited Equity Incentive Plan Rules

1. Definitions and interpretation

1.1 Definitions

In these Rules, unless the context otherwise requires, the following terms and expressions will have the following meanings:

Applicable Law means any one or more or all, as the context requires of:

- (a) the Corporations Act;
- (b) the Listing Rules;
- (c) the Constitution;
- (d) the *Income Tax Assessment Act* 1936 (Cth) and the *Income Tax Assessment Act* 1997 (Cth), each as amended from time to time;
- (e) any practice note, policy statement, regulatory guide, class order, declaration, guideline, policy, procedure, ruling, judicial interpretation or other guidance note made to clarify, expand or amend (a), (b), and (d) above;
- (f) any other legal requirement (including, without limitation, any requirement of a Government Agency) that applies to the Plan; and
- (g) in respect of acquisition or disposals of any Shares, any formal policy relating to dealings in Shares adopted by the Board from time to time, including the Share Trading Policy.

Application means an application by an Eligible Employee to participate in the Plan made in response to an Invitation Letter.

ASIC means the Australian Securities and Investments Commission.

Associated Body Corporate means:

- (a) a body corporate which is a Related Body Corporate of the Issuer;
- (b) a body corporate that has voting power in the Issuer of not less than 20%; or
- (c) a body corporate in which the Issuer has voting power of not less than 20%,

and **Associated Bodies Corporate** has a similar meaning.

ASX means the ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange or the securities exchange operated by that entity, as appropriate.

Award means:

- (a) a Performance Right; and/or
- (b) a Share Appreciation Right,

as the case may be, which is granted under the Plan.

Bad Leaver means a Participant who ceases employment or office with any member of the Group in any of the following circumstances:

- (a) the Participant's employment is terminated, or the Participant is dismissed from office, due to:
 - (i) serious and wilful misconduct (including, without limitation, fraud and dishonesty);
 - (ii) material breach of the terms of any contract of employment or office entered into by the Company (or another member of the Group) and the Participant;
 - (iii) gross negligence; or
 - (iv) other conduct justifying termination of employment or office without notice either under the Participant's contract of employment or office, or at common law;
- (b) the Participant resigns from his or her employment or office;
- (c) the Participant ceases his or her employment or office for any reason and commences employment or office, or otherwise acts, in breach of any post-termination restrictions contained in his or her contract of employment or office entered into by the relevant member of the Group and the Participant; or
- (d) the Participant is ineligible to hold his or her office for the purposes of Part 2D.6 of the Corporations Act.

Board means the board of directors of the Company, a committee appointed by the board of directors of the Company as constituted from time to time, or, in respect of a matter, any person who is provided with delegated authority by the board of directors of the Company in respect of that matter from time to time.

Business Day means a day on which banks are open for general banking business in Western Australia, excluding Saturdays, Sundays or public holidays in Western Australia.

Buy-Back means the buy-back by the Company of Plan Shares, pursuant to clause 19.

Certificate means the certificate issued by the Company to a Participant in respect of an Award.

Change of Control Event means:

- (a) where a person or entity becomes a legal or beneficial owner of 50% or more of the Issued Capital of the Company; or
- (b) where a person or entity becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the Issued Capital of the Company.

Company means GR Engineering Services Limited (ABN 12 121 542 738).

Constitution means the constitution of the Company, as amended from time to time.

Contractor means a contractor that falls within the definition of contractor in sub-clause (c) of the definition for Eligible Employee.

Corporations Act means the *Corporations Act* 2001 (Cth), as amended from time to time.

Eligible Employee means in relation to the Issuer, a person who is at the time of an Eligible Offer under the Plan:

- (a) a full or part-time employee of the Issuer or of an Associated Body Corporate of the Issuer; or
- (b) a director of the Issuer, or of an Associated Body Corporate of the Issuer, who holds a salaried employment or office in the Issuer, or in an Associated Body Corporate; or
- (c) a contractor which is:
 - (i) an individual that has:
 - (A) performed work for the Issuer, or a Related Body Corporate of the Issuer, for more than 12 months; and
 - (B) received 80% or more of their income in the preceding year from the Issuer or a Related Body Corporate of the Issuer; or
 - (ii) a company where each of the following are satisfied in relation to the company:
 - (A) throughout the previous 12 months, the company has had a contract in place with the Issuer, or a Related Body Corporate of the Issuer, for the provision of the services of an individual (the “**contracting individual**”) to the Issuer or a Related Body Corporate of the Issuer;
 - (B) the contracting individual has performed work for the Issuer, or a Related Body Corporate of the Issuer, for more than 12 months;
 - (C) the contracting individual has been the only member of the Company for more than 12 months; and
 - (D) more than 80% of the aggregate income of the company and the contracting individual from all sources (other than from each other) in the preceding 12 months was received from the Issuer or a Related Body Corporate of the Issuer; or
- (d) a casual employee who:
 - (i) has been in employment with the Issuer or an Associated Body Corporate of the Issuer for more than 12 months; and
 - (ii) the Issuer or the Associated Body Corporate of the Issuer regards as equivalent to either a full or part-time employee.

Eligible Offer means an offer for the issue or sale of:

- (a) fully-paid shares in the Issuer in the same class of shares that have been quoted on the financial market operated by ASX or an approved foreign market throughout the 12 month period immediately before the offer without suspension for more than 2 trading days during that period; or
- (b) an Award for the issue of transfer of shares referred to in paragraph (a) where the Award is offered for no more than nominal consideration; or
- (c) units of fully paid shares referred to in paragraph (a),

made under the Plan and extended only to Eligible Employees.

Equity Settled has the meaning as set out in clause 9.4.

Exercise means the exercise of Performance Rights in accordance with clause 8 and/or the exercise of the Share Appreciation Rights in accordance with clause 9 (as the case may be), and **Exercised** has a similar meaning. **Unexercised** has the opposite meaning to Exercise.

Exercise Conditions means any criteria, requirements or conditions, as determined by the Board or under these Rules, which must be met (notwithstanding the satisfaction of any Vesting Conditions and/or Performance Hurdles) prior to the Awards being Exercised.

Expiry Date means:

- (a) the date which is 3 years from the Grant Date of any Awards; or
- (b) any other date determined by the Board and as specified in the Invitation,

after which the Awards lapse and may no longer be Exercised.

Fee means consideration payable by a Participant on the grant of an Award to him or her, if any, as specified in the Invitation.

Good Leaver means a Participant who ceases employment or office with any member of the Group and who is not a Bad Leaver, and includes where a Participant’s employment or office ceases due to death, permanent incapacity, redundancy, retirement, or any other reason the Board determines in its sole and absolute discretion.

Grant Date means the date on which Awards are granted to a Participant following the acceptance of an Application by the Board.

Government Agency means any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity whether foreign, federal, state, territorial or local.

Group means the Company and its Associated Bodies Corporate.

Initial Market Value means the Market Value of a Share as at the Grant Date or such other date as determined by the Board and as specified in the Invitation Letter (plus a premium if applicable and as specified in the Invitation Letter).

Invitation means an invitation to an Eligible Employee to apply for the grant of Awards under these Rules.

Invitation Letter means a letter from the Company to an Eligible Employee, which contains the Invitation.

Issued Capital means issued and fully paid Shares.

Issuer means the Company.

Listing Rules means the listing rules, market rules or operating rules of a financial market in respect of which the Company's shares are quoted or are the subject of an application for quotation, including but not limited the official listing rules of the ASX.

Market Value means the volume weighted average price of the Shares over a 5 day period, or as otherwise determined by the Board.

Nominated Party means, in respect of an Eligible Employee:

- (a) that person's spouse;
- (b) that person's biological or legally adopted child of at least 18 years of age;
- (c) a trustee or trustees of a trust set up wholly for the benefit of one or more Eligible Employees or a person mentioned in sub-clauses (a) or (b) (but not including any trust established by the Company under clause 7);
- (d) a company in which all of the issued shares are beneficially held by, and all of the voting rights are beneficially held by:
 - (i) the Eligible Employee; and/or
 - (ii) a person or persons mentioned in sub-clauses (a), (b) or (c) above; or
- (e) any other person approved by the Company.

Participant means an Eligible Employee who has been offered Awards and who has returned a corresponding Application to the Company that has been accepted by the Company pursuant to these Rules.

Performance Hurdles means any ongoing minimum performance requirements (as specified in the Invitation Letter and determined by the Board in its sole and absolute discretion) which must be met prior to Awards Vesting in a Participant.

Performance Right means an entitlement of a Participant granted under the Plan to be issued and/or transferred (as determined by the Board in its sole and absolute discretion) one Plan Share subject to the satisfaction of any Vesting Conditions, Performance Hurdles and/or Exercise Conditions.

Plan means an employee incentive scheme of the Issuer that is known as the GR Engineering Services Limited Equity Incentive Plan where:

- (a) the scheme is extended only to Eligible Employees; and

- (b) the terms of the scheme are substantially the same as the Rules.

Plan Share means any Share held by a Participant upon the Exercise of an Award.

Related Body Corporate has the meaning given in section 9 of the Corporations Act.

Rules means these rules in respect of the operation of the Plan, as amended from time to time.

Securities has the meaning given in the Listing Rules.

Security Interest means a mortgage, charge, pledge, lien, encumbrance or other third party interest of any nature.

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

Share Appreciation Right means a right of a Participant to be issued and/or transferred (as determined by the Board in its sole and absolute discretion) a Plan Share or Plan Shares (as calculated in accordance with these Rules) subject to the satisfaction of any Vesting Conditions, Performance Hurdles and/or Exercise Conditions.

Share Trading Policy means any Company share trading policy, as amended from time to time.

Shareholder means any holder of Shares.

Shareholder Approval means any prior consent or affirming resolution that needs to be obtained from Shareholders of the Company before an action is taken or determination made under these Rules.

Subsequent Market Value means the Market Value of a Share as at the date of Exercise of a Share Appreciation Right.

Tax means tax withheld under applicable taxation laws.

Term means the period commencing on the Grant Date and ending on the Expiry Date (inclusive).

Vested means for the purposes of the Plan, when any Vesting Conditions and/or Performance Hurdles applicable to a Participant have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules, and where the Company has issued a Vesting Notification to the Participant informing him or her that some or all of their Awards have vested, and **Vest** and **Vesting** have a similar meaning.

Vesting Conditions means any time based criteria, requirements or conditions (as specified in the Invitation Letter and determined by the Board in its sole and absolute discretion) which must be met prior to Awards vesting in a Participant.

Vesting Notification means a notice to a Participant informing him or her that his or her Performance Rights and/or Share Appreciation Rights (as the case may be) have Vested and are eligible to be Exercised.

1.2 Interpretation

In these Rules, unless otherwise stated or the contrary intention appears:

- (a) the singular includes the plural and vice versa;
- (b) a gender includes all genders;
- (c) a reference to a document or agreement includes that document or agreement as novated, altered, supplemented or replaced;
- (d) headings are for convenience only and do not affect the interpretation of these Rules;
- (e) a reference to any thing (including any amount) includes any part of that thing and a reference to a group of things or persons includes each thing or person in that group;
- (f) a reference to any legislation includes any modification or replacement of it and all regulations and statutory instruments issued under it and a reference to any provision of any legislation includes any modification or substitution of it;
- (g) a reference to these Rules means these Rules as amended from time to time and includes all recitals, annexures, addendums and schedules to these Rules;
- (h) a reference to a person includes a reference to the person's executors, administrators and successors or a body corporate including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
- (i) in these Rules any reference to include means to include without limitation; and
- (j) where any word is given a defined meaning, any other part of speech or other grammatical form in respect of such word or phrase has a corresponding meaning.

1.3 Construed against a party

No provision or expression in these Rules is to be construed against a party on the basis that the party (or its advisers) was responsible for the drafting of these Rules.

1.4 Applicable Laws

These Rules, the offering and granting of any Awards or Plan Shares and the rights attaching to or interests in the Awards or Plan Shares will at all times be subject to all Applicable Laws.

1.5 Rounding

Where any calculation or adjustment to be made pursuant to these Rules produces a fraction of a cent or a fraction of an Award or Plan Share, the fraction will be eliminated by rounding to the nearest whole number.

1.6 Constitution

The entitlements of Eligible Employees and Participants under these Rules are subject to the Constitution. In the event of any inconsistency between these Rules and the Constitution, the terms of the Constitution will prevail.

1.7 Contractors

Notwithstanding any other provision of these Rules, for the purposes of these Rules, the Invitation and any ancillary documents to the Rules and the Invitation (**Documents**):

- (a) all references to employees (or any similar words or phrases) in the Documents will include a reference to a Contractor;
- (b) all references to employment (or any similar words or phrases) in the Documents will include a reference to a Consultant's consultancy services; and
- (c) all references to contract of employment (or any similar words or phrases) will include a reference to a Contractor's contract for services.

2. Purpose

The purpose of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Employees;
- (b) link the reward of Eligible Employees to Shareholder value creation; and
- (c) align the interests of Eligible Employees with Shareholders by providing an opportunity to Eligible Employees to receive an equity interest in the form of Awards.

3. Commencement

The Plan will commence on a date determined by resolution of the Board.

4. Maximum Award allocation

Unless prior Shareholder Approval is obtained, the maximum number of Plan Shares issued and/or transferred to Participants pursuant to this Plan, together with any other Shares to be issued and/or transferred (but which have not yet been issued and/or transferred) in accordance with any other employee share scheme during the previous 5 years, must not exceed five percent (5%) of the total Issued Capital of the Company at the time of the grant of any particular Award.

5. Eligibility and grant

5.1 Participation

The Board may from time to time in its sole and absolute discretion determine that an Eligible Employee may participate in the Plan.

5.2 Selection

Following determination that an Eligible Employee may participate in the Plan, the Board may at any time and from time to time make an Invitation to the Eligible Employee.

5.3 Invitation

Subject to clause 6, the manner, form, content, timing and frequency of an Invitation Letter and Application will be as determined by the Board in its sole and absolute discretion.

5.4 Application

Unless otherwise determined by the Board in its sole and absolute discretion, an Eligible Employee who wishes to apply to participate in the Plan in response to an Invitation Letter must, on or before the period of time allowed for acceptance of the Invitation, give an Application:

- (a) to the person specified in the Invitation Letter; and
- (b) in accordance with any instructions or conditions set out in the Invitation Letter,

on the acceptance by the Board of the Application, the notice confirming the grant of the Awards will be accompanied by a Certificate.

5.5 Participant agrees to be bound

Each Participant is, by submitting a completed Application, deemed to have agreed to be bound by:

- (a) the terms of the Invitation and the Application;
- (b) the provisions of these Rules, as amended from time to time; and
- (c) the Constitution.

5.6 Nominated Party

- (a) The Board may, in its sole and absolute discretion, where an Invitation is made to an Eligible Employee renounce such Invitation in favour of a Nominated Party.
- (b) The Board may in its sole and absolute discretion determine whether it will facilitate the renunciation of the Invitation as set out in clause 5.6(a) and on what conditions it will agree to do so. For the avoidance of doubt, the Board will not facilitate the renunciation of the Invitation as set out in clause 5.6(c) in favour of the Nominated Party where to do so would be inconsistent with any covenant or other provision set out in an exemption or modification granted from time to time by ASIC in respect of the Plan or which applies to the Plan pursuant to ASIC's power to exempt or modify the Corporations Act.

5.7 Multiple Invitations

Unless otherwise determined by the Board in its sole and absolute discretion, the Board may grant any number of Awards to Eligible Employees, as set out in any Invitation Letter, notwithstanding that a grant or grants may have previously been made to any Eligible Employee.

6. Terms of Awards

6.1 Board determination

The terms and conditions of Awards offered or granted under these Rules to each Eligible Employee will be:

- (a) determined by the Board in its sole and absolute discretion and include as a minimum:
 - (i) the number and type of Award(s);
 - (ii) the Grant Date;
 - (iii) the Fee (if any);
 - (iv) in the case of a Share Appreciation Right, the Initial Market Value;
 - (v) the Term and Expiry Date;
 - (vi) the Vesting Conditions (if any), the Performance Hurdles (if any), and/or Exercise Conditions (if any);
 - (vii) any disposal restrictions attaching to the Awards and/or Plan Shares; and
 - (viii) any rights attaching to the Awards and/or Plan Shares; and
 - (ix) agreement with the Eligible Employee for the Company to supply details to third parties where required by law; and
- (b) set out in an Invitation Letter delivered to the Eligible Employee.

6.2 Award entitlements

Subject to the Board determining otherwise prior to an Invitation, and subject to these Rules, upon Vesting:

- (a) each Performance Right entitles the Participant holding the Performance Right to be issued and/or transferred one Share;
- (b) each Share Appreciation Right entitles the Participant holding the Share Appreciation Right to be issued and/or transferred such number of Shares as calculated in accordance with clause 9.4; and
- (c) any Plan Share issued and/or transferred pursuant to these Rules will rank pari passu with all existing Shares from the date of acquisition.

6.3 Method of obtaining Plan Shares

For the purpose of clause 6.2 Plan Shares may be obtained by the Participant in the following ways, as determined by the Board from time to time in its sole and absolute discretion:

- (a) by way of allotment and issue of Shares by the Company;

- (b) by the Company acquiring Shares from a third party on behalf of the Participant; or
- (c) by any combination of the methods set out in subclauses (a) or (b).

6.4 Participant rights

A Participant who holds Awards is not entitled to:

- (a) notice of, or to vote or attend at, a meeting of the Shareholders of the Company; or
 - (b) receive any dividends declared by the Company,
- unless and until:
- (c) any Performance Rights are Exercised in accordance with clause 8 and the Participant holds Plan Shares; and/or
 - (d) any Share Appreciation Rights are Exercised in accordance with clause 9 and the Participant holds Plan Shares.

6.5 Conditions for vesting and exercise

- (a) The Board will determine prior to an Invitation being made, and specify in the Invitation Letter, any Vesting Conditions, Performance Hurdles, and/or Exercise Conditions attaching to the Awards.
- (b) Awards will only Vest if applicable Vesting Conditions and/or Performance Hurdles have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules.
- (c) Vested Awards will only be exercisable in accordance with these Rules when applicable Exercise Conditions have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules

6.6 No transfer of Awards

Awards granted under this Plan may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Participant, other than in accordance with clause 5.6, unless:

- (a) the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, encumbrance or disposal as the Board sees fit; or
- (b) such assignment or transfer occurs by force of law upon the death of a Participant to the Participant's legal personal representative.

6.7 Awards to be registered

Awards will be registered in the appropriate register of the Company.

7. Trust

The Board may, in its sole and absolute discretion, use an employee share trust or other mechanism for the purposes of holding any Plan Shares for Participants under the Plan and/or delivering any Plan Shares to Participants upon Exercise of any Awards.

8. Exercise of Performance Rights

8.1 Vesting Notification

Performance Rights are deemed to have vested if and when any Vesting Conditions, Performance Hurdles and/or Exercise Conditions applicable to a Participant's Performance Rights have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules, and where the Company has issued a Vesting Notification to the Participant informing them that some or all of their Performance Rights have Vested.

8.2 Method of exercise of Performance Rights

Following the issuing of a Vesting Notification to a Participant by the Company, the Participant will be deemed to have Exercised his or her Performance Rights.

8.3 Actions on exercise

Upon the Exercise of Performance Rights in accordance with clause 8.2:

- (a) the Performance Rights will automatically lapse;
- (b) the Company will, within 30 Business Days, allot and issue and/or transfer, the number of Plan Shares to which the Participant is entitled to through the Exercise of the Performance Rights; and
- (c) the Company will issue a substitute Certificate for any remaining Performance Rights.

9. Exercise of Share Appreciation Rights

9.1 Vesting Notification

Share Appreciation Rights are deemed to have Vested if and when Vesting Conditions, Performance Hurdles and/or Exercise Conditions applicable to a Participant's Share Appreciation Rights have been satisfied, waived by the Board, or are deemed to have been satisfied under these Rules, and where the Company has issued a Vesting Notification to the Participant informing him or her that some or all of his or her Share Appreciation Rights have Vested.

9.2 Method of exercise of Share Appreciation Rights

Following the issuing of a Vesting Notification to a Participant by the Company, the Participant will be deemed to have Exercised his or her Share Appreciation Rights.

9.3 Actions on exercise

Upon the Exercise of Share Appreciation Rights in accordance with clause 9.2:

- (a) the Share Appreciation Rights will automatically lapse;
- (b) the Company will, within 30 Business Days, allot and issue and/or transfer the number of Plan Shares to which the Participant is entitled through the Exercise of the Share Appreciation Rights (the number of which is to be determined in accordance with these Rules and the Invitation; and
- (c) the Company will issue a substitute Certificate for any remaining Share Appreciation Rights.

9.4 Equity Settled

Upon the Vesting of Share Appreciation Rights the number of Plan Shares to be provided to or on behalf of a Participant will be calculated as follows:

- (a) the total number of Vested and Exercised Share Appreciation Rights will be multiplied by the value calculated according to the following formula:

the Subsequent Market Value

minus

the Initial Market Value,

(Resulting Value); and
- (b) the Resulting Value will be divided by the Subsequent Market Value, and then that resulting number will be provided as Plan Shares (rounded down to the nearest whole number) to or on behalf of the Participant.

10. Leavers

10.1 Good Leaver

Where a Participant who holds Awards becomes a Good Leaver:

- (a) all Vested Awards that have not been Exercised in accordance with these Rules will continue in force and remain exercisable in accordance with these Rules until the Expiry Date, unless the Board in its sole and absolute discretion determines otherwise; and
- (b) unvested Awards will Vest where, in the Board's sole and absolute discretion, any Vesting Conditions and/or Performance Hurdles applicable to those Awards have been satisfied with that Vesting to be on a pro rata basis over the relevant period, unless the Board in its sole and absolute discretion determines otherwise.

10.2 Bad Leaver

Where a Participant who holds Awards becomes a Bad Leaver, all unvested Awards will automatically be forfeited by the Participant, unless the Board otherwise determines to permit some or all of the Awards to vest.

11. Fraudulent or dishonest actions

Where, in the opinion of the Board, a Participant:

- (a) acts fraudulently or dishonestly; or
- (b) wilfully breaches his or her duties to the Group,

then the Board may (in its sole and absolute discretion) deem all unvested and/or Unexercised Awards of the Participant to have lapsed.

12. Awards may be cancelled if Participant consents

Notwithstanding any other provisions of these Rules, and subject to the Listing Rules, if a Participant and the Board agree in writing that some or all of the unvested Awards granted to that Participant may be cancelled on a specified date or on the occurrence of a particular event, then the Board may cancel those Awards on the relevant date or on the occurrence of the particular event (as the case may be) for no consideration.

13. Lapse of Awards

13.1 Lapsing events

Unless the Board determines otherwise in its sole and absolute discretion, unvested Awards will lapse on the earlier of:

- (a) subject to clause 10.1(b), the cessation of employment or office of a Participant;
- (b) where clause 11 applies;
- (c) if any applicable Vesting Conditions and/or Performance Hurdles are not achieved by the relevant time;
- (d) if the Board determines in its sole and absolute discretion that any applicable Vesting Conditions, Performance Hurdles and/or Exercise Conditions have not been met and cannot be met prior to the Expiry Date; or
- (e) the Expiry Date.

13.2 What happens on lapsing

Where a Participant's Awards have lapsed under clause 13.1, the Company will:

- (a) notify the Participant that the Awards held by them have lapsed;
- (b) arrange for the Participant or the Participant's agent or attorney to sign any transfer documents required to transfer or otherwise deal with the Awards; and
- (c) not be liable for any damages or other amounts to the Participant in respect of the Awards.

14. Listing

14.1 Awards

Unless determined otherwise by the Board in its sole and absolute discretion, Awards granted under the Plan will not be quoted on the ASX.

14.2 Plan Shares

If Plan Shares of the same class as those allotted pursuant to Vested Awards granted under the Plan are listed on the ASX, the Company must apply for official quotation of those Plan Shares within the time required by the Listing Rules after the date of allotment.

15. Rights attaching to Plan Shares

15.1 Shares to rank equally

Any Plan Shares allotted and issued, or transferred, by the Company to a Participant will rank equally with all existing Shares on and from the date of issue or transfer.

15.2 Dividends

A Participant will have a vested and indefeasible entitlement to any dividends declared and distributed by the Company on the Plan Shares which, at the books closing date for determining entitlement to those dividends, are standing to the account of the Participant.

15.3 Dividend reinvestment

The Participant may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares held by the Participant and such participation must be in respect of all Plan Shares held by the Participant. Shares issued under any dividend reinvestment plan operated by the Company will be subject to the same terms and conditions as the Plan Shares held by the Participant.

15.4 Voting rights

A Participant may exercise any voting rights attaching to Plan Shares registered in the Participant's name.

16. Disposal restrictions on Plan Shares

16.1 Board determines

The Board may, in its sole and absolute discretion, determine prior to an Invitation being made, whether there will be any restrictions on the disposal of, the granting (or purporting to grant) of any Security Interest in or over, or otherwise on dealing with (or purporting to dispose or deal with), Plan Shares held by any Participants.

16.2 No transfer

Subject to clause 16.1, Plan Shares, or any beneficial or legal interest in Plan Shares, may not be transferred, encumbered or otherwise disposed of, or have a Security Interest granted over them, by a

Participant unless all restrictions on the transfer, encumbrance or disposal of the Plan Shares have been met, the Board has waived any such restrictions, or prior consent of the Board is obtained which consent may impose such terms and conditions on such transfer, encumbrance or disposal as the Board sees fit.

16.3 Board actions

The Company may do such things and enter into such arrangements with the Company's share registry or otherwise as it considers necessary to enforce the transfer restrictions set out in clause 16.2, including but not limited imposing an ASX holding lock on the Plan Shares or using an employee share trust to hold the Plan Shares during the relevant restriction period. Participants will be bound by any action by the Company under this clause 16.3.

16.4 Overriding restrictions on dealing with Plan Shares

Plan Shares must not be dealt with under this Plan if to do so would contravene Applicable Laws.

16.5 Plan Shares entitlements

For the avoidance of doubt, the imposition of a restriction on the Plan Shares held by a Participant pursuant to clause 16.1 will not affect the Participant's entitlement to receive a notice of, or to vote or attend at, a meeting of the members of the Company or Shareholders, and to receive any dividends declared by the Company during the relevant restriction period.

16.6 Company's Share Trading Policy

At all times Participants must comply with any Share Trading Policy.

17. Change of Control Event

On the occurrence of a Change of Control Event, the Board will determine, in its sole and absolute discretion, the manner in which all unvested and vested Awards will be dealt with.

18. Bonus issues and reconstruction

18.1 Bonus issues

- (a) If Securities are issued by way of a "bonus issue" (as that term is defined in the Listing Rules) to the holders of Shares, a Participant is entitled, upon Exercise of an Award, to receive, in addition to any Plan Share acquired upon the Vesting and Exercise of the Award, and without the payment of any further consideration, the number of Securities that the Participant would have received if the Award had vested and been exercised before the record date for the bonus issue.
- (b) Any additional Securities to which a Participant becomes entitled under clause 18.1(a) will, until those additional Securities are allotted and issued, or transferred, to the Participant, be regarded as:
 - (i) additional Securities into which the Awards may vest for the purposes of any subsequent application of clause 18.1(a); and

- (ii) additional Awards to which the Participant is entitled for the purposes of any application of clause 18.3.

18.2 Pro rata issue

- (a) Pro rata issue and Performance Rights

As Performance Rights have a nil exercise price, no adjustment will be required in the case of a "pro rata issue".

- (b) Pro rata issue and Share Appreciation Rights

If there is a "pro rata issue" (as that term is defined in the Listing Rules, except a bonus issue) to the holders of Shares, the Initial Market Value will be reduced according to the following formula:

$$O' = \frac{O - [P - (S + D)]}{N+1}$$

where:

- O' = the Initial Market Value immediately following the adjustment;
- O = the Initial Market Value immediately prior to the adjustment;
- P = the volume weighted average market price per Share during the 5 trading days ending on the day before the ex rights date or ex entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = any dividend due but not yet paid on a Share (except any Share to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

18.3 Reorganisation

- (a) Performance Rights

In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the Issued Capital of the Company, the number of Performance Rights to which a Participant is entitled will be changed in accordance with the Listing Rules.

- (b) Share Appreciation Rights

In the event of any reorganisation (including consolidation, sub-division, reduction, return or cancellation) of the Issued Capital of the Company, the number of Share Appreciation Rights to which a Participant is entitled, and/or the Initial Market Value will be changed in a similar manner to that required for options under the Listing Rules.

18.4 Limited right to participate in new issues

During the currency of any Awards, and prior to their Vesting and being Exercised, Participants are not entitled to participate in any new issue of Securities of the Company as a result of their holding Awards.

18.5 Fairness in application

In the application of this clause 18, the Board may (as far as possible) make whatever adjustments it deems necessary or desirable to ensure that the consequences of that application are fair as between the Participants and the holders of other securities in the Company, subject to the Listing Rules.

19. Buy-Back

19.1 Buy-Back

The Company may Buy-Back Plan Shares in accordance with clause 19.2.

19.2 Buy-Back procedure

The Board may cause the Company to Buy-Back Plan Shares held by a Participant for:

- (a) an amount agreed with the Participant at any time;
- (b) where there is a formal takeover offer made for at least 5% of the Shares of the Company, the Company may Buy-Back Plan Shares at the price offered by the bidder under the takeover offer.

19.3 Buy-Back mechanism

Each Participant will do all acts, matters and things which are necessary or desirable to give effect to any Buy-Back of his or her Plan Shares.

20. Contravention of Applicable Laws

No act will be done or determination made in accordance with these Rules where to do so would contravene any Applicable Laws, and where any such act is done or determination made it will be considered void and to the extent possible be unwound and of no effect in respect of unexercised Awards or Plan Shares.

21. Administration of the Plan

21.1 Regulations

The Board may make such regulations for the operation of the Plan as it considers necessary, provided such regulations are consistent with these Rules.

21.2 Delegation

- (a) The Board may delegate any of its powers or discretions conferred on it by these Rules to a committee of the Board or to any one or more persons selected by it, including but not limited to the company secretary.
- (b) Any delegation will be for such period and upon such terms and conditions as determined by the Board from time to time.

21.3 Decisions final

Every exercise of a discretion by the Board (or its delegates) and any decision by the Board (or its delegates) regarding the interpretation, effect or application of these Rules will be final, conclusive and binding.

21.4 Notice

- (a) Address for service
 - (i) Any notice required to be given to the Participants under the Plan or the terms of the Awards granted will be sent to the address of the Participant as entered in the register unless delivered in person.
 - (ii) Any notice required to be given to the Company under the Plan or the terms of the Awards granted will be sent to the registered office of the Company or such other address as is notified to Participants from time to time.
- (b) Delivery of notices
 - (i) Any notice to be given to Participants may be delivered by hand to the Participant or by any other means specified in the Constitution for delivery of notices to members.
 - (ii) Any notice to be given to the Company may be delivered by hand or by prepaid post. Notices may also be given to the Company by means of facsimile, e-mail or other mode of electronic delivery to such address as is notified by the Company to the Participant.
 - (iii) Notices delivered to Participants in accordance with the Constitution will be taken to be delivered in accordance with the Constitution. Notices delivered to the Company by prepaid post will be taken to be delivered if properly addressed and stamped, 48 hours after mailing in Australia and 7 days after mailing outside Australia. Notices delivered by facsimile, e-mail or other mode of electronic delivery will be taken to be delivered on receipt of a successful transmission notice, return receipt or such other confirmation by which the sender can reasonably verify delivery.

22. Plan amendment**22.1 Amendment of Plan**

- (a) Subject to clause 22.1(b), the Listing Rules and the Constitution, the Board may at any time amend these Rules or the terms and conditions upon which any Awards have been granted under the Plan.

- (b) No amendment to these Rules or to the terms of any Awards granted under the Plan may be made if the amendment materially reduces the rights of any Participant in respect of Awards granted to them prior to the date of the amendment, other than:
 - (i) an amendment introduced primarily:
 - (A) for the purposes of complying with or conforming to present or future legislation governing or regulating the Plan or like plans;
 - (B) to correct any manifest error or mistake;
 - (C) to allow the implementation of a trust arrangement in relation to the holding of Plan Shares granted under the Plan;
 - (D) for the purpose of complying with Applicable Laws; and/or
 - (E) to take into consideration possible adverse taxation implications in respect of the Plan including changes to applicable taxation legislation or the interpretation of that legislation by a court of competent jurisdiction or any rulings from taxation authorities administering such legislation; or
 - (ii) an amendment agreed to in writing by the Participant(s).
- (c) Subject to the Listing Rules, the Board may determine that any amendment to these Rules or the terms of Awards granted under the Plan be given retrospective effect.
- (d) Amendment of these Rules or the terms upon which Awards are granted under the Plan by the Board will be of immediate effect unless otherwise determined by the Board.
- (e) As soon as reasonably practicable after making any amendment to these Rules or the terms of Awards granted under the Plan, the Board will give notice of the amendment to any Participant affected by the amendment. Failure by the Board to notify a Participant of any amendment will not invalidate the amendment as it applies to that Participant.

22.2 Amendment by addendum

Subject to any other provision of these Rules, the Board may from time to time amend the terms of this Plan as they will apply in particular jurisdictions or circumstances by means of an addendum to these Rules.

23. Termination or suspension**23.1 Termination or suspension**

Subject to clause 23.2, the Board may at anytime terminate the Plan or suspend the operation of the Plan for such period or periods as it thinks fit.

23.2 Resolution to terminate or suspend

In passing a resolution to terminate or suspend the operation of the Plan, the Board must consider and endeavour to ensure that there is fair and equitable treatment of all Participants.

24. No employment contract

Nothing in these Rules or the terms of any Award:

- (a) confers upon an Eligible Employee a right to a grant or offer of a grant of Awards;
- (b) confers on an Eligible Employee or a Participant the right to continue as an employee or officer of any member of the Group (as the case may be);
- (c) affects the rights of any member of the Group to terminate the employment or office of an Eligible Employee or a Participant (as the case may be);
- (d) affects the rights and obligations of any Eligible Employee or Participant under the terms of their employment or office with any member of the Group;
- (e) confers any legal or equitable right on an Eligible Employee or a Participant whatsoever to take action against any member of the Group in respect of their employment or office; or
- (f) confers on an Eligible Employee or a Participant any rights to compensation or damages in consequence of the termination of their employment or office by any member of the Group for any reason whatsoever including ceasing to have rights under the Plan as a result of such termination.

25. ASIC relief

Notwithstanding any other provisions of the Plan, every covenant or other provisions set out in an exemption or modification granted from time to time by ASIC in respect of the Plan or which applies to the Plan pursuant to its power to exempt and modify the Corporations Act and required to be included in the Plan in order for that exemption or modification to have full effect, is deemed to be contained in the Plan. To the extent that any covenant or other provision deemed by this clause 25 to be contained in the Plan is inconsistent with any other provision in the Plan, the deemed covenant or other provision will prevail.

26. Non-exclusivity

26.1 Non-exclusivity

This Plan will not be deemed to be the exclusive method of providing incentive compensation to Eligible Employees, nor will it preclude any member of the Group from authorising or approving other forms of incentive compensation for employees, directors or contractors of any member of the Group.

26.2 Relationship to other equity plans

Participation in this Plan will not affect or be affected by any participation in any other employee equity plan operated by any member of the Group, except as specifically provided in the terms of that other plan.

27. General

27.1 No fiduciary capacity

The Board may exercise any power or discretion conferred on it by these Rules in the interest or for the benefit of the Company, and in so doing the Board is not required to act in the interests of another person or as requested by another person and will not be under any fiduciary obligation to another person.

27.2 Non-Australian residents

Where an Award or a Plan Share is granted under the Plan to a person who is not a resident of Australia, the provisions of the Plan apply. However, the Board may alter the Plan as it decides having regard to any laws, matters of convenience and desirability and to similar factors which may apply to the Participant or to any member of the Group in relation to an Award or Plan Share.

27.3 Listing Rules

While the Company remains admitted to the ASX, the provisions of the Listing Rules of the ASX will apply to the Plan, and to the extent that the Plan and the Listing Rules are inconsistent, the provisions of the Listing Rules will prevail.

27.4 Enforcement

These Rules, any determination of the Board made pursuant to the Rules, and the terms of any Awards granted under the Plan, will be deemed to form a contract between the Company and the Participant.

27.5 Governing law

- (a) This Plan and any Awards granted under it will be governed by, and must be construed according to, the laws of the State of Western Australia and the Commonwealth of Australia.
- (b) Each party submits to the non-exclusive jurisdiction of the courts of Western Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Plan and/or any Awards granted under it.

Annexure B – Terms and Conditions of Performance Rights

All defined terms in this Annexure B reflect those adopted in the Plan Rules unless otherwise indicated.

1) Performance and Vesting Period	<p>a) The Performance Rights (Rights) are subject to the Vesting Condition(s) as set out below.</p> <p>b) Provided the Vesting Condition(s) are met or otherwise waived by the Board, the Rights will automatically vest. Following the issue of the Vesting Notification from the Board, the Rights holder will be deemed to have exercised its Performance Rights, and will be issued and/or transferred the requisite number of shares in the Company (as calculated pursuant to the Plan Rules).</p>
2) Vesting Condition	<p>a) Vesting of the Rights is subject to service-based vesting conditions. All vesting conditions must be met before any Rights will vest. The service- vesting conditions are as follows:</p> <p style="padding-left: 40px;"><i>i. Service-based vesting condition</i></p> <p>The Rights holder must remain employed with (or in the case of a contractor, contracted by) the Company until the third anniversary of the Grant Date.</p>
3) Exercise of Awards	<p>a) Following the Vesting of the Rights, the Company will issue a Vesting Notice.</p> <p>b) The Vesting Notice will confirm the number of Rights which can be exercised. Upon the Company providing the Vesting Notice to the Rights holder, the Rights Holder will be deemed to have exercised its Rights, and it will be issued and/or transferred the requisite number of shares in the Company on the basis of one ordinary share in the Company per vested Performance Right.</p>
4) Expiry Date of Rights (from Grant Date)	<p>a) The Rights will automatically expire on the third anniversary of the Grant Date, unless an earlier lapsing date applies (as set out below).</p>
5) Lapse of Rights	<p>a) Where the Rights holder becomes a Bad Leaver, all unvested Rights will automatically be forfeited by the Rights holder and lapse, subject to any determination by the Board in its sole and absolute discretion.</p> <p>b) Where the Rights holder becomes a Good Leaver, all unvested Rights will vest on a pro-rata basis for time elapsed in the performance period, subject to any determination by the Board in its sole and absolute discretion.</p> <p>c) Where, in the opinion of the Board, the Rights Holder:</p> <p style="padding-left: 40px;">i. acts fraudulently, or dishonestly; or</p> <p style="padding-left: 40px;">ii. wilfully breach its duties to the Group.</p> <p>then the Board may deem all unvested and/or unexercised Rights to have lapsed.</p> <p>d) Notwithstanding any other provisions of the Plan, and subject to the Listing Rules, if the Rights Holder and the Board have agreed in writing that some or all of the unvested Rights granted to the Rights Holder may be cancelled on a specified date or on the occurrence of a particular event, then the Board may cancel those Rights on the relevant date or on the occurrence of the particular event (as the case may be).</p> <p>e) Unless the Board otherwise determines in its sole and absolute discretion, unvested Rights will lapse if the Vesting Condition(s) is not achieved by the relevant time.</p> <p>f) Unless the Board otherwise determines in its sole and absolute discretion, unvested Rights will lapse if the applicable Vesting Condition(s) has not been met and cannot be met prior to the Expiry Date.</p> <p>g) Unless the Board otherwise determines in its sole and absolute discretion, unvested Rights will lapse on the Expiry Date.</p>

	<p>h) For the purposes of the Plan Rules a Bad Leaver is defined as a Rights holder who ceases employment (or in the case of a contractor, ceases to be contracted) or office with any member of the Group in any of the following circumstances:</p> <ul style="list-style-type: none"> i. the Rights holder's employment (or in the case of a contractor, their contract) is terminated, or the Rights holder is dismissed from office due to serious and wilful misconduct (including, without limitation, fraud and dishonesty), material breach of the terms of any contract of employment (or in the case of a contractor, their contract) or office entered into by the Company (or another member of the Group) and the Rights holder, gross negligence, or other conduct justifying termination of employment (or in the case of a contractor, their contract) or office without notice either under the Rights holder's contract of employment (or in the case of a contractor, their contract) or office, or at common law; ii. the Rights holder resigns from his or her employment (or in the case of a contractor, their contract) or office; iii. the Rights holder ceases his or her employment (or in the case of a contractor, their contract) or office for any reason and commences employment (or in the case of a contractor, commences a contract) or office, or otherwise acts, in breach of any post-termination restrictions contained in his or her contract of employment (or in the case of a contractor, their contract) or office entered into by the relevant member of the Group and the Rights holder; or iv. the Rights holder is ineligible to hold his or her office for the purposes of Part 2D.6 of the Corporations Act. <p>i) For the purposes of the Plan Rules a Good Leaver means a Rights holder who ceases employment (or in the case of a contractor, their contract) or office with any member of the Group and who is not a Bad Leaver, and includes where a Rights holder's employment (or in the case of a contractor, their contract) or office ceases due to death, permanent incapacity, redundancy, retirement, or any other reason the Board determines in its sole and absolute discretion.</p>
6) Change of control	<p>a) A change of control occurs where:</p> <ul style="list-style-type: none"> i. a person or entity becomes a legal or beneficial owner of 50% or more of the Issued Capital of the Company; or ii. a person or entity becomes entitled to, acquires, holds or has an equitable interest in more than 50% of the Issued Capital of the Company. <p>b) On the occurrence of a Change of Control Event, the Board will determine in its sole and absolute discretion, how unvested Rights will be dealt with.</p>
7) No transfer	<p>a) Rights granted under the Plan may not be assigned, transferred, encumbered with a Security Interest in or over them, or otherwise disposed of by a Rights holder, other than in accordance with the Plan Rules, unless:</p> <ul style="list-style-type: none"> i. the prior consent of the Board is obtained, which consent may impose such terms and conditions on such assignment, transfer, encumbrance or disposal as the Board sees fit; or ii. such assignment or transfer occurs by force of law upon the death of a Rights holder to the Rights holder's legal personal representative.



GR ENGINEERING SERVICES LIMITED
ABN 12 121 542 738

Lodge your vote:



By Mail:

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

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

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

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

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

Proxy Form

For your vote to be effective it must be received by 11:00am (AWST) Wednesday 28 November 2012

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

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

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

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

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

Turn over to complete the form →



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

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

View or update your securityholding:

www.investorcentre.com

Your secure access information is:

SRN/HIN: I9999999999



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

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

☐

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



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of GR Engineering Services Limited hereby appoint

☐ the Chairman of the Meeting

OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of GR Engineering Services Limited to be held at The Empire Bar Function Room, 220 Great Eastern Highway, Rivervale, Western Australia at 11:00am (AWST) on Friday, 30 November 2012 and at any adjournment or postponement of that Meeting.

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

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

STEP 2

Items of Business

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

		For	Against	Abstain
Resolution 1	Non Binding Resolution to adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Terrence Strapp as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Peter Hood as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of issue of performance rights to Eligible Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

SIGN

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /