



GR ENGINEERING SERVICES LIMITED

ABN 12 121 542 738

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Thursday, 28 November 2019

Time of Meeting

11:00am (AWST)

Place of Meeting

Empire Bar Function Room

220 Great Eastern Highway, Lathlain, Western Australia

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the 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 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, Lathlain, Western Australia on Thursday, 28 November 2019 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 2019, 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 a **non-binding 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 member of the Key Management Personnel whose remuneration details are included in the remuneration report, or their Closely Related Parties. 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 or the proxy is the Chair of the Meeting and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chair to exercise the proxy

even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel; and

- (b) it is not cast on behalf of a member of the Key Management Personnel whose remuneration details are included in the remuneration report, or their Closely Related Parties.

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

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

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

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

2. Resolution 2 – Re-election of Tony Patrizi as a Director

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

"That, Tony Patrizi, 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 Phillip Lockyer as a Director

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

"That, Phillip Lockyer, 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 – Election of Giuseppe Totaro as a Director

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

"That, Giuseppe Totaro, who was appointed as an additional Director pursuant to clause 13.5 of the Constitution and being eligible for re-election, be re-elected in accordance with clause 13.3 of the Constitution as a Director."

5. Resolution 5 – 2019 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, Shareholders approve any issue of Incentive Securities under the GR Engineering Services Limited 2019 Equity Incentive Plan, a summary of the rules of which are set out in the Explanatory Memorandum, as an exception to Listing Rule 7.1."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 5 by any Director (other than any Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any person who is an associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) 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.

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution 5 if:

- (c) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution 5.

However, the above prohibition does not apply if:

- (e) the proxy is the Chair; and
- (f) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution 5 is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. Resolution 6 – Additional 10% Placement Capacity

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

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

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 6 by any person who is expected to participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any associate of those persons.

However, the Company need not disregard a vote if the vote is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- (b) 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



Geoff Jones
Managing Director

Dated: 25 October 2019

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. A properly executed original (or certified copy) of an appropriate power of attorney under which an attorney has been authorised to attend and vote at the Meeting must be received by the Company's Share registry by 11.00am (AWST) on 26 November 2019 (48 hours before the commencement of the Meeting) in the same manner as outlined for proxy forms below to be effective.

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 received by 11:00am (AWST) on 26 November 2019. Proxies received after this time will be invalid.
- Proxies may be lodged using any of the following methods:

Online: www.investorvote.com.au

By mail: Share registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia

By fax: 1800 783 447 (within Australia)

+61 3 9473 2555 (outside Australia)

By mobile: Scan the QR Code on your proxy form and follow the prompts

Custodian: 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 26 November 2019. 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 Meeting will be the entitlement of that person set out in the register of Shareholders as at 4.00pm (AWST) 26 November 2019.

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 deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 30 June 2019 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 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.

The Chair will also allow a reasonable opportunity for the auditor or their representative to answer any written questions submitted to the auditor under section 250PA of the Corporations Act.

RESOLUTION 1 - NON-BINDING RESOLUTION TO ADOPT REMUNERATION REPORT

Section 250R(2) of the Corporations Act requires the Company to put to its Shareholders a resolution that the remuneration report as disclosed in the Company's 2019 Annual Report be adopted.

The remuneration report is set out in the Company's 2019 Annual Report and is also available on the Company's website (www.gres.com.au).

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

However, if at least 25% of the votes cast are against adoption of the remuneration report at two consecutive annual general meetings, the Company will be required to put a resolution to the second annual general meeting (**Spill Resolution**), to approve calling a general meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must then convene a Spill Meeting within 90 days of the second annual general meeting. All of the Directors who were in office when the applicable Directors' Report was approved, other than the Managing Director, will need to stand for re-election at the Spill Meeting if they wish to continue as Directors.

The remuneration report for the financial year ended 30 June 2018 did not receive a vote of more than 25% against its adoption at the Company's last general meeting held on 22 November 2018. Accordingly, if at least 25% of the votes cast on Resolution 1 are against adoption of the remuneration report it will not result in the Company putting a Spill Resolution to Shareholders. However, a Spill Resolution will be required if the remuneration report at the 2020 annual general meeting receives a vote of more than 25% against its adoption.

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 equity based compensation.

The Chair will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the remuneration report.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice. 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 TONY PATRIZI AS A DIRECTOR

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

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

Mr Patrizi co-founded the Company. He is a mechanical engineer with over 30 years' experience in the mining and mineral processing industry as a company director, operations manager, project manager and maintenance engineer. Mr Patrizi was previously the operations manager of JR Engineering which had over 300 personnel and provided workshop, maintenance, engineering and construction services to mining and mineral processing project in Western Australian and interstate.

The Board does not consider Mr Patrizi to be an independent director by virtue of his executive management role within the Company.

The Directors support the re-election of Mr Patrizi and recommend Shareholders vote in favour of this resolution.

RESOLUTION 3 - RE-ELECTION OF PHILLIP LOCKYER AS A DIRECTOR

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

Pursuant to Clause 13.2 of the Company's Constitution, Mr Phillip Lockyer, the Company's Non-Executive Chairman, retires by way of rotation and being eligible, offers himself for re-election as a Director.

Mr Lockyer is a Mining Engineer and Metallurgist who has over 50 years' experience in the mineral industry, with a focus on gold and nickel in both underground and open pit operations. He was employed by WMC Resources for 20 years and as General Manager for Western Australia was responsible for WMC's nickel division and gold operations. Mr Lockyer also held the position of Director Operations for Dominion Mining Limited and Resolute Limited. He holds a Diploma of Metallurgy from the Ballarat School of Mines, an Associateship of Mining Engineering from the Western Australian School of Mines and a Masters of Minerals Economics from Curtin University.

Mr Lockyer is currently a Non-Executive Director of Swick Mining Services Limited and RTG Mining Inc.

The Board considers that Mr Lockyer, if elected, will continue to qualify as an independent Director.

The Directors support the re-election of Mr Lockyer and recommend Shareholders vote in favour of this resolution.

RESOLUTION 4 - ELECTION OF GIUSEPPE TOTARO AS A DIRECTOR

Resolution 4 seeks approval for the election of Mr Giuseppe (Joe) Totaro as a Director with effect from the end of the Meeting.

Clause 13.5 of the Constitution provides that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy, or as an addition to the existing Directors, but so that the total number of Directors does not at any time exceed the maximum number specified by the Constitution. Any Director so appointed holds office only until the next following annual general meeting and is then eligible for election, but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Totaro was appointed as an additional Non-Executive Director of the Company on 1 July 2019.

Mr Totaro retires from office in accordance with the requirements of clause 13.5 of the Constitution and being eligible, offers himself for re-election as a Director.

Mr Totaro co-founded the Company and was its Chief Financial Officer and Company Secretary until April 2019. Mr Totaro is a certified practicing accountant (CPA) with over 30 years' experience in commercial and public practice specialising in mining and mining services. He is also a Director of the Company's wholly-owned oil and gas services subsidiary, Upstream Production Solutions.

The Board considers that Mr Totaro, if elected, will qualify as an independent Director.

The Directors support the election of Mr Totaro and recommend Shareholders vote in favour of this resolution.

RESOLUTION 5 - 2019 EQUITY INCENTIVE PLAN

Background

In 2015, the Directors considered it desirable to maintain an employee incentive scheme pursuant to which employees and Directors may be offered the opportunity to be granted Incentive Securities. Accordingly, the Directors adopted the 2015 Equity Incentive Plan.

Listing Rule 7.2 Exception 9 provides that Shareholders may approve in advance the issue of securities made under an employee incentive scheme as an exception to the limit imposed by Listing Rule 7.1 provided that Shareholder approval has been given within the three years prior to the date on which the relevant securities are

issued. The approval obtained by Shareholders for the 2015 Equity Incentive Plan has ceased to be valid for the purposes of Listing Rule 7.2 Exception 9.

The Company is now seeking Shareholder approval for the purposes of Listing Rule 7.2 Exception 9 for the purposes of the 2019 Equity Incentive Plan.

The 2019 Equity Incentive Plan is a continuation of the 2015 Equity Incentive Plan. The Incentive Securities that may be issued under the 2019 Equity Incentive Plan and the 2019 Plan Rules are consistent in all material respects with the 2015 Equity Incentive Plan.

The 2019 Equity Incentive 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 still consider that the issue of Incentive 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 2019 Equity Incentive 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.

The following Incentive Securities may be offered to Eligible Employees under the 2019 Equity Incentive 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.

Summary of the 2019 Equity Incentive Plan

The key terms of the 2019 Equity Incentive Plan are set out below:

- (a) **Eligibility:** The Board may from time to time, invite eligible employees, directors and contractors of the Company (or its associated bodies corporate), to be eligible to receive Incentive Securities under the 2019 Equity Incentive Plan (Eligible Employees).
- (b) **Offers:** The Board may, from time to time, at its absolute discretion, determine the number and value

of any Incentive Securities to be granted under the 2019 Equity Incentive Plan. Without limiting its discretion, the Board may also determine the vesting conditions, the performance hurdles, the exercise conditions and any other terms applicable to a particular grant of Incentive Securities in an offer made to an Eligible Employee.

- (c) **Rights of Incentive Security holders:** Incentive Securities do not entitle the holder to notice of, or to vote or attend at, a meeting of Shareholders, or, receive any dividends declared by the Company.
- (d) **Transferability:** Incentive Securities may not be assigned, transferred, encumbered, or otherwise disposed of unless that assignment or transfer occurs by force of law upon the death of the holder to the holder's legal representative.
- (e) **Incentive Securities:** Awards of both "Performance Rights" and/or "Share Appreciation Rights" may be made to Eligible Employees under the 2019 Equity Incentive Plan.
- (f) **Performance Right:** A Performance Right is an entitlement to be issued or transferred (as determined by the Board) one Share on exercise of the Performance Right, subject to the satisfaction of any vesting conditions, performance hurdles and/or exercise conditions.
- (g) **Share Appreciation Right:** A Share Appreciation Right is a right to be issued or transferred (as determined by the Board) that number of Shares on exercise of the Share Appreciation Right (rounded down to the nearest whole Share) calculated as follows:

Quantity of Shares to be issued/transferred on exercise =

*Quantity of exercised Share Appreciation Rights x
(Subsequent Market Value – Initial Market Value)*

Subsequent Market Value

Where:

Initial Market Value means the Market Value of Share as at the grant date of a Share Appreciation Right (or another date determined by the Board and specified in the offer (plus a premium if applicable and specified in the offer));

Subsequent Market Value means the Market Value of a Share as at the date of exercise of a Share Appreciation Right; and

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

- (h) **Vesting Conditions / Performance Hurdles / Exercise Conditions:** The Incentive Securities will be subject to the vesting conditions, performance hurdles and exercise conditions as determined by the Board at the time of grant. In certain circumstances, the Board may in its discretion determine that any unvested Incentive Securities will become vested and may be exercised in any period, whether or not any or all of the applicable vesting conditions and exercise conditions have been satisfied, including if an Eligible Employee becomes a good leaver (for example, ceases to be an executive director or employee due to death or incapacity) or there is a change of control of the Company.
- (i) **Exercise and issue / transfer of Shares:** An Incentive Security may only be exercised by a holder following vesting of that Incentive Security. An offer must specify whether an Incentive Security will either be deemed to automatically have been exercised by the holder on vesting or whether the holder must manually exercise the Incentive Security by delivering a notice of exercise to the Company within a period specified in the offer.
- (j) **Shares:** Any Shares allotted and issued, or transferred, to an Eligible Employee following the exercise of an Incentive Security (**Plan Share**) will rank equally with all existing Shares on and from the date of issue or transfer, subject to any disposal restrictions notified at the time of the offer of the Incentive Security. Shares, or any beneficial or legal interest in Plan Shares, may not be transferred, encumbered or otherwise disposed of 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.
- (k) **Forfeiture:** Unless otherwise determined by the Board, an Eligible Employee's Incentive Securities will generally be forfeited in the circumstances set out in the Plan Rules, and include where:
- (i) an Eligible Employee's employment or office or engagement with the Company (or an associated body corporate of the Company) ceases, unless the Board has determined that the leaver may retain their Incentive Securities. For example, where the leaver has ceased employment or office with the Company due to becoming a good leaver (e.g. due to death or incapacity), the Board may determine that Eligible Employee may retain their Incentive Securities;
 - (ii) the relevant vesting conditions, performance hurdles or exercise conditions are not satisfied or cannot be satisfied by the relevant expiry date of the Incentive Securities;
 - (iii) an Eligible Employee acts fraudulently or dishonestly or in breach of his or her obligations to the Company; or
 - (iv) an Eligible Employee becomes insolvent.
- (l) **Trust:** The Board may elect to use, on such terms and conditions as determined by the Board in its absolute discretion, an employee share trust for the purpose of holding Shares before or after the exercise of an Eligible Employee's Incentive Securities or delivering any Shares to that Eligible Employee upon the vesting and exercise of an Incentive Security.
- (m) **Change of control:** If a change of control event occurs, which is defined in the Plan Rules, the Board may in its absolute discretion determine the manner in which all vested and unvested Incentive Securities are dealt with (including without limitation in a manner that allows the Eligible Employee to benefit from the change of control event).
- (n) **Amendment:** The Board has the ability to amend the Plan Rules at any time, including with retrospective effect, except that any amendments which affect an Eligible Employee's existing entitlements or obligations require an Eligible Employee's consent unless the amendment is primarily necessitated to ensure compliance with the Constitution or laws or to correct manifest errors or for other limited reasons set out in the Plan Rules.

Listing Rule Requirements

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 2019 Equity Incentive Plan pursuant to Listing Rule 7.2 Exception 9(b) such that the issue of Incentive Securities under the 2019 Equity Incentive 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 2019 Equity Incentive Plan.

Under the 2019 Equity Incentive Plan, the Board may offer to Eligible Employees the opportunity to subscribe for such number of Incentive Securities as the Board may decide and on the terms set out in the Plan Rules.

If Resolution 5 is passed, the Company will be able to issue Performance Rights and Share Appreciation Rights under the 2019 Equity Incentive Plan to Eligible

Employees over a period of 3 years utilising the exception to Listing Rule 7.1.

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

- (a) A summary of the Plan Rules is set out in the Explanatory Memorandum to Resolution 6. A copy of the Plan Rules is available on the Company's website at gres.com.au/corporate/charters-and-procedures.
- (b) This is the first approval sought under Listing Rule 7.2 Exception 9 with respect to the 2019 Equity Incentive Plan. The Company issued 2,425,000 Performance Rights and 1,150,000 Share Appreciation Rights under the 2015 Equity Incentive Plan since it was approved by Shareholders on 10 November 2015.
- (c) A voting exclusion statement has been included for the purposes of Resolution 5.

RESOLUTION 6 - ADDITIONAL 10% PLACEMENT CAPACITY

Listing Rule 7.1A enables an Eligible Entity to seek approval by special resolution at its annual general meeting to issue Equity Securities up to 10% of its issued capital over a period of up to 12 months after the annual general meeting, in addition to those under the 15% annual placement capacity (**10% Placement Capacity**).

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and had a market capitalisation at the close of business on 15 October 2019 of \$123.67 million, based on a share price of \$0.785.

The effect of Resolution 6 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue during the period up to 12 months after the Meeting, without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The Equity Securities must be in the same class as an existing class of quoted Equity Securities. The Company currently has only one class of Equity Securities on issue, being fully paid ordinary shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

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

- (a) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
- (b) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (c) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
- (d) less the number of Shares cancelled in the previous 12 months.

D is 10%.

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

Technical information required by ASX Listing Rule 7.1A

In accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 6:

- (a) Minimum price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed (**Agreed Issue Date**); or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the Agreed Issue Date, the date on which the Equity Securities are issued.

- (b) Date of issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of this Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

- (c) Risk of dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the voting interests and may dilute the economic interests of Shareholders who do not receive Equity Securities under the issue.

The table below seeks to demonstrate the potential dilution of existing Shareholders resulting from the issue of Equity Securities under the 10% Placement Capacity calculated in accordance with the formula contained in Listing Rule 7.1A.2. The table does this by setting out the potential number of Shares issued and funds raised on the basis of:

- (i) the current number of Shares on issue;
- (ii) the number of Shares on issue changing (variable 'A' in the formula); and
- (iii) a variation in the issue price of the Shares (noting that Shares may only be issued at up to a 25% discount based on the volume weighted average price of the Shares calculated over the 15 ASX trading days preceding the issue).

Voting Dilution				
No. of Shares on Issue (Variable A in formula)	Dilution Variable	\$0.38 (50% decrease in current Share Price)	\$0.76 (Current Share Price)	\$1.14 (50% increase in current Share Price)
153,623,189 (Current)	Additional 10% Shares Issued	15,362,319	15,362,319	15,362,319
	Funds Raised (\$)	5,837,681	11,675,362	17,513,044
230,434,784 (50% increase) *	Additional 10% Shares Issued	23,043,478	23,043,478	23,043,478
	Funds Raised (\$)	8,756,522	17,513,043	26,269,565
307,246,378 (100% increase) *	Additional 10% Shares Issued	30,724,638	30,724,638	30,724,638
	Funds Raised (\$)	11,675,362	23,350,725	35,026,087

Table 1: Voting Dilution

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that does not require Shareholder approval (such as under a pro-rata rights issue) or an issue of Shares with Shareholder approval under Listing Rule 7.1.

Table 1 uses the following assumptions:

- (i) The current number of Shares on issue is the Shares on issue as at 17 October 2019.
- (ii) The current issue price is the closing price of the Shares on the ASX on 17 October 2019.
- (iii) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- (iv) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (v) This table does not set out any dilution pursuant to approvals under Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (vi) the market price for the Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (vii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for following purposes:

- (i) If Equity Securities are issued for cash consideration, to raise capital for future projects, to pursue growth opportunities, continued expenditure on the Company's current assets and for general working capital; and
- (ii) if Equity Securities are issued for non-cash consideration, as scrip consideration for the acquisition of assets. The Company will comply with the minimum issue price limitation under Listing Rule 7.1A.3 in relation to such issue and will release the valuation of the non-cash consideration to the market.

(e) Allocation under the 10% Placement Capacity

The allottees of any issue of Equity Securities to be issued under the 10% Placement Capacity have not been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of any issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (as applicable).

(f) Previous approval under Listing Rule 7.1A

The Company previously obtained approval under Listing Rule 7.1A at its annual general meeting on 22 November 2018.

The Company has issued 177,500 Equity Securities in the 12 months preceding the date of this notice of meeting (being approximately 0.12% of the total Equity Securities on issue 12 months prior to this Meeting).

As required under Listing Rule 7.3A.6(b), the details in respect of all issues of Equity Securities by the Company during the previous 12 months are set out as follows:

Date	Equity Securities	Class	Price / discount of Equity Securities issued	Amount of cash or non-cash consideration	Current value of non-cash consideration
22/07/19	50,000	PR	\$ 0.95 / representing no discount to the closing price on the date of issue	\$ 47,500 (non-cash consideration)	\$ 38,000
08/04/19	127,500	Shares	\$ 1.06 / representing no discount to the closing price on the date of issue	\$ 135,500 (non-cash consideration)	\$ 96,900

Table 2: Previous Issues of Equity Securities

All of the Equity Securities issued in Table 2 were allotted to Eligible Employees, upon the issue or vesting of Performance Rights pursuant to the 2015 Equity Incentive Plan.

Recommendation

The Board recommends that Shareholders vote in favour of Resolution 6.

GLOSSARY

"**10% Placement Capacity**" has the meaning given to that term in the Explanatory Memorandum to Resolution 6;

"**2015 Equity Incentive Plan**" means the GR Engineering Services Limited 2015 Equity Incentive Plan;

"**2019 Equity Incentive Plan**" means the GR Engineering Services Limited 2019 Equity Incentive Plan;

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

"**Annual Report**" means the annual report of the Company for the year ended 30 June 2019;

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

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

"**Chair**" means the Chairman;

"**Chairman**" means the chairman of the Meeting;

"**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 that term in the Plan Rules;

"**Equity Security**" has the meaning given to that term in the Listing Rules;

"**Incentive Security**" means a Performance Right or a Share Appreciation Right issued pursuant to the 2019 Plan Rules;

"**Listing Rules**" means the listing rules of the Australian Securities Exchange (ASX);

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

"**Meeting**" means the 2019 annual general meeting the subject of the Notice;

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

"**Performance Right**" has the meaning given to that term in the Plan Rules;

"**PR**" means performance rights issued pursuant to the Plan;

"**Plan Rules**" means the rules of the 2015 Equity Incentive Plan or the 2019 Equity Incentive Plan (as applicable);

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

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

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

"**Share Appreciation Right**" has the meaning given to that term in the Plan Rules; and

"**Shareholder**" means a holder of Shares.



GR ENGINEERING SERVICES LIMITED
ABN 12 121 542 738



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

Need assistance?



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+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AWST) Tuesday, 26 November 2019.**

Proxy Form

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 or abstain as they choose (to the extent permitted by law). 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 FOR POSTAL FORMS

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

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999
SRN/HIN: I9999999999
PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

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

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



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

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

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

☐

the Chairman
of the Meeting

OR

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of GR Engineering Services Limited to be held at the Empire Bar Function Room, 220 Great Eastern Highway, Lathlain, Western Australia on Thursday, 28 November 2019 at 11:00am (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 5 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 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 Resolutions 1 and 5 by marking the appropriate box in step 2.

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
1 Non-Binding Resolution to Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Tony Patrizi as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Phillip Lockyer as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Election of Giuseppe Totaro as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 2019 Equity Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

GNG

2 5 5 1 6 7 A



Computershare

