



GRD Limited

ACN 009 201 754

**NOTICE OF ANNUAL GENERAL MEETING
and EXPLANATORY STATEMENT**

2006 Annual General Meeting

**to be held at the Conference Room,
Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia
on 29 May 2006 commencing at 11.00am (WST)**

Please read this Notice of Annual General Meeting and accompanying Explanatory Statement in their entirety and if you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2006 Annual General Meeting of Shareholders of GRD Limited ("GRD" or "Company") will be held in the Conference Room, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia, on 29 May 2006 at 11.00am (WST).

ORDINARY BUSINESS

Financial Statements

To receive and consider the Financial Statements for the year ended 31 December 2005 together with the Auditor's Report and Directors' Report for that period.

Election or Re-election of Directors

To consider and, if thought fit, pass the following **ordinary resolutions**:

1. "That Mr Steven Dean, having retired as a Director by rotation in accordance with Article 9.3 of the Constitution of the Company, and being eligible, be re-elected."
2. "That Mr Bruce Thomas, having retired as a Director by rotation in accordance with Article 9.3 of the Constitution of the Company, and being eligible, be re-elected."
3. "That Mr Cliff Lawrenson, who was appointed as a Director on 31 March 2006 by the Board and who holds office until the conclusion of the Annual General Meeting in accordance with Article 9.8 of the Constitution of the Company, and being eligible, be elected."

Remuneration Report

To consider and, if thought fit, pass the following advisory only **non-binding resolution**:

4. "That the Remuneration Report for the year ending 31 December 2005 be adopted."

Note: The vote on this resolution is advisory only.

SPECIAL BUSINESS

Issue of Options to Mr Cliff Lawrenson

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

5. "That for the purposes of Listing Rule 10.11 of the Australian Stock Exchange and for all other purposes, the Company approve the issue of 5,000,000 options to acquire fully paid ordinary Shares in the Company to Mr Cliff Lawrenson for the prices, on the terms and for the purposes set out in the Explanatory Statement accompanying the Notice of Annual General Meeting."

Issue of Options to Senior Managers and Executives

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

6. "That, for all purposes, the Company approve the issue of up to 2,000,000 options to acquire fully paid ordinary Shares in the Company to senior managers and executives of the Company for the prices, on the terms and for the purposes set out in the Explanatory Statement accompanying the Notice of Annual General Meeting".



Non-Executive Directors' Fees

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

7. "That for the purposes of Article 9.9(a) of the Constitution of the Company, Listing Rule 10.17 of the Australian Stock Exchange and for all other purposes, the pool of fees payable to non-executive Directors for their services as Directors each year be increased from \$150,000 to \$400,000."

OTHER BUSINESS

To transact any other business that may be legally brought before the meeting.

VOTING ENTITLEMENT

The Board has determined in accordance with the Company's Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members at 5.00 pm (WST) on Friday 26 May 2006. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXIES

Please note that:

- (a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, a certificate of appointment of corporate representative should be completed and lodged in the manner specified below.

CORPORATE REPRESENTATIVE

Any corporate holder of the Company's shares who has appointed a person to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the Annual General Meeting or handed in at the meeting when registering as a corporate representative.

VOTING EXCLUSIONS

The Company will disregard any votes cast:

- (a) on Resolution 5 by Mr Cliff Lawrenson and his associates; and
- (b) on Resolution 7 by a Director of the Company and any of their associates.

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 Chairperson of 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.

By Order of the Board

A handwritten signature in black ink, appearing to be "Peter Bryant", written over a faint, illegible stamp or background.

PETER BRYANT
Company Secretary
28 April 2006



EXPLANATORY STATEMENT TO THE NOTICE OF ANNUAL GENERAL MEETING TO BE HELD ON 29 MAY 2006

INTRODUCTION

1. BACKGROUND

This Explanatory Statement is presented to the Company's shareholders ("**Shareholders**") to provide them with information concerning each of the resolutions to be considered at the Company's 2006 Annual General Meeting.

The purpose of the Annual General Meeting is to achieve the following:

- conduct the ordinary business of the Company's Annual General Meeting; and
- conduct special business, being the issue of share options to Mr Cliff Lawrenson, the Chief Executive Officer, the issue of share options to certain senior managers and executives of GRD and setting the remuneration pool for non-executive Directors of the Company.

Each of the resolutions to be considered by Shareholders are ordinary resolutions requiring approval of 50% of Shareholders present in person, or by an attorney, representative or proxy at the Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting. This Explanatory Statement should be read in conjunction with the notice of Annual General Meeting.

RESOLUTIONS 1, 2, 3 & 4

ORDINARY BUSINESS

2. RE-ELECTION OF DIRECTORS

In accordance with ASX Listing Rules and Article 9.3 of the Company's Constitution, at every Annual General Meeting, one third of the Company's Directors must retire from office each year and are eligible for re-election. The Directors to retire are those who have been longest in office since their last re-appointment. In the case of equality in this respect, the Directors to retire, unless they agree among themselves, will be determined by lot.

On this basis:

- (a) Mr Steven Dean retires and offers himself for re-election; and
- (b) Mr Bruce Thomas retires and offers himself for re-election.

Brief biographical details of each of the Directors standing for re-election are set out below:

Mr Steven Dean

Mr Dean is a Fellow of the Australian Institute of Mining and Metallurgy, the Australian Institute of Chartered Accountants, a Member of the Canadian Institute of Mining, Metallurgy and Petroleum, and was a founding Director of the Australian Gold Council. He was previously a member of the founding management group of Normandy Poseidon, which later became Normandy Mining Limited, founder of PacMin Mining Corporation and President of Teck Cominco Limited. Mr Dean is currently Director and Chairman of Amerigo Resources Limited and Spur Ventures Inc.

Mr Bruce Thomas

Mr Thomas is a Chartered Accountant, a Chartered Secretary and a Fellow of the Financial Services Institute of Australasia. Mr Thomas has substantial experience in capital markets and funds management.

The Board, other than Mr Dean and Mr Thomas in respect of their own re-election, recommends that Shareholders vote in favour of the re-election of each of these candidates.

3. ELECTION OF DIRECTOR

Mr Cliff Lawrenson was appointed as Director and Chief Executive Officer of the Company on 31 March 2006. It is a requirement under the Company's Constitution that any Director appointed during the year only hold office until the next annual general meeting of Shareholders at which time the Director can offer himself for re-election.

As Chief Executive Officer, Mr Lawrenson is exempt from the retirement by rotation process detailed in Article 9.3 of the Constitution by operation of Article 10.10 of the Constitution and accordingly, Mr Lawrenson will not be required to submit for re-election in the future.

Brief biographical details of Mr Lawrenson are set out below.

Mr Cliff Lawrenson

Cliff Lawrenson was appointed Chief Executive Officer of GRD on 31 March 2006. He first joined GRD in July 2004 as director of finance and Company Secretary, and is also the Managing Director of Global Renewables Limited and a Director of Oceana Gold Limited. Prior to joining GRD Mr Lawrenson spent 7 years with CMS Energy Corporation in the United States of America as vice president financial, advisory and strategic planning. He has worked extensively in investment banking around the world, including with Macquarie Bank in Australia, and holds postgraduate qualifications in commerce and finance. Mr Lawrenson has served on several boards in international locations where he has led the development and financing of numerous major infrastructure projects.

The Board, other than Mr Lawrenson, recommends that Shareholders vote in favour of the election of this candidate.

4. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is contained within the Directors' Report section of the 2005 Annual Report.

The Remuneration Report:

- explains the Board's policies in relation to the objectives and structure of remuneration;
- discusses the relationship between the policies and the Company's performance;
- provides a detailed summary of performance conditions, why they were chosen and how performance is measured against them; and
- sets out the remuneration details for each Director and for each of the other key management personnel (including the top five highest remunerated senior executives as required by the Corporations Act) of the GRD group of companies.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting.

Shareholders should note that Resolution 4 is advisory only and does not bind the Directors or the Company.

The Board recommends that Shareholders vote in favour of adopting the Remuneration Report.

RESOLUTIONS 5, 6 AND 7

SPECIAL BUSINESS

5. ISSUE OF OPTIONS TO MR CLIFF LAWRENSEN

5.1 Background

Resolution 5 has been included in the Notice of Annual General Meeting so that Shareholders may consider and, if considered appropriate, approve the issue of 5,000,000 Options to the Chief Executive Officer and Director, Mr Cliff Lawrenson (**CEO Options**).

The issue of the CEO Options to Mr Lawrenson follows his appointment to the role of Chief Executive Officer on 31 March 2006 and is designed to recognise and incentivise Mr Lawrenson's contribution to the Company. The determination of the number and terms of the CEO Options to be issued to Mr Lawrenson is based on the recommendation of both the Board and the Company's Remuneration and Nominations Committee, taking into account Mr Lawrenson's position and responsibilities within the Company. The CEO Options will form the equity-based component of the overall remuneration package for Mr Lawrenson.

If approved the CEO Options will be allotted on the terms and conditions set out in Section 5.5 of this Explanatory Statement.

5.2 Corporations Act

While the granting of CEO Options to Mr Lawrenson is the provision of a related party benefit for the purposes of Part 2E.1 of the Corporations Act, shareholder approval to the giving of the financial benefit is not required by virtue of section 211 of the Corporations Act as the Board considers that the benefit is reasonable remuneration in the circumstances. Even though the issue of the CEO Options is reasonable, in accordance with the principles of good governance the Board has determined to seek Shareholder approval. The Directors consider the issue of the CEO Options on the terms and conditions set out in this Explanatory Statement to be reasonable and appropriate in order to link the remuneration of Mr Lawrenson to the medium and long-term performance of the Company and to align the interests of the Chief Executive Officer with those of Shareholders.

5.3 ASX Listing Rules

ASX Listing Rule 10.11 provides that a company must not issue equity securities (including options to acquire shares) to a related party of the company, such as a director, without the company obtaining the approval by ordinary resolution of its Shareholders. Accordingly the Company is seeking the approval of the Shareholders under ASX Listing Rule 10.11 to allow the Company to issue the CEO Options to Mr Lawrenson. If Shareholders approve the issue of the Options under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

5.4 Categories of CEO Options

The CEO Options fall into the following categories:

Construction Options – 2,000,000 Options exercisable at \$2.50 per Option, subject to the Construction Options terms and conditions described below, with the Construction Options being further divided into two sub-categories (described in section 5.5 below);

Development Options – 1,000,000 Options exercisable at \$3.00 per Option, subject to the Development Option terms and conditions described below; and

Group Performance Options – 2,000,000 Options exercisable at \$3.50 per Option, subject to the Group Performance terms and conditions described below, with the Group Performance Options being further divided into two sub-categories (described in section 5.5 below).

5.5 Terms and Conditions of CEO Options

Terms applying to all CEO Options

All of the CEO Options will expire on the earlier of 5.00 pm (WST) on:

- 1 June 2016; and
- the day which is 3 months after the day Mr Lawrenson ceases to be an employee of the Company or a Related Body Corporate.

In certain circumstances where Mr Lawrenson's employment contract is terminated by the Company, the CEO Options may vest immediately.

All of the CEO Options are subject to "blackout periods". During a blackout period, Options cannot be exercised unless approval is obtained from the Company Secretary and Chairman of the Company.

The black out periods occur annually until the expiry of the options:

- from 1 January until the release of the Company's Preliminary Final Report to ASX for the year ending the preceding 31 December; and
- from 1 July until the release of the Company's Half Year Report to ASX for the period ending the preceding 30 June.

The blackout periods will not apply if Mr Lawrenson is not employed by GRD or a Related Body Corporate.

Subject to Shareholder approval, the CEO Options will be issued to Mr Lawrenson as soon as practicable after the date of the Annual General Meeting, and in any event within one month.

Construction Options

The exercise price for each Construction Option is \$2.50.

The 2,000,000 Construction Options are further divided into two sub categories, subject to the following terms and conditions:

Sub-Category 1: 1,000,000 Construction Options

The Options will only vest if:

- GRD Minproc Limited, and its subsidiaries, secures new business on projects, as evidenced by the execution of contracts or the commencement of work under client instructions, with a total capital value to its clients of at least \$500 million during the 12 month period ending 31 March 2007; and
- on 31 March 2007 Mr Lawrenson has been continuously employed by the Company in the position of CEO since 31 March 2006.

If the above conditions are satisfied, the Sub-Category 1 Construction Options will vest on 31 March 2007.

Sub-Category 2: 1,000,000 Construction Options

The Options will only vest if

- GRD Minproc Limited, and its subsidiaries, secures new business on projects, as evidenced by the execution of contracts or the commencement of work under client instructions, with a total capital value to its clients of at least \$1 billion during the 24 month period ending 31 March 2008; and
- on 31 March 2008 Mr Lawrenson has been continuously employed by the Company in the position of CEO since 31 March 2006.

If the above conditions are satisfied, the Sub-Category 2 Construction Options will vest on 31 March 2008.

Development Options

The exercise price for each Development Option is \$3.00.

The Development Options will only vest if:

- the Company achieves financial close on the Lancashire Municipal Waste PFI Project (**Project**); and
- on the date the Company achieves financial close of the Project, Mr Lawrenson has been continuously employed by the Company in the position of CEO since 31 March 2006.

If the above conditions are satisfied, the Options will vest on the date the Company achieves financial close of the Project.

For the purpose of the Development Options the term "financial close" means the later of the dates on which the:

(a) Project Agreement between the Company or its Related Body Corporate and Lancashire County Council (or its nominee) has been executed and all conditions precedent to that agreement have been satisfied or waived;

(b) the financing agreements relating to the Project have been executed and all conditions precedent to those agreements have been satisfied or waived; or

(c) the construction contract for the Project has been executed and all conditions precedent to that agreement have been satisfied or waived.

Group Performance Options

The Exercise Price for each Group Performance Option is \$3.50.

The 2,000,000 Group Performance Options are further divided into two sub-categories, subject to the following terms and conditions:

Sub-Category 1: 1,000,000 Group Performance Options

The Options will only vest if:

- the share price for the Company outperforms the average share price return of the ASX 200 Accumulation Index for the period 31 March 2006 to 31 March 2007; and
- on 31 March 2007 Mr Lawrenson has been continuously employed by the Company in the position of CEO since 31 March 2006.

If the above conditions are satisfied, the Sub-Category 1 Group Performance Options will vest on 31 March 2007.

Sub-Category 2: 1,000,000 Group Performance Options

The Options will only vest if:

- the share price for the Company outperforms the average share price return of the ASX 200 Accumulation Index for the period 31 March 2007 to 31 March 2008; and
- on 31 March 2008 Mr Lawrenson has been continuously employed by the Company in the position of CEO since 31 March 2006.

If the above conditions are satisfied, the Sub-Category 2 Group Performance Options will vest on 31 March 2008.

5.6 Additional Information on Resolution 5

No funds will be raised by the issue of the CEO Options under Resolution 5.

If the conditions surrounding the vesting of the CEO Options are all met so that all of the CEO Options vest, and all of the CEO Options are fully exercised, \$15,000,000 will be received by the Company. However, there is no guarantee that all the CEO Options will vest or that all will be exercised. Any money raised as a result of the exercise of any CEO Options will be used by the Company for general working capital purposes.

The dilutionary effect if all CEO Options issued to Mr Lawrenson under Resolution 5 are exercised would amount to approximately 2.44% diluted, or 2.60% undiluted, of the Company's current issued share capital and share options.

Valuation

The Company has commissioned an indicative valuation of the CEO Options to be issued to Mr Lawrenson, for the purposes of providing additional information to Shareholders.

In relation to the Construction Options and the Development Options the theoretical binomial valuation model ("Binomial Model") method has been used. In relation to the Group Performance Options, which include a share market-based performance hurdle, the Monte-Carlo simulation methodology (the "Monte-Carlo method") was considered most suitable and was used for the indicative valuations.

The CEO Options have the following indicative values:

Option Category	First Exercise Date	Number of CEO Options	Exercise Price	Indicative Value per Option
Construction Options				
Sub-Category 1	31 March 2007	1,000,000	\$2.50	\$0.52
Sub-Category 2	31 March 2008	1,000,000	\$2.50	\$0.52
Development Options	Financial Close of Lancashire PFI	1,000,000	\$3.00	\$0.38
Group Performance Options				
Sub-Category 1	31 March 2007	1,000,000	\$3.50	\$0.10
Sub-Category 2	31 March 2008	1,000,000	\$3.50	\$0.10

The valuation methods used to arrive at these indicative CEO Option values have required the following estimates and assumptions:

- the Grant Date of the CEO Options is assumed to be 29 May 2006 and the date of issue of the CEO Options is assumed to be 1 June 2006;
- the CEO Options have been valued as at Grant Date, however as it is not practicable to predict what the share price will be on 29 May 2006, a Share price of \$2.29 has been assumed, being the Share price at close of business on 7 April 2006;
- the first possible exercise date for the CEO Options is outlined in the above table and in relation to the Development Options a first exercise date of 1 July 2006 has been assumed;
- the valuation has not taken into account the non-market performance conditions attached to the Construction Options and the Development Options. For the purposes of the CEO Option indicative values, it has been assumed in all cases that the non-market performance conditions have been fully met;
- that the CEO Options will be exercised within 3 years of their date of issue, notwithstanding their expiry dates;

- price volatility of the underlying Shares is approximately 35% based on share price movements for the last 3 years;
- the average current risk-free interest rate is 5.50%; and
- a dividend yield based on recent historical dividends.

During the month ended 7 April 2006 GRD Shares have traded in the range of \$2.13 to \$2.88. In the 12 months to 7 April 2006 the lowest and highest price traded on the ASX for GRD Shares has been \$1.32 on 17 May 2005 and \$3.05 on 7 February 2006, respectively.

Other than the information set out in this Explanatory Statement, neither the Board nor the Company is aware of any additional information that would be reasonably required by Shareholders to enable them to make a decision in relation to whether the allotment of CEO Options to Mr Lawrenson is in the Company's interests.

5.7 Recommendation

The Board (excluding Mr Lawrenson who has an interest in the outcome of the resolution) recommends that Shareholders vote in favour of issuing the CEO Options to Mr Lawrenson.

6. ISSUE OF OPTIONS TO SENIOR MANAGERS AND EXECUTIVES

6.1 Background to Resolution 6

Resolution 6 has been included in the Notice of Annual General Meeting so that Shareholders may consider and, if considered appropriate, approve the issue of up to 2,000,000 Options to various senior managers and executives of the Company (**Executive Options**).

The issue of these Executive Options results from the Company's 2005 performance review process and is designed to recognise and reward the continued services and contributions of individuals important to the Company and its individual businesses. The Executive Options will provide an equity-based component of the overall remuneration package of the relevant senior managers and will link their remuneration to the medium and long-term performance of the Company.

The recipients of the Executive Options will be finalised by the Board upon Shareholders approving Resolution 6.

The terms and conditions attaching to the Executive Options are set out below in Section 6.3.

6.2 Corporations Act, ASX Listing Rules and Corporate Governance

Neither the Corporations Act nor the ASX Listing Rules require the Company to seek the approval of Shareholders to issue the Executive Options. Notwithstanding, the Company still seeks Shareholder approval for the issue of the Executive Options in accordance with the ASX Corporate Governance Council's Best Practice Recommendations and the Company's Remuneration and Nomination Committee Charter.

Best Practice Recommendation 9.4 provides that the Company must ensure that payment of equity-based remuneration is made in accordance with thresholds set in plans approved by Shareholders.

At present, the Company does not have in place a formal plan covering the payment of equity-based remuneration. It is the Company's intention to seek Shareholder approval for the issue of Options or other securities to senior management until such time as a formal plan is approved. The Company therefore sets out before this meeting the terms and conditions and other additional information that would be reasonably required by Shareholders to enable them to make a decision in relation to whether the allotment of Executive Options is in the Company's interests.

6.3 Terms and Conditions

The Executive Options are subject to the following terms and conditions:

The exercise price for the Executive Options will be set at the weighted average sale price of the Company's Shares for the 5 trading days prior to 1 June 2006.

The Executive Options will vest on 1 January 2009:

- on the condition that on 1 January 2009 the holder of the Executive Options has been continuously employed by the Company or a Related Body Corporate since the issue of the Executive Options, and
- in the proportion determined by the performance of the Company's share price over the period commencing from the date of issue and ending on 31 December 2008 relative to the performance of the ASX 200 Accumulation Index in accordance with the table below:

Percentile ranking of GRD's Performance relative to the ASX 200 Accumulation Index	Percentage of Executive Options issued that become Exercisable on 1 January 2009
75 – 100% *	100%
50 – 74%	50%
0 – 49%	0%

* In assessing the percentile ranking of GRD's performance relative to the ASX 200 Accumulation Index, 100% represents the return of the highest performing ASX 200 stock over the measurement period and not the average return of the ASX 200 Index.

The Executive Options will expire on the earlier of 5.00pm (WST) on:

- 1 June 2011; and
- the day which is 3 months after the date the holder of the Executive Options ceases to be an employee of the Company or a Related Body Corporate.

All of Executive Options are subject to "blackout periods". During a blackout period, Executive Options cannot be exercised unless approval is obtained from the CEO and Company Secretary. In the event that the holder of Executive Options is the CEO or Company Secretary, approval must also be obtained from the Chairman.

The black out periods occur annually until the expiry of the options:

- from 1 January until the release of the Company's ASX Preliminary Final Report for the year ending the preceding 31 December; and
- from 1 July until the release of the Company's Half Year Report to ASX for the period ending the preceding 30 June.

The blackout periods will not apply if the holder of the Executive Options is not employed by GRD or a Related Body Corporate.

Subject to Shareholder approval, the Executive Options will be issued to the recipients on 1 June 2006, or as soon as soon as practicable thereafter.

6.4 Additional Information on Resolution 6

No funds will be raised by the issue of the Executive Options under Resolution 6.

If the conditions surrounding the vesting of the Executive Options are all met so that all of the Executive Options vest, and all of the Executive Options are fully exercised, then the amount of funds to be received by the Company can only be determined by using the actual exercise price. The actual exercise price of the Executive Options is not currently known because it is calculated as the weighted average sale price of the Company's Shares for the 5 trading days prior to the date of issue, assumed to be 1 June 2006.

Using the Share price on 7 April 2006 of \$2.29 as a proxy for the exercise price, then the maximum amount of funds that could be received by the Company will be \$4,580,000. However, there is no guarantee that all the Executive Options will vest or that all will be exercised. Any money raised as a result of the exercise of any Executive Options will be used by the Company for general working capital purposes.

The dilutionary effect if all Executive Options to be issued under Resolution 6 are exercised would amount to approximately 0.98% diluted, or 1.04% undiluted, of the Company's current issued share capital.

Valuation

The Company has commissioned a valuation of the Executive Options to be issued, for the purposes of providing additional information to Shareholders.

As the Executive Options include a market-based performance hurdle, the Monte-Carlo method was considered the most suitable valuation methodology and was used for the indicative valuation. Under this valuation method the Executive Options have an indicative value of \$0.52 each.

The valuation method used to arrive at the indicative Executive Option value has required the following estimates and assumptions:

- the Grant Date of the Executive Options is assumed to be 29 May 2006 and the date of issue of the Executive Options is assumed to be 1 June 2006;
- the Executive Options have been valued as at Grant Date, however as it is not practicable to predict what the Share price will be on 29 May 2006, a Share price of \$2.29 has been assumed, being the Share price at close of business on 7 April 2006;
- the first possible exercise date for the Executive Options is 1 January 2009;
- the Executive Options will be exercised within 3 years of their date of issue, notwithstanding their expiry dates;
- price volatility of the underlying Shares is approximately 35% based on share price movements for the last 3 years;
- the average current risk-free interest rate is 5.50%; and
- a dividend yield based on recent historical dividends.

During the month ended 7 April 2006 GRD Shares have traded in the range of \$2.13 to \$2.88. In the 12 months to 7 April 2006 the lowest and highest price traded on the ASX for GRD Shares has been \$1.32 on 17 May 2005 and \$3.05 on 7 February 2006, respectively.

Considering:

- the number of Executive Options to be issued;
- the vesting period before which the Executive Options can be exercised; and
- that the number of Executive Options that vest is linked to the relative performance of the Company against its peer group, being the ASX 200, over the vesting period,

the Directors do not consider there to be any material opportunity cost to the Company in respect of the proposed issue of the Executive Options, and are of the view that the issue of the Executive Options under Resolution 6 will benefit the Company by enhancing the performance of executives.

Other than the information set out in this Explanatory Statement, neither the Board nor the Company is aware of any additional information that would be reasonably required by Shareholders to enable them to make a decision in relation to whether the allotment of the Executive Options under Resolution 6 is in the Company's interests.

6.5 Recommendation

None of the Directors have an interest in the outcome of Resolution 6. The Board recommends Shareholders vote in favour of issuing the Executive Options.

7. NON-EXECUTIVE DIRECTORS' FEES

Under the Company's Constitution and in accordance with Listing Rule 10.17 the total aggregate remuneration per annum that may be paid to non-executive Directors can only be increased by ordinary resolution of a general meeting of Shareholders of the Company.

The previous total aggregate fees paid per annum to non-executive Directors was \$150,000. This pool has previously covered the payment of fees to three non-executive Directors. Based on the recommendation of the Company's Remuneration and Nomination Committee the Company wishes to increase the size of the aggregate remuneration pool for non-executive Directors to \$400,000 per annum to allow for an increase in the number of non-executive Directors on the Board and to allow for market increases in remuneration.

The amount of the non-executive Director remuneration pool does not include retirement benefits or fees paid to Directors in their capacity as members of board committees or for other duties. The amount however does include superannuation and (where applicable) fees paid to those Directors as Directors of subsidiary company boards.

As all of the Directors have an interest in the outcome of this resolution, no recommendation is made.

GLOSSARY

In this Explanatory Statement the following terms have the following meanings unless the context otherwise requires:

ASIC means the Australian Securities and Investment Commission.

ASX means the Australian Stock Exchange Ltd ACN 008 624 691.

ASX Listing Rules means the listing rules of ASX as amended or replaced from time to time.

Board means Board of Directors of the Company.

CEO Options means the Options described in section 5 of the Explanatory Statement.

Company or **GRD** means GRD Limited ACN 009 201 754.

Constitution means the current constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth) and all regulations made under such legislation, as amended from time to time.

Director means a director of the Company.

Executive Options means the Options described in section 6 of the Explanatory Statement.

Grant Date means, in relation to either the CEO Options or the Executive Options, the date on which Shareholders approve the issue of the Options.

Option means an option to acquire an ordinary fully paid share in the Company.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Shareholder means a member of the Company as defined in the Constitution.

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

WST means Western Standard Time.