



GRD

GRD Limited

ACN 009 201 754

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT FOR

REDUCTION OF CAPITAL

**A General Meeting of the Company will be held at the Conference Room,
Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia, on
Friday, 20 October 2006 at 10.00 am (WST).**

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

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NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of GRD Limited ("**Company**") will be held at the Conference Room, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia on Friday, 20 October 2006 at 10.00 am (WST).

The Explanatory Statement to this Notice provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders of the Company on 18 October 2006 at 5pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Statement are defined in the Explanatory Statement.

A G E N D A

1. Resolution 1 – Reduction of Capital

To consider and, if thought fit, to pass with or without amendment as an ordinary resolution the following:

"That pursuant to sections 256B and 256C of the Corporations Act, the Company's Constitution and for all other purposes:

- (a) the paid up share capital of the Company be reduced by up to A\$19,258,498.20; and*
- (b) such reduction be effected and satisfied by the Company paying Shareholders who are registered as shareholders of the Company on the Record Date (as defined in the Explanatory Statement accompanying this Notice) A\$0.10 for each Share held by the Shareholder*

otherwise on the terms and conditions in the Explanatory Statement."

BY ORDER OF THE BOARD

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

PETER BRYANT
Company Secretary
15 September 2006



EXPLANATORY STATEMENT TO THE NOTICE OF GENERAL MEETING TO BE HELD ON 20 OCTOBER 2006

1. Introduction

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be held at the Conference Room, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia on Friday, 20 October 2006 at 10.00 am (WST).

The purpose of this Explanatory Statement is to provide information that is material to Shareholders in relation to the Resolution referred to in the Notice of General Meeting. This Explanatory Statement explains the Resolution and identifies the reasons for putting it to Shareholders.

2. Background

On 18 May 2006 the Company announced that it proposed to sell down 180 million shares in Oceana Gold Limited (50 percent of Oceana Gold Limited), leaving it with a 6.9% shareholding. On 18 May 2006 the Company announced that it had completed the sell-down and had raised A\$145.8 million in cash before costs. These funds are being used to support the growth strategies of the Company's engineering and waste-to-resources businesses.

On 8 September 2006 the Company announced that it had sold its remaining 6.9% shareholding in Oceana Gold Limited for approximately A\$19.25 million.

Management and the Board believe the cash holdings generated from the disposal of the Company's 6.9% interest in Oceana Gold Limited is in excess of its requirements to deliver the engineering and waste-to-resources growth strategies.

RESOLUTION 1

3. Resolution 1 – Reduction of capital

3.1 Introduction

The Company presently has 192,214,982 Shares on issue.

Resolution 1 seeks Shareholder approval pursuant to sections 256B and 256B of the *Corporations Act* for a capital reduction and return to Shareholders of A\$0.10 for each Share held at the Record Date, to return a total of A\$19,221,498.20 to Shareholders.

Sections 256B permits a company to reduce its share capital in a way that is not otherwise authorised by law if the reduction:

- (a) is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors' and
- (c) is approved by its shareholders in accordance with the requirements of the *Corporations Act*.

3.2 Reduction of capital

If Resolution 1 is passed and the return of capital is completed, the Shareholders will each be paid A\$0.10 for each Share held at the Record Date.

The capital return is to be effected by way of an equal reduction of capital and requires Shareholder approval by ordinary resolution. The capital return will apply equally to each holder of Shares in proportion to the number of Shares that they hold at the Record Date. No Shares will be cancelled as a result of the capital return.

The Directors consider that the proposed reduction of capital will have no adverse effect on the interests of Shareholders. The proportionate ownership interest of each Shareholder in the Company remains the same before and after the reduction of capital.

Although the capital of the Company will be reduced, the Directors do not consider that the extent of the reduction will materially prejudice the interests of the Company's creditors or the Shareholders.

Shareholders are not prejudiced, as they will each receive A\$0.10 for each Share that they hold at the Record Date.

3.3 Reasons for the return of capital

GRD Limited's disposal of its investment in Oceana Gold Limited represents the divestment of one of the Company's 'founding' assets. The disposal is reflective of the evolution of the GRD group, and the Board's strategic decision to focus on the continued development of its engineering and waste-to-resources businesses. The disposal has crystallised significant value to the group and the Directors have recommended partial distribution of this value to Shareholders.

The Board's recommendation of a distribution of A\$0.10 for each Share has been made after consultation with executive management and having regard to the cash requirements of the Company.

3.4 Effect on Company Shares and Options

The Company currently has 192,214,982 Shares on issue. This will remain unchanged as a result of the capital reduction.

The Company has also granted 12,620,000 Options. The number of Options granted will remain unchanged following the return of capital. The exercise price of all Options will be reduced by A\$0.10, in accordance with ASX Listing Rule 7.22.3.

Of the 12,620,000 Options granted, 370,000 have vested and can be exercised. The Directors believe it is unlikely that these Options will be exercised prior to the General Meeting, in which case the number of Shares on issue will remain at 192,214,982 and the capital reduction will be for A\$19,221,498.20.

The Company will fund the capital return from reserves arising following the sale of the Company's 6.9% shareholding in Oceana Gold Limited.

3.5 Payment methods

The payment of the capital return will ordinarily be satisfied by sending a cheque or electronic fund transfer to Shareholders as at the Record Date.

3.6 Tax implications for Shareholders

The information set out below should not be viewed as specific tax advice and is intended as a general guide only. Each Shareholder should obtain specific taxation advice on the treatment of the return of capital, taking into account their particular circumstances.

GRD is seeking a class ruling from the Australian Taxation Office in relation to the tax treatment of the return of capital. The following summary contains a general description of the tax consequences that will arise for Shareholders as a consequence of the return of capital if the class ruling is issued in accordance with GRD's ruling application.

Information on the outcome of the application for the Australian Taxation Office class ruling will be released to ASX Limited when received, and also posted on the Company's website at www.grd.com.au.

GRD Shareholders, who are not residents of Australia or New Zealand for tax purposes, should seek their own guidance in relation to the likely taxation consequences arising from the capital return under the laws of the country of their residence.

Australia

The following general description is only relevant in relation to the Australian taxation position of Shareholders who hold Shares on capital account and does not apply to Shareholders who hold Shares on revenue account or as trading stock.

- No part of the A\$0.10 per share capital return will be treated as a dividend for Australian income tax purposes.
- Receipt of the return of capital should not be subject to tax.
- The cost base of each Share will be reduced by A\$0.10 for the purpose of calculating any capital gain or loss on ultimate disposal of that Share.
- For non-resident shareholders, receipt of the return of capital will generally not result in a liability for Australian capital gains tax if they or their associates have not, in the five years preceding the return of capital, beneficially owned at least 10% (by value) of the Shares in the Company.

New Zealand

The following is a general description of the New Zealand income tax consequences for Shareholders who are residents of New Zealand.

The capital return will constitute foreign dividend income for New Zealand tax purposes. In the case of a Shareholder who is an individual, or who derives such a dividend as a trustee of a trust, the amount of the dividend (converted into NZ\$ at an appropriate exchange rate) should be included in calculating the Shareholder's income subject to tax. In the case of a Shareholder who is a company, the dividend will constitute exempt income. A company is, however, liable to pay a foreign dividend withholding payment at a rate of 33 per cent on a foreign dividend it derives (again, converted into NZ\$ at an appropriate exchange rate) subject to any applicable relief.

3.7 Advantages and disadvantages of the capital return

The principal advantages and disadvantages to Shareholders of the capital return are as follows:

(a) **Advantages**

- (i) Returns value to Shareholders following sale of one of the Company's 'founding' assets.
- (ii) Distributes cash, in excess of forecast requirements for growth, to Shareholders.
- (iii) Generally tax advantageous to Shareholders.

(b) **Disadvantages**

- (i) The Directors believe there are no disadvantages, as the Company has sufficient cash holdings to fund its growth strategies.

3.8 Recommendation

The Directors consider the proposed reduction of capital to be fair and reasonable to Shareholders as a whole and that the advantages outweigh the disadvantages.

3.9 Timetable

With the passing of Resolution 1, it is estimated that the following indicative timetable will be operative:

General Meeting to approve reduction of capital	20 October 2006
Shares trade on an "ex return of capital basis"	23 October 2006
Record Date to determine entitlements under the capital return	27 October 2006
Completion of capital reduction and payment	3 November 2006

3.10 Other material information

Other than as in this Explanatory Statement, there is no other information material to the making of a decision by Shareholders whether or not to vote in favour of the Resolution (being information that is known to Directors which has not previously been disclosed to Shareholders).

4. Action to be taken by Shareholders

Shareholders should read this Explanatory Statement carefully.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if you wish to appoint a representative (a "proxy") to vote in your place.

All Shareholders are invited and encouraged to attend the General Meeting or, if you are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

DEFINITIONS

In this Explanatory Statement and the Notice of General Meeting:

"ASIC" means Australian Securities and Investments Commission.

"Company" and **"GRD"** mean GRD Limited ACN 009 201 754.

"Constitution" means the Constitution of the Company as at the date of the General Meeting.

"Corporations Act" means the Corporations Act 2001 (Cth).

"Directors" mean the directors of the Company.

"Explanatory Statement" means this explanatory statement.

"General Meeting" means the general meeting of the Company referred to in this Notice.

"Notice" or **"Notice of General Meeting"** means this notice of general meeting.

"Option" means an option over an unissued Share.

"Proxy Form" means the proxy form that accompanies this Notice.

"Record Date" means 27 October 2006.

"Resolution" means a resolution referred to in this Notice.

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

"Shareholder" means a person registered as a member of the Company on the Record Date.

In this Explanatory Statement and the Notice of General Meeting, words importing the singular include the plural and vice versa.