



GRD Limited

ACN 009 201 754

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

2007 Annual General Meeting

**to be held at the Conference Room,
Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia
on 23 May 2007 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.



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2007 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 23 May 2007 at 11.00am (WST).

ORDINARY BUSINESS

Financial Statements

To receive and consider the Financial Statements for the year ended 31 December 2006 together with the Auditor's Report and Directors' Report for that period.

Re-election of Directors

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

1. "That Mr Richard Court, having retired as a Director by rotation in accordance with Article 9.3 of the Constitution, and being eligible, be re-elected."
2. "That Dr John White, having retired as a Director by rotation in accordance with Article 9.3 of the Constitution, and being eligible, be re-elected."

Remuneration Report

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

3. "That the Remuneration Report for the year ending 31 December 2006 be adopted."

Note: The vote on this resolution is advisory only.

SPECIAL BUSINESS

Issue of Options to Senior Managers and Executives

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

4. "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."

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 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 Monday 21 May 2007. 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.

By Order of the Board



PETER BRYANT
Company Secretary

20 April 2007



EXPLANATORY STATEMENT TO THE NOTICE OF ANNUAL GENERAL MEETING TO BE HELD ON 23 MAY 2007

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 2007 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 approval to issue Options to certain senior managers and executives of GRD.

Each of the resolutions to be considered by Shareholders are ordinary resolutions requiring the 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 ORDINARY BUSINESS

2. RE-ELECTION OF DIRECTORS

In accordance with ASX Listing Rules and Article 9.3 of the Constitution, at every Annual General Meeting, one third of the Company's Directors must retire from office 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 Richard Court retires and offers himself for re-election; and
- (b) Dr John White retires and offers himself for re-election.

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

Mr Richard Court

Mr Court was appointed as Chairman of GRD on 29 May 2006. Mr Court was Premier and Treasurer of Western Australia from 1993 to 2001 and retired from Parliament after nineteen years as the Member for Nedlands. His Government achieved the successful privatisation of SGIO, BankWest, AlintaGas, Westrail Freight and DBNG Pipeline. Mr Court was actively involved with initiatives to expand the resources sector including the successful deregulation of the Western Australian gas market, the LNG marketing push into China and Korea, and infrastructure support for the mining and oil and gas sector. These interests are now being actively pursued through the private sector. Mr Court is a Commerce graduate from the University of Western Australia.

Dr John White

Dr White is the non-executive Chairman and former Managing Director of Global Renewables. He is a former Managing Director of Transfield Defence Systems, Visy Industries and Siddons Ramset and is currently the Chief Executive Officer of Victoria Coal Resources Pty Ltd. Dr White holds a PhD in Engineering from the University of Cambridge and has extensive experience in the leadership and strategic development of businesses in the technology, manufacturing and distribution sectors.

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

3. REMUNERATION REPORT

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is contained within the Directors' Report section of the 2006 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 3 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.

**RESOLUTION 4
SPECIAL BUSINESS****4. ISSUE OF OPTIONS TO SENIOR MANAGERS AND EXECUTIVES****4.1 Background to Resolution 4**

Resolution 4 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. No Options will be issued to related parties of the Company.

The issue of Options results from the Company's 2006 performance review process and is designed to recognise and reward the continued services and contributions of individuals who are important to the Company and its businesses. The 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 Options will be finalised by the Board upon Shareholders approving Resolution 4.

The terms and conditions attaching to the Options are set out below in Section 4.3.

4.2 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 Options. Notwithstanding, the Company still seeks Shareholder approval for the issue of the 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 whether the allotment of Options is in the Company's interests.

4.3 Terms and Conditions

The key terms of the Options are as follows:

1. The exercise price for the Options will be set at the weighted average sale price of the Company's Shares for the 5 trading days prior to 1 June 2007.
2. The Options will vest on 1 January 2010:
 - (a) on the condition that on 1 January 2010 the holder of the Options has been continuously employed by the Company or a Related Body Corporate since the issue of the Options, and
 - (b) 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 2009 relative to the performance of the ASX 300 Accumulation Index in accordance with the table below:

Percentile ranking of GRD's performance relative to the ASX 300 Accumulation Index	Percentage of Options issued that become exercisable on 1 January 2010
75 th – 100 th *	100%
50 th – 74 th	50%
0 – 49 th	0%

* In assessing the percentile ranking of GRD's performance relative to the ASX 300 Accumulation Index, 100th represents the return of the highest performing ASX 300 stock over the measurement period and not the average return of the ASX 300 Index.

3. The Options will expire on the earlier of 5.00pm (WST) on:
 - (a) 1 June 2012, and
 - (b) the day which is 3 months after the date the holder of the Options ceases to be an employee of the Company or a Related Body Corporate.
4. All Options are subject to "blackout periods". During a blackout period, Options cannot be exercised unless approval is obtained from the CEO and Company Secretary. In the event that the holder of Options is the 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 Options is not employed by GRD or a Related Body Corporate.

5. The Options will be issued to the recipients on 1 June 2007, or as soon as practicable thereafter.
6. Subject to paragraphs 3 and 4 above, each Option may be exercised by notice in writing to the Company together with payment of the exercise price at any time during the period commencing on the vesting date and ending on the expiry date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
7. Application will not be made to ASX for official quotation of the Options. Application will be made for official quotation of the Shares issued upon exercise of Options. The Options are not transferable.
8. There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options without first exercising the Options.
9. Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with issued Shares.
10. In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the optionholder will be reconstructed in accordance with the ASX Listing Rules.
11. If from time to time, before the expiry of the Options, the Company makes a pro rata issue of Shares to Shareholders for no consideration, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the optionholder would have received if the Option had been exercised before the date for calculating entitlements to the pro rata issue.

4.4 Additional Information on Resolution 4

No funds will be raised by the issue of the Options under Resolution 4.

If the conditions surrounding the vesting of the Options are all met so that all of the Options vest, and all of the 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 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 2007.

Using the Share price on 10 April 2007 of \$2.25 as a proxy for the exercise price, then the maximum amount of funds that could be received by the Company will be \$4,500,000. However, there is no guarantee that all the Options will vest or that all will be exercised. Any money raised as a result of the exercise of any Options will be used by the Company for general working capital purposes.

The dilutionary effect if all Options to be issued under Resolution 4 are exercised would amount to approximately 0.97% diluted, or 1.04% undiluted, of the Company's current issued Share capital.

Valuation

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

As the 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 Options have an indicative value of \$0.63 each.

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

- the Grant Date of the Options is assumed to be 23 May 2007 and the date of issue of the Options is assumed to be 1 June 2007;
- the Options have been valued as at Grant Date, however as it is not practicable to predict what the Share price will be on 23 May 2007, a Share price of \$2.25 has been assumed, being the Share price at close of business on 10 April 2007;
- the first possible exercise date for the Options is 1 January 2010;

- the Options will be exercised within 4 years of their date of issue, notwithstanding their expiry dates;
- price volatility of the underlying Shares is approximately 39% based on Share price movements for the last 3 years;
- the average current risk-free interest rate is 6.15%; and
- a dividend yield based on recent historical dividends.

As an indication of the trading price and range of GRD Shares, during the month ended 10 April 2007 GRD Shares have traded in the range of \$2.07 to \$2.25. In the 12 months to 10 April 2007 the lowest and highest price traded on the ASX for GRD Shares has been \$1.83 on 16 November 2006 and \$2.48 on 11 May 2006, respectively.

Considering:

- the number of Options to be issued;
- the vesting period before which the Options can be exercised; and
- that the number of Options that vest is linked to the relative performance of the Company against its peer group, being the ASX 300, 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 Options, and are of the view that the issue of the Options under Resolution 4 will benefit the Company by aligning the interests of executives with those of the Shareholders and by enhancing their performance.

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 Options under Resolution 4 is in the Company's interests.

4.5 Recommendation

None of the Directors have an interest in the outcome of Resolution 4. The Board recommends Shareholders vote in favour of issuing the Options.

GLOSSARY

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

ASX means the ASX Limited 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.

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.

Grant Date means 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.