



GR ENGINEERING SERVICES LIMITED

ABN 12 121 542 738

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Tuesday, 14 November 2017

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 Tuesday, 14 November 2017 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 2017, 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:

- (a) *the appointment specifies the way the proxy is to vote on Resolution 1; or*
- (b) *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 Barry Patterson as a Director

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

"That, Barry Patterson, 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 – 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 on Resolution 3 by any person who may 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.*

4. Resolution 4 - Renewal of Proportional Takeover Provision

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

"That for the purposes of section 648G of the Corporations Act and for all other purposes, the proportional takeover provisions in clause 34 of the Company constitution be renewed for a period of three years on the terms and conditions set out in the Explanatory Memorandum."

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: 12 October 2017

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 12 November 2017 (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 12 November 2017. 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 12 November 2017. 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) 12 November 2017.

GR Engineering Services Ltd

ABN 12 121 542 738

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 2017 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 - ADOPTION OF 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 2017 Annual Report be adopted.

The Remuneration Report is set out in the Company's 2017 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 2016 did not receive a vote of more than 25% against its adoption at the Company's last general meeting held on 15 November 2016. 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 2018 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 BARRY PATTERSON 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 Barry Patterson retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Mr Patterson joined the Board in February 2011. Barry is a Mining Engineer with over 50 years' experience in the mining industry and is a co founder of GR Engineering. He co-founded contract mining companies Eltin, Australian Mine Management and National Mine Management. Barry was also a co-founder of JR Engineering.

Barry has served as a director of a number of public companies across a range of industries. He was formerly a non-executive chairman of Sonic Healthcare Limited and Silex Systems Limited and is current a non-executive director of Dacian Gold Limited.

The Directors (other than Mr Patterson):

- consider that Mr Patterson, if re-elected, will continue to qualify as an independent Director; and
- support the re-election of Mr Patterson and recommend shareholders vote in favour of this resolution.

RESOLUTION 3 - 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 11 October 2017 of \$193.1 million, based on a share price of \$1.26.

The effect of Resolution 3 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 x 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 3:

- (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).

any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

- 5 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:

- (i) the market price for the Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) 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).

Voting Dilution				
No. of Shares on Issue (Variable A in formula)	Dilution Variable	\$0.63 (50% decrease in current Share Price)	\$1.26 (Current Share Price)	\$1.89 (50% increase in current Share Price)
153,254,260 (Current)	Additional 10% Shares Issued	15,325,426	15,325,426	15,325,426
	Funds Raised (\$)	9,655,018	19,310,037	28,965,055
229,881,390 (50% increase) *	Additional 10% Shares Issued	22,988,139	22,988,139	22,988,139
	Funds Raised (\$)	14,482,528	28,965,055	43,447,583
306,508,520 (100% increase) *	Additional 10% Shares Issued	30,650,852	30,650,852	30,650,852
	Funds Raised (\$)	19,310,037	38,620,074	57,930,110

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:

- 1 The current number of Shares on issue is the Shares on issue as at 11 October 2017.
- 2 The current issue price is the closing price of the Shares on the ASX on 11 October 2017.
- 3 The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
- 4 The calculations above do not show the dilution that

(f) Previous approval under Listing Rule 7.1A

The Company previously obtained approval under Listing Rule 7.1A at its Annual General Meeting on 12 November 2013.

The Company has issued 3,752,952 Equity Securities in the 12 months preceding the date of this notice of meeting (being approximately 2.5% 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
19/11/16	650,000	SAR	\$0.89 / 37.3% discount	\$331,500 (non-cash consideration)	\$387,895
19/11/16	500,000	SAR	\$0.89 / 37.3% discount	\$237,500 (non-cash consideration)	\$291,300
21/04/17	187,500	Shares	\$1.60 / no discount to the closing price on the date of issue	\$300,000 (non-cash consideration)	\$236,250
21/04/17	160,000	PR	\$1.60 / no discount to the closing price on the date of issue	\$256,000 (non-cash consideration)	\$201,600
20/07/17	195,452	Shares	\$1.49 / no discount to the closing price on the date of issue	\$291,223 (non-cash consideration)	\$246,270
20/07/17	50,000	PR	\$1.49 / representing no discount to the closing price on the date of issue	\$74,500 (non-cash consideration)	\$63,000
28/08/17	1,870,000	PR	\$1.32 / representing no discount to the closing price on the date of issue	\$2,468,400 (non-cash consideration)	\$2,356,200
13/09/17	140,000	PR	\$1.25 / representing no discount to the closing price on the date of issue	\$175,000 (non-cash consideration)	\$176,400

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 securities pursuant to the Plan.

Recommendation

The Board recommends that Shareholders vote in favour of Resolution 3.

RESOLUTION 4 - RENEWAL OF PROPORTIONAL TAKEOVER PROVISION

The Constitution contains provisions dealing with proportional takeover bids for securities in the Company in accordance with the Corporations Act (more specifically, clause 34 of the Constitution).

Under the Corporations Act and the Constitution, the provisions must be renewed every three years or they will cease to have effect.

The current provisions are due for renewal and, accordingly, it is proposed to renew them as part of this Meeting.

If renewed, clause 34 of the Constitution will operate for a period of three years from the date of the Meeting.

The Corporations Act requires that the following information be provided to members when they are considering the renewal of proportional takeover provisions in a constitution.

What is a proportional takeover bid, and why do we need the proportional takeover approval provisions?

A proportional takeover bid involves the bidder offering to buy a proportion only of each member's securities in the Company.

This means that control of the Company may pass without members having the chance to sell all their securities to the bidder.

It also means the bidder may take control of the Company without paying an adequate amount for gaining control. In order to deal with this possibility, a company or listed trust may provide in its constitution that:

- in the event of a proportional takeover bid being made for securities in the Company, members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the Company members will be binding on all individual members.

The Board considers that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their securities for a satisfactory control premium.

The Board also believes that the right to vote on a proportional takeover bid may avoid members feeling

pressure to accept the bid even if they do not want it to succeed.

Importantly, if the proportional takeover approval provisions in the Constitution are not renewed, they will not have effect and members' approval of any proportional takeover bid will not be required. This means that you, as members, will not be able to prevent a proportional takeover bid from proceeding in circumstances where you believe that control of the Company should not be permitted to pass under the bid.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Board must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes. The vote is decided by a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and their associates are not allowed to vote. If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved), the transfers must be registered if they comply with the Corporations Act and the Constitution.

The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed.

The provisions may be renewed, or reinserted upon the expiry of the initial three-year period, but only by a special resolution passed by members.

Potential advantages and disadvantages

While the renewal of clause 34 of the Constitution will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The provisions in the Constitution ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional

takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the Constitution may discourage proportional takeover bids, and may reduce any speculative element in the market price of the Company securities arising from the possibility of a proportional takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares.

The Directors consider that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages. As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Recommendation

The Board recommends that Shareholders vote in favour of Resolution 4.

GLOSSARY

"**10% Placement Capacity**" has the meaning given to that term in the Explanatory Memorandum to Resolution 3;

"**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 2017;

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

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

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

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

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

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

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

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

"**Equity Security**" has the meaning given to that term in the Listing 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 2017 annual general meeting the subject of the Notice;

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

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

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

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

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

"**SAR**" means share appreciation rights issued pursuant to the Plan;

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

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



GR ENGINEERING SERVICES LIMITED
ABN 12 121 542 738

Lodge your vote:

Online:
www.investorvote.com.au

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

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

For Intermediary Online subscribers only
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(within Australia) 1300 850 505
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GNG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

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

For your vote to be effective it must be received by 11:00am (WST) Sunday, 12 November 2017

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

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

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

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

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 Tuesday, 14 November 2017 at 11:00am (WST) 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 Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is 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 Resolution 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

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

		For	Against	Abstain
Resolution 1	Non Binding Resolution to Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Barry Patterson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Additional 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Renewal of Proportional Takeover Provision	<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.

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

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /