

Monadelphous Group Limited
ACN 008 988 547
("Company")

Notice of Annual General Meeting

The Annual General Meeting of the Company will be held at The University Club, University of Western Australia, Crawley, Western Australia on Tuesday, 22 November 2011 at 10:00am (AWST).

[Please refer to the attached map for directions to the The University Club, University of Western Australia, Crawley]

AGENDA

Ordinary Business

1. Chairman's Address

The Chairman will address the meeting.

2. Managing Director's Address

The Managing Director will address the meeting.

3. Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report for the year ended 30 June 2011, together with the Directors' Report and Auditor's Report for that period.

4. Resolutions

Resolution 1: Election of Director

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

To elect one Director: Mr Irwin Tollman retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Resolution 2: Adoption of Remuneration Report

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

To consider and adopt the Remuneration Report for the year ended 30 June 2011.

Short explanation: The Remuneration Report is contained in the Directors' Report and sets out the policy for the remuneration of the directors and executives of the Company. Pursuant to the Corporations Act, the vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition

To the extent required by section 250(R) of the Corporations Act, a vote on Resolution 2 must not be cast (in any capacity) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member. However, a person described above may cast a vote on this resolution if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and the vote is not cast on behalf of the key management personnel or closely related parties described above.

Resolution 3: Grant of Options to Managing Director

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

That for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Company be authorised to grant up to a maximum of 400,000 options to the Company's Managing Director, Mr Robert Velletri, on the terms and conditions set out in the Explanatory Memorandum accompanying this notice of meeting.

Short explanation: Mr Velletri has 32 years experience in the construction and engineering services industry. He was appointed to the Board in August 1992 and commenced as Managing Director of the Company in May 2003.

The issue of options to Mr Velletri (or his nominee) is designed to recognise and reward the services and contributions provided by Mr Velletri to the Company since his appointment and to provide an incentive and reward for the future performance of the Company. Each option will have an exercise price of \$17.25 (calculated as the average closing price of Monadelphous shares on the ASX over the five (5) trading days prior to 10 October 2011) or can be exercised on a cashless basis in which case the holder will pay no cash but receive a smaller number of shares. Options will only become capable of exercise (i.e., will vest) during specified window periods, staggered over a four year life of the options, and only on satisfaction of the performance hurdle.

Resolution 3: Grant of Options to Managing Director (continued)

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 3 by Mr Robert Velletri and any of his associates.

However, the Company need not disregard the 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 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.

Voting Prohibition

To the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 3. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

Resolution 4: Amendment to terms of existing Employee Options to allow cashless exercise

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

That for the purposes of ASX Listing Rule 6.23.4 and for all other purposes, the Company approve the proposed amendment to the terms of all outstanding options issued under the Monadelphous Group Limited Employee Option Plan in September 2008, September 2009 and September 2010 to allow the cashless exercise of such options on the terms, and in the manner, set out in the Explanatory Memorandum which accompanies this Notice of Meeting.

Short explanation: Monadelphous sees a number of benefits in offering existing option holders a cashless exercise alternative. These include: (i) limiting dilution to existing shareholders (as, where cashless exercise is selected, fewer shares will need to be issued); (ii) limiting price volatility caused by 'churn' – where option holders immediately dispose of some or all shares acquired upon exercise of options to fund the exercise price; and (iii) making option exercise a more attractive prospect for those employees who may otherwise not have ready access to the cash exercise price. While less cash would be received by Monadelphous where cashless exercise is selected, this is not seen as a material consideration as the relevant options were not issued for the purpose of raising funds, but to assist in attracting and retaining appropriate staff.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by any person who holds an option the subject of the approval and any of their associates.

However, the Company need not disregard the 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 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.

Voting Prohibition

To the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 4. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

Resolution 5: Ratification of prior issue of Options

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

That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Company approve the issue of up to 4,400,000 options issued in or around November 2011 to, or at the direction of, around 230 eligible employees of Monadelphous Group companies pursuant to the Monadelphous Group Limited Employee Option Prospectus as further described in the Explanatory Memorandum accompanying this notice of meeting.

Short explanation: The Company is taking this opportunity to seek to refresh its 15% placement capacity under listing rule 7.1. If this resolution is approved, the options referred to in this resolution (and any shares subsequently issued on exercise of those options) will not need to be counted towards the calculation of the 15% limit on the number of equity securities the Company may issue in any 12 month period.

Each of these options has an exercise price of \$17.25 (calculated as the average closing price of Monadelphous shares on the ASX over the five (5) trading days prior to 10 October 2011) or can be exercised on a cashless basis in which case the holder will pay no cash but receive a smaller number of shares. Options will only become capable of exercise (i.e., will vest) during specified window periods, staggered over a four year life of the options, and only on satisfaction of the performance hurdle.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on Resolution 5 by any person who participated in the issue of options and any of their associates.

However, the Company need not disregard the 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 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.

Resolution 6: Amendment to Dividend Provisions of the Constitution

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

That for the purposes of section 136 of the Corporations Act and for all other purposes, with effect from the close of the Annual General Meeting, the Constitution of the Company be amended in the manner set out in the Explanatory Memorandum which accompanies this Notice of Meeting, in order to align the Company's Constitution with recent amendments to the Corporations Act relating to the payment of dividends by a company.

General Business

5. Other Business

Shareholders will be provided the opportunity to transact any other business which may be lawfully brought forward.

A proxy form has been enclosed and forms part of this Notice of Annual General Meeting.

By Order of the Board



Philip Trueman
Company Secretary

19 October 2011

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of Monadelphous Group Limited (ACN 008 988 547) to be held at The University Club, University of Western Australia, Crawley, Western Australia on Tuesday, 22 November 2011 at 10:00am (AWST).

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

If you appoint the Chairman as your proxy, or the Chairman is appointed as your proxy by default, new rules apply in Respect of Resolutions 2, 3 and 4. Your attention is drawn to the section in the proxy form entitled "Important – for items 2, 3 & 4". **Please note that the Chairman of the meeting intends to vote all undirected proxies held by him, and which are able to be voted, in favour of all Resolutions.**

2. Glossary

The following terms and abbreviations used in this Explanatory Memorandum (and the Notice of Annual General Meeting to which it relates), have the following meanings:

"ASX"	ASX Limited trading as Australian Securities Exchange
"ASX Listing Rules"	The Official Listing Rules of the ASX, as amended from time to time
"Company"	Monadelphous Group Limited
"Company's Constitution"	The Constitution of Monadelphous Group Limited approved at the Company's Annual General Meeting held on 20 November 2003
"Corporations Act"	Corporations Act 2001 (Cth) as amended from time to time
"Directors" or "Board"	The directors of the Company in office at the date of the Notice of Annual General Meeting
"Resolution"	A Resolution in the Notice of Annual General Meeting to which this Explanatory Memorandum relates
"Shares"	Fully paid ordinary shares in the Company
"Shareholder"	Person registered as the holder of Shares in the register of members of the Company
"Share Trading Policy"	The Monadelphous Group Limited Share Trading Policy

3. Financial Reporting

As required by section 317 of the Corporations Act, the Financial Report of the Company (including consolidated financial statements of the Company and its controlled entities), Directors' Report and Auditor's Report for the most recent financial year will be laid before the meeting. Shareholders will be provided with the opportunity to ask questions about the reports or about the Company and the consolidated entity generally but there will be no formal resolution put to the meeting. The Auditor will be available at the meeting to answer any questions in relation to the Auditor's Report or the conduct of the audit. Questions to the Auditor should ideally be submitted 48 hours prior to the Annual General Meeting using the Shareholder Questions form attached.

4. Shareholder Approvals Required

Resolution 1: Election of Director

Mr Irwin Tollman retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

Mr Tollman was appointed as Finance Director of Monadelphous on 26 August 1992. He resigned from this position on 25 July 2003 and accepted a position as a Non-Executive Director of the Company. He is a Chartered Accountant and a Member of the Institute of Chartered Accountants in Australia. Mr Tollman has 19 years experience in the construction and engineering services industry. Mr Tollman was last re-elected as a Director of the Company at the 2008 Annual General Meeting.

The Board (other than Mr Tollman, who abstained) unanimously recommend that Shareholders vote in favour of Mr Tollman's re-election.

4. Shareholder Approvals Required (continued)

Resolution 2: Adoption of Remuneration Report

Section 300A of the Corporations Act requires the Directors to include a Remuneration Report in their report for a financial year. Section 250R(2) requires that the report be put to the vote at the Company's Annual General Meeting. In accordance with the Corporations Act, the vote on the Resolution is advisory only and does not bind the Directors.

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

In accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, to the extent required by section 250(R)(4) and (5) of the Corporations Act, a vote on Resolution 2 must not be cast (in any capacity) by or on behalf of a member of the key management personnel, details of whose remuneration are included in the Remuneration Report, or a closely related party of such a member.

However, a person described above may cast a vote on Resolution 2 if the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and the vote is not cast on behalf of the key management personnel or closely related parties described above.

The term "key management personnel" has the meaning given in the accounting standards and broadly means those persons with the authority and responsibility for planning, directing and controlling the activities of the Company, and includes any director.

The term "closely related party" is defined in the new legislation to include, in respect of a member of key management personnel:

- a spouse or child of the member;
- a child of the member's spouse;
- a dependent of the member or the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations that may be made for this purpose.

Although the effect of Resolution 2 is advisory only, the recent amendments to the Corporations Act referred to above have also introduced what has been referred to as the 'two strikes' rule. Under this rule, companies will be required to put a resolution to shareholders to hold fresh elections for directors if at two consecutive annual general meetings more than 25% of the votes cast on a resolution (such as Resolution 2) to adopt the remuneration report are cast against that resolution. Accordingly, if 25% or more of the votes cast at the meeting on Resolution 2 are against that Resolution, and (at the next annual general meeting in 2012) if 25% of the votes are cast against the resolution to adopt the 2011/2012 remuneration report, then the Company will be required to propose a resolution to hold another general meeting within the following 90 days. If such a resolution is passed, then at the subsequent general meeting all Directors (other than a Managing Director) who were in office when the remuneration report was approved at board level will cease to hold office (but may, if eligible, stand for re-election).

4. Shareholder Approvals Required (continued)

Resolution 3: Grant of Options to Managing Director

Mr Velletri has 32 years experience in the construction and engineering services industry. He was appointed to the Board in August 1992 and commenced as Managing Director of the Company in May 2003.

It is proposed that Mr Velletri (or his nominee) be issued with up to a maximum of 400,000 options under, and pursuant to the terms and conditions set out in, the Monadelphous Group Limited Employee Option Prospectus (the "Prospectus") dated 11 October 2011. The Prospectus, and the options granted under it, are explained in greater detail at the discussion of Resolution 5 (below). The issue of options to Mr Velletri (or his nominee) is designed to recognise and reward the services and contributions provided by Mr Velletri to the Company since his appointment and to provide an incentive and reward for the future performance of the Company.

ASX Listing Rule 10.11 provides that a company must not issue securities (including options) to a Director or their associates without the approval (by simple majority) of shareholders. Resolution 3 seeks Shareholder approval for this purpose.

The options that are proposed to be issued to Mr Velletri (or his nominee) are identical to those set out in the Prospectus. Each option will entitle the holder to subscribe for one fully paid ordinary share in the Company for an exercise price of \$17.25 per option, calculated as the average closing price of Monadelphous shares on the ASX over the five (5) trading days prior to 10 October 2011. Alternatively, the holder will be able to nominate cashless exercise in which case it will pay no cash but receive a smaller number of shares (explained further below). It is intended that, subject to shareholder approval, these options will be issued on or about 25 November 2011 (and in any event within one month of the date of the Annual General Meeting).

The options will be issued pursuant to the Prospectus. A summary of the key terms of the options is set out in Appendix A to this Explanatory Memorandum. A full copy of the Prospectus has been released to the ASX and will be available for inspection at the Company's Registered Office during business hours until the Annual General Meeting, or can be accessed at www.monadelphous.com.au. Options will only become capable of exercise (i.e., will vest) during the relevant window period (see Appendix A) if at that time both: (a) the performance hurdle; and (b) the exercise condition, have been met. The performance hurdle is based on earnings per share growth and essentially requires that Monadelphous has achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the option for the option to be capable of exercise. The earnings per share used in the calculation will be inclusive of any share based payment expense incurred in respect of the options. In the ordinary course, the options can only be exercised during specified window periods (staggered over a four year life of the options).

As the options will be issued for nil consideration, no funds will be raised from the issue of the options. Any funds raised on exercise of the options will be used for working capital purposes.

Details of the options issued under the Prospectus will be published in the Annual Report.

If Shareholders approve the issue of the options under Listing Rule 10.11, approval is not separately required under Listing Rule 7.1 (which Listing Rule provides that a listed company must not issue equity securities representing more than 15% of its issued capital in any 12 month period unless the issue is approved by shareholders or fits within an exception). Accordingly, if Shareholders approve Resolution 3, the 400,000 options (or any shares issued upon exercise of those options) will not count towards the Company's 15% capacity to issue securities for the purposes of Listing Rule 7.1.

The Board (with the exception of Mr Velletri, given his interest in the matter) acknowledges the outstanding contribution that Mr Velletri has made and will continue to make to the Company, and therefore recommends shareholders vote in favour of Resolution 3.

In accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, to the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 3, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 3. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

4. Shareholder Approvals Required (continued)

Resolution 4: Amendment to terms of existing Employee Options to allow cashless exercise

As described above, the options issued under the Prospectus allow the option holder to either exercise their options in the traditional manner (by payment of cash, and receipt of one Share per option exercised), or by nominating cashless exercise (in which case no cash is payable, but a fewer number of shares is issued).

Options that have been issued to employees in prior years (pursuant to the Monadelphous Group Limited Employee Option Plan) do not allow this choice. All employee options currently on issue (that have been issued under the Plan) only permit exercise in the traditional manner.

Monadelphous would like to offer this 'cashless exercise' election to existing holders of employee options (being holders of outstanding options issued under the Plan in September 2008, September 2009 and September 2010). There are currently 2,846,000 such options on issue. It is proposed that (if Shareholders approve this Resolution 4) holders of such options will be asked at the time of exercise whether they would like, at their discretion, to either:

- (a) exercise their options in the traditional manner, in which case they will pay the exercise price (in cash) and receive one share for each option so exercised; or
- (b) elect a 'cashless exercise' alternative, in which case the Company will only issue that number of shares (rounded down to the nearest whole number) as are equal in value to the difference between the exercise price otherwise payable for the options and the then market value of the shares at the time of exercise (determined as the weighted average closing price of Monadelphous shares on the ASX over the first 5 trading days of the share trading window (determined in accordance with the Company Share Trading Policy) following the release of the Company's annual results to the ASX in or about late August of each year).

Cashless exercise essentially allows the option holder to set-off the exercise price and simply receive shares to the value of the surplus. By way of example only, if an option holder holds 50 options (which have vested and are therefore capable of exercise), each with an exercise price of \$18.00, if they elect to exercise all of their options in the traditional manner they will pay Monadelphous \$900 and receive 50 Shares. If they nominate cashless exercise in circumstances where the Monadelphous Share price (as determined for these purposes) is \$22.00 they will pay no cash and receive 9 Shares (being $(50 \times (\$22 - \$18)) / \$22 = 9.1$, rounded down to 9 shares).

Monadelphous sees a number of benefits in offering a cashless exercise alternative. These include: (i) limiting dilution to existing shareholders (as, where cashless exercise is selected, fewer shares will need to be issued); (ii) limiting price volatility caused by 'churn' – where option holders immediately dispose of some or all shares acquired upon exercise of options to fund the exercise price; and (iii) making option exercise a more attractive prospect for those employees who may otherwise not have ready access to the cash exercise price. While less cash would be received by Monadelphous where cashless exercise is selected, this is not seen as a material consideration as the options are not issued for the purpose of raising funds, but principally to assist in attracting and retaining appropriate staff.

To provide a cashless exercise alternative will require an amendment to the terms of these options (which can be agreed, where appropriate, between the Company and the relevant option holder at the time of exercise). However, in accordance with ASX listing rule 6.23.4, a change to the terms of existing options can only be made if shareholders have first approved the change. The purpose of this Resolution 4 is to seek shareholder approval for these purposes.

The Board unanimously recommends that shareholders vote in favour of this Resolution.

Given that certain of the options the subject of this Resolution 4 are held by key management personnel, and in accordance with the recently introduced provisions of the Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011, to the extent required by section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on Resolution 4, if the proxy is either a member of the key management personnel for the Company or a closely related party of a member of the key management personnel for the Company, and the appointment does not specify the way the proxy is to vote on Resolution 4. However, this prohibition does not apply if the proxy is the Chair of the meeting and the appointment expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with remuneration of a member of the key management personnel of the Company.

4. Shareholder Approvals Required (continued)

Resolution 5: Ratification of prior issue of options

Monadelphous proposes to issue up to 4,800,000 options pursuant to the Prospectus in or around November 2011 to around 230 eligible employees of Monadelphous group companies (or approved nominees of such employees). The actual number issued will depend upon whether all invitations are taken up in full. 400,000 of these options will be offered to the Managing Director, Mr Robert Velletri (and are the subject of Resolution 3, discussed above). Accordingly, this resolution seeks approval in respect of the balance of 4,400,000 options.

At Monadelphous, our people are the source of the Company's long term success. Attraction and retention strategies, including initiatives such as our long term incentive program (Employee Option Plan, the "Plan"), are critical to the continuation of this success. The Plan has been in place since the early 1990's with the primary objective of assisting in attracting, retaining and rewarding employees in a manner which aligns with the creation of shareholder wealth. Since its inception the Plan has significantly contributed to the high levels of retention of key personnel across the Group.

With an outlook of strong core markets and further tightening of the labour market, offers of options to eligible employees of the Group will be made to:

- recognise and reward the ability and efforts of employees who have contributed to the success of the Group;
- provide an incentive to employees to achieve the long term objectives of the Group and improve overall Group performance (aligned to the interests of shareholders);
- ensure total remuneration remains competitive in terms of market standards;
- encourage continuation of employment with the Group;
- attract persons of experience and ability to take up employment with the Group; and
- foster and promote loyalty and a long term relationship between the Group and its employees.

Previously, Monadelphous has made these offers pursuant to the terms of its Employee Option Plan (the "Plan"). That Plan allows Monadelphous to offer options to employees without the need for prospectus type disclosure, provided that it complies with the terms of ASIC class order [CO 03/184]. One of the conditions of that class order (and a term of the Plan) is a limit on the number of options (or Shares) that can be issued by Monadelphous under the Plan over a rolling five year period.

Monadelphous sought to issue up to 4,800,000 options to around 230 eligible employees due to the continued growth of the Monadelphous group, and the importance of retaining and attracting skilled employees. This, when added to the number of options and Shares issued under the Plan in previous years, would have exceeded the limit specific in the ASIC class order (and Plan rules). Accordingly, on 11 October 2011, Monadelphous lodged an employee option Prospectus (setting out required statutory disclosure) to permit it to make this year's proposed offer of options to its employees.

Each option will have an exercise price of \$17.25 per option (calculated as the average closing price of Monadelphous shares on the ASX over the five (5) trading days prior to 10 October 2011) and will, upon exercise (and payment of the exercise price) result in the issue of one Share. Alternatively, the holder can nominate cashless exercise in which case it will pay no cash but receive a smaller number of shares (the number of shares issued will be equivalent in value to the number of options exercised, multiplied by the excess of the Monadelphous share price (calculated as the weighted average closing price of Monadelphous shares on the ASX over the first 5 trading days of the share trading window (determined in accordance with the Company Share Trading Policy) following the release of the Company's annual results to the ASX in or about late August of each year) over the exercise price, with any fractional entitlement to a share rounded down).

As the options will be issued for no consideration, no funds will be raised by their issue. Any funds raised upon the exercise of the options will be used for working capital purposes.

A summary of the key terms of the options is set out in Appendix A. The full terms are set out in the Prospectus which has been released to ASX and will be available for inspection at the Company's Registered Office during business hours until the Annual General Meeting, or can be accessed at www.monadelphous.com.au. Options will only become capable of exercise (i.e., will vest) during the relevant window period (see Appendix A) if at that time both: (a) the performance hurdle; and (b) the exercise condition, have been met. The performance hurdle is based on earnings per share growth and essentially requires that Monadelphous has achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the option for the option to be capable of exercise. The earnings per share used in the calculation will be inclusive of any share based payment expense incurred in respect of the options. The exercise condition essentially requires that at any time after the performance hurdle has been satisfied or waived, and during the next window period, the weighted average closing price of Monadelphous Shares on the ASX (calculated over the previous five (5) trading days on which the Company's Shares are traded) exceeds the Exercise Price of the Options. In the ordinary course, the options can only be exercised during specified window periods (staggered over a four year life of the options).

4. Shareholder Approvals Required (continued)

Resolution 5: Ratification of prior issue of options (continued)

Pursuant to Resolution 5, the Company is seeking shareholder approval under Listing Rule 7.4 of the ASX Listing Rules to ratify the issue of up to 4,400,000 options pursuant to the Prospectus. These options will be issued in or around November 2011 and, in any event, prior to the date of the Annual General Meeting. The actual number issued will be notified to the ASX.

ASX Listing Rule 7.1 provides that a listed company must not issue equity securities (including options) representing more than 15% of its issued capital in any 12 month period unless the issue is approved by shareholders or fits within an exception.

Under ASX Listing Rule 7.4, an issue of securities that has been made without prior approval under ASX Listing Rule 7.1 can be subsequently ratified by shareholders (in which case it will be treated as having been made with shareholder approval for the purposes of ASX Listing Rule 7.1).

The approval of shareholders to the issue of up to 4,800,000 options pursuant to the Prospectus will provide the Company with flexibility in considering any possible or necessary further issues of securities in the next 12 months. If this resolution is approved, any shares issued on exercise of the options referred to above will also not need to be counted towards the calculation of the 15% limit.

The Board unanimously recommend that shareholders vote in favour of this Resolution.

Resolution 6: Amendment to Dividend Provisions of the Constitution

The proposed amendments to the Company's Constitution are set out below. Copies of the existing Constitution, and the Constitution incorporating the proposed amendments, are available on the Company's website www.monadelphous.com.au and will be available at the meeting.

The purpose of the proposed amendments is to align the Company's Constitution with recent amendments to the Corporations Act 2001 relating to the payment of dividends by a company.

Previously, in accordance with the Corporations Act, a company could only pay dividends out of company profits. The Corporations Amendments (Corporate Reporting Reform) Act 2010 has replaced this requirement on and from 28 June 2010, so that the statutory test is now that a company may only pay a dividend if each of the following three tests are met:

- (a) The Company's assets must exceed its liabilities immediately before the dividend is declared and the excess must be sufficient for the payment of the dividend;
- (b) Payment of the dividend must be fair and reasonable to the Company's shareholders as a whole; and
- (c) Payment of the dividend must not materially prejudice the Company's ability to pay its creditors.

Current references in the Company's Constitution to dividends being paid out of profits are therefore no longer consistent with the Corporations Act and are, in fact, potentially inappropriate as their retention may require the Company to comply with the "profits tests" in addition to the above tests.

The proposed amendments to the Constitution are designed to resolve these issues.

The proposed amendments to the Company's Constitution are as follows:

Article 17.1 – Declaration of dividend

Delete the current wording of article 17.1 and replace it with the following:

"Subject to the Corporations Act and the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may declare a dividend and may authorise the payment or crediting by the Company to, or at the direction of, each Member entitled to that dividend."

Article 17.2 – Directors may authorise interim dividend

Delete the current heading and wording of article 17.2 and replace it with the following:

"Determination of Directors

Subject to the Corporations Act and the rights of persons (if any) entitled to shares with special rights to dividend, the Directors may determine that a dividend is payable, fix the amount and the time for payment and authorise the payment or crediting by the Company to, or at the direction of, each Member entitled to that dividend."

4. Shareholder Approvals Required (continued)

Resolution 6: Amendment to Dividend Provisions of the Constitution (continued)

Article 17.3 – No interest on dividends

Delete the words “*whether final or interim*” at the end of that article (so the article reads “*Interest may not be paid by the Company in respect of any dividend*”).

Article 17.4 – Reserves and profits carried forward

Delete the words “, *before declaring any dividend,*” where they appear immediately after the words “*The Directors may*” so that the article reads:

“*The Directors may set aside out of the profits of the Company such sums as they think proper as reserves, to be applied, at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.*”

Article 17.6 – Reserves and profits carried forward

Delete the words “*as they consider ought not to be distributed as dividends*” where they appear immediately after the words “*profits remaining*” so that the article reads:

“*The Directors may carry forward so much of the profits remaining without transferring those profits to a reserve.*”

Article 17.11 – Distributions of specific assets

Insert the words “*Subject to the Corporations Act*” at the beginning of that article, so the article reads:

“*Subject to the Corporations Act, the Directors, when paying or declaring a dividend, may direct payment of a dividend wholly or partly by the distribution of specific assets, including fully paid shares in, debentures of or other securities of, the Company or any other corporation.*”

Article 17.15 – Bonus Share Plan

Insert the words “*or determine to pay*” immediately after the words “*the Directors may declare*” so the article reads:

“*The Company may, by ordinary resolution in general meeting, authorise the Directors to implement a Bonus Share Plan on such terms and conditions as are referred to in such resolution and which plan provides for any dividend which the Directors may declare or determine to pay from time to time under the Clauses in this Part 17, less any amount which the Company shall either pursuant to this Constitution or any law be entitled or obliged to retain, not be payable on shares which are participating shares in the Bonus Share Plan but for those shares to carry instead an entitlement to receive an allotment of additional fully paid ordinary shares to be issued as bonus shares.*”

Article 17.18 – Unclaimed dividends

Insert the words “*or determined to be paid*” immediately after the words “*All dividends declared*” so the article reads:

“*All dividends declared or determined to be paid but unclaimed may be invested by the Directors as they think fit for the benefit of the Company until claimed or until required to be dealt with in accordance with any law relating to unclaimed moneys.*”

The Directors unanimously recommend that shareholders approve these amendments and therefore this Resolution 6.

5. Questions

Shareholders are invited to put any questions to the Company in writing before the meeting using the attached form at Appendix B. Submitting a question in advance of the meeting does not in any way limit your ability to ask questions in person at the Annual General Meeting.

Appendix A - Terms and conditions of Options

Set out below is a summary of some of the important terms of the Options. However, this summary is not complete. A full copy of the Prospectus will be available for inspection at the Company's Registered Office during business hours until the Annual General Meeting or can be accessed at www.monadelphous.com.au. A copy has also been released to ASX.

- 1) The Offer is open to full-time or permanent part-time employees of the Monadelphous Group. Participation is at the discretion of the Board of Directors. Applicants invited to participate will have received a copy of the Prospectus together with a personalised Application Form.
- 2) No monies will be payable as consideration for the issue of the Options.
- 3) Each Option will carry the right in favour of the Option Holder to subscribe for one ordinary fully paid share in Monadelphous Group Limited.
- 4) Options will not be listed for Official Quotation on the ASX, although the Company will apply to have the shares issued on exercise of the Options listed for Official Quotation.
- 5) Shares issued on exercise of Options shall rank, from the date of their allotment, equally with existing shares of the Company.
- 6) Options will not give any right to participate in dividends until shares have been issued and allotted.
- 7) All unexercised Options will expire on the last day of the last window period (approximately four years after the date of grant of the Options).
- 8) Options will only become capable of exercise (i.e., will vest) during the relevant window period (see below) if at that time both: (a) the performance hurdle; and (b) the exercise condition, have been met.

The performance hurdle is based on earnings per share growth and (essentially) requires that Monadelphous has achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the Options for Options to become exercisable.

The exercise condition essentially requires that at any time after the performance hurdle has been satisfied or waived, and during the next window period, the weighted average closing price of Monadelphous Shares on the ASX (calculated over the previous five (5) trading days on which the Company's Shares are traded) exceeds the Exercise Price of the Options.

If satisfied, the Options are capable of exercise in the following window periods (and in the following proportions):

- Up to 25% of Options can be exercised in the window period commencing on 1 September 2013;
- Up to 25% of Options can be exercised in the window period commencing on 1 September 2014; and
- Up to 50% of Options can be exercised in the window period commencing on 1 September 2015.

Each of these window periods will commence on 1 September (in the stated year) and is intended to close three Business Days prior to the next dividend record date (as announced by the Company). In practice, this is likely to mean that a window period will be about one week in length (and in any event, can never exceed two weeks in length).

- 9) To exercise Options, the Option Holder will be required to complete and return an Option Exercise Form. That form will ask the Option Holder whether he or she wishes to exercise the Options in the traditional manner, or nominate cashless exercise. Where:
 - (a) the Option Holder elects to exercise the Options in the traditional manner, the Option Holder will pay to Monadelphous an amount (in cash) equal to the Exercise Price (per Option, as specified on the Application Form and has been calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011) multiplied by the number of Options being exercised, and will (or a permitted Nominee will) receive (or the Trustee will receive on the Option Holder's or permitted Nominee's behalf) one Share for each such Option; or

Appendix A - Terms and conditions of Options (continued)

- (b) the Option Holder nominates cashless exercise, the Option Holder will not pay any cash to Monadelphous – rather the Option Holder will (or a permitted Nominee will) receive (or the Trustee will receive on the Option Holder's or a permitted Nominee's behalf) the number of shares as is equivalent in value to the number of Options exercised multiplied by the excess of the Monadelphous share price over the Exercise Price, rounded down to the nearest whole number. The Monadelphous share price used for this purpose will be calculated as the weighted average closing price of Monadelphous shares on the ASX over the first 5 trading days of the share trading window (which trading window will be determined in accordance with the Company Share Trading Policy) following the release of the Company's annual results to the ASX in or about late August of each year.
- 10) If any Options eligible for exercise are not exercised during the relevant window, they will lapse. However, if the performance hurdle is not achieved for a particular window period, rather than lapsing, the Options will be re-tested during later window periods and may become exercisable at a later date.
- 11) Options may also lapse on cessation of employment (immediately in circumstances where employment ceases as a result of termination for gross misconduct, gross negligence, wilful disobedience or any other cause or matter entitling dismissal without notice). In addition, Options may lapse (at the discretion of the Board of Directors), in whole or part, on a change from full-time to part-time employment status.
- 12) The Options may become capable of exercise upon the occurrence of certain 'change of control' events (such as an unconditional takeover pursuant to which a bidder has acquired 50% voting control in Monadelphous).
- 13) Unless the Board of Directors otherwise agrees, the Options will not be capable of transfer.
- 14) Options will not give Option Holders any entitlement to participate in new issues of shares unless the Option Holder first exercises their Options.
- 15) The rights of option holders will be changed to the extent necessary to comply with the ASX listing rules relating to any reorganisation or reconstruction of capital. In the event of a bonus issue of shares, the number of shares to be received on exercise of options will be increased by the number of shares that would have been received had the option been exercised before the record date for the bonus issue. If there is a pro-rata issue of shares, the exercise price of the options will be reduced in accordance with the formula in ASX listing rule 6.22.
- 16) To ensure consistency with the arrangements that operate under the Monadelphous Employee Option Plan and for administrative ease, Monadelphous expects that new shares issued on exercise of Options will (unless the Board of Directors otherwise determines) ordinarily be issued to the Trustee, who will hold them on behalf of the former Option Holder (i.e., the Eligible Employee or approved Nominee or transferee) (the "Beneficial Owner"). In respect of these shares:
 - (a) the Trustee will hold the shares as trustee for the Beneficial Owner subject to the terms of the Trust Deed and the terms and conditions of the Options;
 - (b) while shares are held by the Trustee, the Beneficial Owner will be entitled to all of the rights attached to those shares, including the right to vote, the right to receive dividends and the right to participate in issues of securities made or offered to shareholders; and
 - (c) the Beneficial Owner will (subject to the Trust Deed and the terms and conditions of issue of the Options) be able to withdraw its shares from the Trust at any time by lodging a Withdrawal Notice instructing the Trustee to transfer legal title to the relevant shares to the Beneficial Owner, or instructing the Trustee to sell the shares and remit the proceeds.

A Withdrawal Notice will be deemed to have been issued in certain instances (such as where the Beneficial Owner ceases to be an Eligible Employee, or seven years has elapsed from the date of issue of the shares). The Trustee for these purposes is Pacific Custodians Pty Ltd (a professional third party trustee, and subsidiary of Link Market Services Limited) or such other replacement trustee appointed by the directors from time to time.



THE UNIVERSITY OF WESTERN AUSTRALIA

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SMOKING - Permitted only in open areas away from buildings, courtyards and pathways.

SECURITY -For emergencies, contact 6488 2222 or Freecall 1800 655 222 (24 Hours)

VISITORS INFORMATION CENTRE - Administration Building (Grid I-6)

SECURITY AND PARKING INFORMATION (24 Hours-7Days) - Administration East (Grid K-6)