



CHIEF EXECUTIVE OFFICER'S REPORT

Cliff Lawrenson, Chief Executive Officer

When I speak to people about the GRD Group of companies it is a conversation that often turns to the opportunities that exist for us in both resources and waste management.

These are two growth sectors where we have demonstrated innovation and excellence, but 2007 has also reinforced they are extremely competitive and constantly changing.

As a company we must continue to change with them, while at the same time embracing and building on our core strengths of innovative engineering design and delivering safe, quality projects – underpinned by our philosophy of *“Engineering a safer workplace”*.

In spite of occasional short term market volatility, the demand for metals is strong and the resources sector remains buoyant. Resource players continue to strive to prove up their projects and bring product to market, providing ongoing opportunities for our core business GRD Minproc – which adds value from concept to commissioning.

2007 again underlined our diversity as our project teams entered the construction phase of Freeport-McMoRan's Tenke Fungurume Copper/Cobalt Project in the Katanga Province of the Democratic Republic of Congo, while thousands of kilometres away our people are also developing a network of urban waste processing facilities in the United Kingdom.



In 2007, these opportunities helped GRD Minproc (excluding the Kirfield division) generate a 30 per cent increase in earnings before tax for 2007, to \$27.5 million.

The international nature of our engineering and construction business means we have strong growth hubs in Johannesburg and Belo Horizonte and we have continued to invest in increasing our global footprint by opening offices in Brisbane and Santiago.

Our African operations, in particular, surged during 2007 and the Johannesburg office continues to win work and consolidate its reputation. In February 2008, the office was awarded the EPCM contract for Orezone Resources' Essakane Gold Project in Burkina Faso in West Africa.

Reputation remains a key factor and we have a record for producing safe, quality results, particularly on more technically challenging projects – combine this with recognised capability in commodities such as nickel and uranium, and we have strong prospects for the coming year.

GRD Minproc plans to expand its activities in the booming iron ore industry, where the company has been involved in both hematite and magnetite projects over the last 20 years.

These opportunities are not taken for granted and there is no doubt that we will have to continue to work hard to convert prospects into projects and studies on our books.

There has also been a sustained effort to build relationships with Chinese companies actively investing in the resources sector or involved in the provision of mining services.

While GRD Minproc remains strong, the inconsistent performance of construction, fabrication and maintenance arm, Kirfield, resulted in a strategic decision to close the company's Perth workshop. This will allow Kirfield to concentrate on its core strength – project construction and maintenance work.

How our world deals with its waste is also an issue demanding greater attention for a range of reasons including the potential greenhouse gas legacy that comes with dumping and burying our household rubbish.

While analysts in the resources sector try to predict how long the resources boom will last, politicians and environmentalists debate how long we can continue landfilling organic waste and valuable materials such as aluminium, steel, plastics and paper.

Through our UR-3R Process® we can provide at least part of the answer.

GRD entered the waste market using the innovation of engineers because of its counter-cyclical nature compared with the resources sector and the capacity to enter into long term contracts with government backing.

As a group, the move into waste-to-resources also provides an environmental balance for our business which is working to minimise the impact of extracting valuable resources and providing environmentally sustainable solutions for communities.

Global Renewables is now forging ahead in the United Kingdom, with the financial close of the Lancashire Waste Partnership PFI Project resulting in a full year earnings contribution before tax of \$8.6 million in 2007.



The Lancashire project will continue to provide positive returns with profits and fees during the construction phase, followed by annual earnings contributions for the 25 year operating life of the waste network.

The focus of Global Renewables has shifted to the UK because of government policies and regulations, for example the cost of landfilling is three times that of Australia. Local governments therefore have to look at alternatives to just burying rubbish, such as our resource recovery approach.

Our Australian operation at Eastern Creek continued to face challenges in 2007 and with the increasing operational focus on the UK and the potential project pipeline it provides, we continue to review the company's existing corporate structure.

While maximising shareholder value remains our greatest priority, it has been encouraging to witness the increased interest in our company from UK based investors during 2007 and continuing into 2008. This represents recognition of the increased profile of Global Renewables and its potential as a result of winning the Lancashire contract.

While UK representation has increased, a decision was taken in 2007 to cease GRD Limited's listing with New Zealand Exchange Limited (NZX). This decision follows the company's exit from its investment in OceanaGold Limited in September 2006, the only business interest the company previously had with a New Zealand connection.

I would also like to acknowledge the innovative spirit of our people which they put into practice every day. Their commitment and the sacrifices they and their families make to add value to our business are recognised and appreciated.

As GRD Limited moves forward in 2008, the key challenge for our people remains – together we must make the most of the opportunities that present themselves, whether they are in mining services or advanced waste treatment.

Cliff Lawrenson
Chief Executive Officer