

NOTICE OF ANNUAL GENERAL MEETING



The Annual General Meeting of GWA International Limited ABN 15 055 964 380 will be held in The Grand Ballroom, Stamford Plaza Brisbane, Cnr Edward and Margaret Streets Brisbane on Thursday 30 October 2008 commencing at 10:30 am.

ORDINARY BUSINESS

ACCOUNTS

To receive and consider the Company's Financial Statements for the financial year ended 30 June 2008 together with the statement and report by the directors and the report by the auditor in relation thereto.

ELECTION OF DIRECTORS

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

1. That Mr Jim Kennedy, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

Mr Martin Kriewaldt, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, does not offer himself for re-election.

SPECIAL BUSINESS

ADOPTION OF REMUNERATION REPORT

To consider the Remuneration Report as it appears in the Directors' Report for the year ended 30 June 2008, and if thought fit to pass, the

following non-binding advisory resolution as an ordinary resolution in accordance with section 250R of the *Corporations Act*:

2. That the Remuneration Report for the year ended 30 June 2008 be approved.

APPROVAL OF LONG TERM INCENTIVE PLAN

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

3. That for the purposes of ASX Listing Rule 7.2 exception 9, and for all other purposes, the Long Term Incentive Plan, the terms of which are summarised in the Explanatory Memorandum to this notice, be approved.

Note: The Company will disregard any votes cast on this resolution by any director of the Company (except one who is ineligible to participate in this or any other employee incentive plan of the Company) or any associates of such a director. However, the Company need not disregard a 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 a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

APPROVAL OF GRANT OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR UNDER THE LONG TERM INCENTIVE PLAN

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

- That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of Performance Rights (incorporating the right to acquire shares in the Company) to the Managing Director, Mr Peter Crowley, to a maximum value of \$870,000 under the GWA International Limited Long Term Incentive Plan ("LTIP") which is constituted and administered in accordance with the Rules of the LTIP.

(This resolution will not be considered unless Resolution 3 is passed)

Note: The Company will disregard any votes cast on this resolution by any director of the Company (except one who is ineligible to participate in this or any other employee incentive plan of the Company) or any associates of such a director. However, the Company need not disregard a 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 a person who is chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

EXPLANATORY MEMORANDUM

Accompanying this notice is an Explanatory Memorandum that provides shareholders with background information and further details on the resolutions to be considered at the meeting. The information provided is intended to assist shareholders in understanding the reasons for and the effect of the resolutions, if passed. Information is also presented in accordance with the requirements of the *Corporations Act* and the Listing Rules. Terms defined in the Explanatory Memorandum and used in this notice bear the same meaning as in the Explanatory Memorandum.

VOTING ENTITLEMENTS

The Board has determined that the entitlement of any person to vote at the meeting will be that person's entitlement as set out in the Company's register of members as at 7:00 pm on Tuesday 28 October 2008.

VOTING BY PROXY

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies. A proxy need not be a member of the Company. A shareholder may appoint an individual or body corporate to act as its proxy. If a body corporate is appointed as proxy, the body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the *Corporations Act* to exercise its powers as proxy at the meeting. If two proxies are appointed, the appointment may specify the proportion or number of votes that the proxy may exercise. Otherwise, each proxy may exercise half the votes.

To be valid, the proxy (together with the original or a certified copy of any power of attorney under which the proxy is signed) must be received at:

- The Company's share registry – Computershare Investor Services Pty Ltd, GPO Box 242 Melbourne Victoria 3001
Facsimile 1800 783 447; or

- The Company's registered office – GWA International Limited, Level 14, 10 Market Street Brisbane Qld 4000, Facsimile (07) 3236 0522 by 10:30 am on Tuesday 28 October 2008, being not less than 48 hours before the time for holding the meeting.

A proxy form accompanies this notice of meeting.

By Order of the Board

R Thornton

Company Secretary

3 September 2008

EXPLANATORY MEMORANDUM

In this Explanatory Memorandum, the following terms have the following meanings:

"Company" means GWA International Limited ABN 15 055 964 380

"director" means a director of the Company

"Constitution" means the Constitution of the Company

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

"Listing Rules" means the Listing Rules of the ASX Limited

ACCOUNTS

As required by section 317 of the *Corporations Act*, the Financial Statements for the financial year ended 30 June 2008 together with the statement and report by the directors and the report by the auditor will be laid before the meeting. Members will be provided with the opportunity to ask questions about the reports however there will be no formal resolution put to the meeting.

ORDINARY RESOLUTIONS

Resolutions 1 to 4 (inclusive) are ordinary resolutions and will require the support of at least 50% of the votes cast at the meeting in order that they be passed.

RESOLUTION 1 – ELECTION OF DIRECTORS

The Company's Constitution provides for the retirement of one-third of the directors from office at each Annual General Meeting. The directors who are to retire is determined according to the length of time each director has spent in office, with the director having spent the longest time in office retiring. By virtue of the Company's Constitution, Mr Jim Kennedy and Mr Martin Kriewaldt are retiring.

Mr Jim Kennedy retires by rotation, is eligible for re-election and offers himself for re-election as a director.

Mr Martin Kriewaldt retires by rotation, but has decided not to offer himself for re-election, and retires from the Board.

The profile of Mr Kennedy is outlined below:

Jim Kennedy AO CBE DUniv (QUT) FCA FCPA
Deputy Chairman and Non-Executive Director

Mr Kennedy was appointed a director of GWA International Limited in 1992. Mr Kennedy is one of Australia's most experienced major listed public Company directors with former directorships including Suncorp-Metway Limited, Australian Securities Exchange Limited and Qantas Airways Limited. He is Deputy Chairman of the Board, Chairman of the Audit Committee and a member of the Nomination Committee.

RECOMMENDATION

The Board (other than Mr Kennedy who is seeking re-election) recommends that you support the resolution re-electing Mr Kennedy as a director of the Company.

RESOLUTION 2 – ADOPTION OF REMUNERATION REPORT

This resolution is a requirement of section 250R of the *Corporations Act*.

SHAREHOLDERS NON-BINDING VOTE ON THE REMUNERATION REPORT

Section 250R of the *Corporations Act* requires that the Company's members vote on whether or not the Remuneration Report should be adopted. This vote is *advisory only* and the outcome will not be binding on the Board.

Prior to holding this vote, the Chairman will allow a reasonable opportunity for shareholders to ask questions or make comments about the Remuneration Report.

WHAT IS INCLUDED IN THE REMUNERATION REPORT?

The Remuneration Report includes information on how Company directors and certain executives are remunerated. More specifically, the report includes disclosure of all elements of the remuneration received by the Company's directors and the 5 most highly paid executives of the Company and the consolidated entity and other key management personnel.

The report also includes a discussion of the Board's policy for determining executive remuneration and the relationship between the Board's policy for determining remuneration and the Company's performance.

In respect of executives whose remuneration is linked to performance conditions, the report contains:

1. a summary of the performance conditions that attach to each element of their remuneration; and
2. an explanation of the relative proportions of those elements of their remuneration that are linked to performance conditions and those elements of their remuneration that are not.

In respect of executives who are employed under a contract, the report sets out the length of the contract, the notice period for terminating the contract and the amount of any termination payments payable under the contract.

RECOMMENDATION

The Board recommends that you support the resolution approving the Remuneration Report for the year ended 30 June 2008.

RESOLUTION 3 – APPROVAL OF LONG TERM INCENTIVE PLAN

The Board proposes to implement the GWA International Limited Long Term Incentive Plan ("LTIP") which is intended to attract, motivate and retain employees (including the Managing Director), and reward them for superior performance by the Company. Although shareholder approval of the LTIP is not strictly required, the Board seeks to ensure

high standards of corporate governance and therefore is seeking shareholder approval of the proposed LTIP.

Approval of the LTIP for the purposes of ASX Listing Rule 7.2 exception 9 will also mean that any Performance Rights issued under the LTIP will not count towards the Company's usual limit on new issues of securities in Listing Rule 7.1, namely 15% of issued capital on any rolling 12 month basis.

A copy of the LTIP Rules is available on request to the Company Secretary.

OVERVIEW OF LTIP

The new LTIP will replace the previous cash based Long Term Incentive Plan for executives which has now expired. Under the new LTIP, the Board at its discretion may offer Performance Rights to employees and executive directors which entitle the holder to ordinary shares in the Company (or in limited cases cash payment made), subject to meeting financial performance hurdles and the holder remaining in employment with the Company until the nominated vesting date.

The performance hurdles are selected by the Board for each award. The current intention is to impose a continued employment condition (in order to encourage employee retention), and financial performance conditions which measure Total Shareholder Returns ("TSR") compared to a peer group of companies, and growth in Earnings Per Share ("EPS"), so as to align the incentives for executives with the creation of value for shareholders.

The Performance Rights will be issued for five years and vest progressively in three equal tranches over the first three years for continued employment. Once vested on the continued employment condition, the Performance Rights will be tested each year for achievement of the financial performance hurdles. If the vesting conditions and performance hurdles are achieved, ordinary shares will be issued to the participants at no cost. If the performance hurdles are not met, then the rights are cancelled after five years.

The LTIP is specifically designed as a retention and reward tool for high performing personnel. It is likely that the LTIP will initially have up to 20 participants. The LTIP is aligned to shareholder interests as Performance Rights only vest if certain EPS and TSR targets are achieved.

PARTICIPATION

Access to the LTIP will only be made available to high performing employees by invitation of the Board. Maximum eligibility in the LTIP is set at 60% of fixed remuneration for the Managing Director and 40% of fixed remuneration for senior corporate and divisional executives.

The price used to determine an individual's allocation of Performance Rights will be the weighted average price of the Company's shares during the 10 trading days following the Company's Annual General Meeting in October each year.

For example, based on a \$50,000 allocation, and assuming a weighted average share price for the Company of \$3.00 per share, the employee would receive 16,667 Performance Rights (ie \$50,000 divided by \$3 = 16,667 Performance Rights). Each Performance Right gives the employee a right to be issued one share in the Company on vesting.

In jurisdictions where the securities or other legislation makes the issue of shares difficult, the individual would be given access to a cash equivalent of the same value of the Performance Rights.

Employees will not be allowed to enter into any hedging arrangements in relation to any unvested Performance Rights.

PERFORMANCE MEASURES

Performance Rights will vest, depending on the Company meeting or exceeding its performance hurdles over the specified performance period. It is currently proposed that 50% of the Performance Rights are subject to EPS measurement, and 50% of the Performance Rights are subject to TSR measurement. The Board may change the relative proportions, or the financial performance measures, for future awards if considered appropriate.

The EPS performance hurdle requires the Company's average EPS in the relevant period to be at least 10% higher than EPS in the base year (for awards made in 2008, the base year will be the year ended 30 June 2008). The relevant period will be the cumulative period of between one and five years since the base year, depending on whether or not the Performance Rights satisfy the continued employment condition. Where the hurdle is achieved, 50% of the total grant of Performance Rights will vest. No vesting will occur if the hurdle is not achieved during the performance period.

The TSR performance hurdle requires the Company's TSR for the relevant period to be above the 50th percentile of the TSRs of the comparator companies for the same period. Where the hurdle is achieved, 50% of the total grant of Performance Rights will vest. No vesting will occur if the hurdle is not achieved during the performance period.

The group of comparator companies for the TSR hurdle will include Australian Securities Exchange listed companies including:

Comparator Companies

GUD Holdings Limited
Hills Industries Limited
Bradken Limited
Spotless Group Limited
Alesco Corporation Limited
Crane Group Limited
Pacific Brands Limited
Adelaide Brighton Limited
Ansell Limited
Transfield Services Limited

The Board in its discretion may change the group of comparator companies if a Company delists or TSR is not ascertainable.

RECOMMENDATION

The Board (other than the Managing Director, Mr Peter Crowley, who is interested as a possible participant in the LTIP) recommends that you support the resolution approving the Long Term Incentive Plan. None of the directors (other than Mr Crowley) has an interest in the outcome of Resolution 3.

RESOLUTION 4 - APPROVAL OF GRANT OF PERFORMANCE RIGHTS TO MANAGING DIRECTOR UNDER THE LONG TERM INCENTIVE PLAN

If Resolution 3 is passed, the Board is seeking approval of shareholders by ordinary resolution to the grant of \$870,000 in value of Performance Rights under the LTIP to the Managing Director, Mr Peter Crowley, in accordance with the requirements of the ASX Listing Rule 10.14.

Peter Crowley is eligible to receive \$870,000 in value of Performance Rights under the LTIP which is 60% of his fixed remuneration for the 2008/09 year, potentially vesting over the period from 1 July 2008 to 30 June 2011.

The actual number of Performance Rights to be granted to Mr Crowley (with a value no greater than \$870,000) is dependent on the volume weighted average price of shares in the Company calculated over the 10 trading days after the Company's Annual General Meeting on 30 October 2008.

Based on a current share price of \$3.16 as at the date of this notice, Mr Crowley would be eligible to be granted 275,316 Performance Rights.

No Performance Rights have been granted under the LTIP, and no Performance Rights have been previously granted to Mr Crowley. He will receive the Performance Rights at no cost to him.

Only executive directors are eligible under the LTIP rules to be granted Performance Rights, and Mr Crowley is the only executive director at present. No director other than Mr Crowley will be issued with Performance Rights unless and until a separate shareholder approval is obtained for the purposes of ASX Listing Rule 10.14.

No loans will be granted to Mr Crowley in relation to his participation in the LTIP.

Details of any Performance Rights issued under the LTIP (and shares issued upon their vesting) will be published in the Annual Report of the Company relating to the period in which they have been issued, together with a note that approval of the issue was obtained under Listing Rule 10.14.

Allocation of Performance Rights to Mr Crowley will be made no later than 12 months after the date of this meeting. Any issue of shares to Mr Crowley under this approval will be made no later than 5 years after the date of grant of the Performance Rights.

RECOMMENDATION

The Board (with Mr Crowley abstaining) recommends that you support the resolution approving the grant of \$870,000 in Performance Rights to the Managing Director, Mr Peter Crowley, under the terms of the Long Term Incentive Plan. None of the directors (other than Mr Crowley) has an interest in the outcome of Resolution 4.