



Diploma Group Limited

ACN 127 462 686

NOTICE OF ANNUAL GENERAL MEETING

and EXPLANATORY STATEMENT

2008 Annual General Meeting

**to be held at the Conference Room,
Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia
on 14 November 2008 commencing at 11.00am (WST)**

Please read this Notice of Annual General Meeting and accompanying Explanatory Statement in their entirety and if you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2008 Annual General Meeting of Shareholders of Diploma Group Limited ("Diploma " or "Company") will be held in the Conference Room, Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia, on 14 November 2008 at 11.00am (WST).

ORDINARY BUSINESS

Financial Statements

To receive and consider the Financial Statements for the year ended 30 June 2008 together with the Auditor's Report and Directors' Report for that period.

Re-election of Director

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

1. "That Mr John Norup, having retired as a Director by rotation in accordance with Article 12.11.1 of the Constitution, and being eligible, be re-elected."

Remuneration Report

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

2. "That the Remuneration Report for the year ending 30 June 2008 be adopted."

Note: The vote on this resolution is advisory only.

Appointment of Auditor

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

3. "That for the purposes of section 327B of the Corporations Act Ernst & Young, having consented to act as the Company's auditor, be appointed the Company's auditor."

SPECIAL BUSINESS

Issue of Options to Senior Managers and Employees

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

4. "That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approve the issue of up to 2,370,000 Options to senior managers and employees of the Company for the prices, on the terms and for the purposes set out in the Explanatory Statement accompanying the Notice of Annual General Meeting."

OTHER BUSINESS

To transact any other business that may be legally brought before the meeting.

VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast:

- a) on **Resolution 4** by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed, and any of their associates

However the Company will 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
- 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 ENTITLEMENT

The Board has determined in accordance with the Constitution and the Corporations Regulations that a person's entitlement to vote at the Annual General Meeting will be taken to be the entitlement of that person shown in the Register of Members at 11.00am (WST) on Wednesday 12 November 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXIES

Please note that:

- a) a Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- b) a proxy need not be a member of the Company;
- c) a Shareholder may appoint a body corporate or an individual as its proxy;
- d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, a certificate of appointment of corporate representative should be completed and lodged in the manner specified over the page.

CORPORATE REPRESENTATIVE

Any corporate holder of the Company's Shares who has appointed a person to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its Share registry in advance of the Annual General Meeting or handed in at the meeting when registering as a corporate representative.

By Order of the Board

S Oaten

COMPANY SECRETARY

14 October 2008

**EXPLANATORY STATEMENT
TO THE NOTICE OF ANNUAL GENERAL MEETING TO BE HELD ON 14 NOVEMBER 2008**

INTRODUCTION

1. BACKGROUND

This Explanatory Statement is presented to Shareholders to provide them with information concerning each of the resolutions to be considered at the Company's 2008 Annual General Meeting.

The purpose of the Annual General Meeting is to achieve the following:

- conduct the ordinary business of the Company's Annual General Meeting; and
- conduct special business, being the approval to issue Options to certain senior managers and employees.

Each of the resolutions to be considered by Shareholders are ordinary resolutions requiring the approval of 50% of Shareholders present in person, or by an attorney, representative or proxy at the Annual General Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company that is material to a decision on how to vote on the resolutions in the accompanying Notice of Annual General Meeting. This Explanatory Statement should be read in conjunction with the Notice of Annual General Meeting.

**RESOLUTIONS 1, 2 & 3
ORDINARY BUSINESS**

2. RE-ELECTION OF DIRECTOR (Resolution 1)

In accordance with ASX Listing Rules and Article 12.11.1 of the Constitution, at every Annual General Meeting, one third of the Company's Directors must retire from office and are eligible for re-election. The Directors to retire are those who have been longest in office since their last re-appointment. In the case of equality in this respect, the Directors to retire, unless they agree among themselves, will be determined by lot.

On this basis Mr John Norup retires and offers himself for re-election.

Brief biographical details of Mr Norup are set out below:

Mr John Norup

Mr Norup is a qualified engineer with a wealth of experience in the WA construction marketplace. During his career Mr Norup has been directly involved in the management of over \$1 billion worth of construction work within Western Australia.

Mr Norup joined the Company in 2005.

The Board, excluding Mr Norup, recommends that Shareholders vote in favour of the re-election of Mr Norup.

3. REMUNERATION REPORT (Resolution 2)

Shareholders are asked to adopt the Company's Remuneration Report. The Remuneration Report is contained within the Directors' Report section of the 2008 Annual Report.

The Remuneration Report:

- explains the Board's policies in relation to the objectives and structure of remuneration;
- discusses the relationship between the policies and the Company's performance;
- provides a detailed summary of performance conditions, why they were chosen and how performance is measured against them; and
- sets out the remuneration details for each Director and for each of the other key management personnel of the Company.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the Annual General Meeting.

Shareholders should note that Resolution 2 is advisory only and does not bind the Directors or the Company.

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

4. APPOINTMENT OF AUDITOR (Resolution 3)

Section 327A of the Corporations Act requires that a public company must appoint an auditor within 1 month after it is registered and that auditor holds office until the Company's first annual general meeting.

Ernst & Young having consented to act seeks to be appointed as the Company's auditor by this resolution 3.

In accordance with section 328B(1) of the Corporations Act, a Shareholder has nominated Ernst & Young to be the company's auditor, which is attached to this Notice in Schedule 1.

RESOLUTION 4 SPECIAL BUSINESS

5. ISSUE OF OPTIONS TO SENIOR MANAGERS AND EMPLOYEES (Resolution 4)

5.1 Background to Resolution 4

Resolution 4 has been included in the Notice of Annual General Meeting so that Shareholders may consider and, if considered appropriate, approve the issue of up to 2,370,000 Options to various senior managers and employees of the Company. No Options will be issued to Directors or other related parties of the Company.

The proposed issue of Options to senior management and employees meets the objectives of the Company's remuneration policy, enabling the Company to attract and retain high quality people, and to reward them in a manner that is aligned with the creation of Shareholder value.

The issue of Options results from the Company's 2008 performance review process and is designed to recognise the continued services and contributions of individuals who are important to the Company and its businesses, and provide a medium-term reward structure. The Options will provide an equity-based component of the overall remuneration package of the relevant senior managers and employees.

The Options issued are linked to continued employment with the Company over a three year period. Within the sectors, in which the Company operates, a very competitive labour market currently exists and loyalty-based share option schemes are not uncommon as part of the remuneration framework. The loyalty vesting condition of the Options is considered important in achieving the objective of attracting and retaining high quality staff.

The exercise price for the Options will not be lower than \$0.60 per Option. This represents a significant premium to the current Share price of the Company, with the volume weighted average price of Shares for the 30 trading days to 10 October 2008 being \$0.35. The Board considers that this pricing will ensure that management interests are better aligned to those of Shareholders.

The recipients of the Options will be finalised by the Board following approval of Resolution 4 by Shareholders.

The terms and conditions attaching to the Options are set out below in Section 5.3.

5.2 Corporations Act, ASX Listing Rules and Corporate Governance

Neither the Corporations Act (2001) nor the ASX Listing Rules require the Company to seek the approval of Shareholders to issue the Options. Notwithstanding, the Company still seeks Shareholder approval for the issue of the Options in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and the Company's Remuneration and Nomination Committee Charter.

At present, the Company does not have in place a formal plan covering the payment of equity based remuneration. In this light and consistent with Corporate Governance

Principle 8.2, it is the Company's intention to continue to seek Shareholder approval for the issue of Options or other securities to its employees until such time as a formal plan is approved.

In addition, Listing Rule 7.1 imposes a limit on the number of equity securities (i.e.: Shares or Options) which a company can issue without Shareholder approval. In general terms the limit is that a company may not, without Shareholder approval, issue in any 12 month period, equity securities which are more than 15% of:

- the number of fully paid ordinary shares on issue 12 months before the issue; plus
- the number of fully paid ordinary shares issued in that 12 months under an exception contained in Listing Rule 7.2 or with Shareholder approval.

Equity securities which are issued under an exception contained in Listing Rule 7.2 or with Shareholder approval do not reduce the number of equity securities that may be issued by the Company under Listing Rule 7.1.

Resolution 4 seeks Shareholder approval of the issue of Options so that it does not reduce the number of equity securities that the Company may issue without further Shareholder approval.

No funds will be raised by the issue of the Options under Resolution 4. Any money raised as a result of the exercise of any Options will be used by the Company for general working capital purposes.

5.3 Terms and Conditions

The key terms of the Options are as follows:

1. The exercise price for the Options will not be less than \$0.60 per Option;
2. The Options will vest on 30 June 2011, on the condition that on 30 June 2011 the holder of the Options has been continuously employed by the Company or a Related Body Corporate since the issue of the Options and will entitle the optionholder to subscribe for one share for each option held ;
3. The Options will expire on the earlier of 5.00pm (WST) on:
 - (a) 31 July 2011; and
 - (b) the date the holder of the Options ceases to be an employee of the Company or a Related Body Corporate.
4. The Options will be issued and allotted to the recipients on 21 November 2008, or as soon as practicable thereafter and in any event, within 3 months from the date shareholder approval is obtained;
5. Subject to paragraph 3 above, each Option may be exercised by notice in writing to the Company together with payment of the exercise price at any time during the period commencing on the vesting date and ending on the expiry date. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.
6. Application will not be made to ASX for official quotation of the Options. Application will be made for official quotation of the Shares issued upon exercise of Options. The Options are not transferable.
7. There are no participating rights or entitlements inherent in the Options and option holders will not be entitled to participate in new issues of securities offered

- to Shareholders during the currency of the Options without first exercising the Options.
8. Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with issued Shares.
 9. In the event of a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of the optionholder will be reconstructed in accordance with the ASX Listing Rules.

5.4 Recommendation

None of the Directors have an interest in the outcome of Resolution 4. The Board believes that the proposed issue is beneficial for the Company and recommends Shareholders vote in favour of the resolution. It will allow the Company to retain the flexibility to issue the maximum number of equity securities permitted under Listing Rule 7.1 without Shareholder approval during the next 12 months. This will enable the Company to respond quickly to investment opportunities which may become available to it.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, Simon Oaten on (08) 9475 3500 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

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

ASX means the ASX Limited ACN 008 624 691.

ASX Listing Rules means the listing rules of ASX as amended or replaced from time to time.

Board means Board of Directors of the Company.

Company or **Diploma** means Diploma Group Limited ACN 127 462 686.

Constitution means the current constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth) and all regulations made under such legislation, as amended from time to time.

Director means a director of the Company.

Option means an option to acquire an ordinary fully paid Share in the Company.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Shareholder means a member of the Company as defined in the Constitution.

Share means a fully paid ordinary share in the capital of the Company.

WST means Western Standard Time.

Schedule 1 – Nomination of Auditor

8 October 2008

The Directors
Diploma Group Limited
Lv 1, 140 Abernethy Road
BELMONT WA 6104

Dear Sirs

Nomination of Auditor

For the purposes of Section 328B(1) of the Corporations Act 2001, I Natalie De Felice being a member of Diploma Group Limited, hereby nominate Ernst & Young of 11 Mounts Bay Road, Perth, Western Australia, for appointment as auditor of Diploma Group Limited at the Company's next Annual General Meeting.

Yours faithfully

Natalie De Felice

Lodge your vote:



By Mail:

Diploma Group Limited
Level 1, 140 Abernathy Road
Belmont WA 6104 Australia

Alternatively you can fax your form to
(within/outside Australia) +61 8 9479 7933

For all enquiries call:

(within Australia) 08 9479 7922 or 1300 728 625
(outside Australia) +61 8 9479 7922 or +61 3 9946 4456

000001 000 DGX
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 11.00am (WST) Wednesday 12 November 2008

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 as they choose. 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

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.

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.computershare.com.

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.

Turn over to complete the form →

View the annual report: www.diploma.com.au	Update your securityholding, 24 hours a day, 7 days a week: www.investorcentre.com
<input checked="" type="checkbox"/> Access the annual report	<input checked="" type="checkbox"/> Review your securityholding <input checked="" type="checkbox"/> Update your securityholding Your secure access information is: SRN/HIN: I999999999 PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

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 Diploma Group 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, as the proxy sees fit) at the Annual General Meeting of Diploma Group Limited to be held at Level 8, Exchange Plaza, 2 The Esplanade, Perth, Western Australia on Friday, 14 November 2008 at 11.00am (WST) and at any adjournment of that meeting.

Important for Item 4: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 4 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 4 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

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.

Ordinary Business

	For	Against	Abstain
Resolution 1 Re-election of Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Resolution 4 Issue of Options to Senior Managers and Employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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 ____/____/____