

Notice of Annual General Meeting

Notice is given that the first Annual General Meeting of Shareholders of Walter Diversified Services Limited (the Company) will be held at the offices of the Company's independent auditor, Grant Thornton, Level 17, 383 Kent Street, Sydney on 30 October 2007 commencing at 2.30pm.

Notice of 2007 Annual General Meeting.

Walter Diversified Services Limited ABN 66 121 517 860

Notice is given that the first Annual General Meeting (Meeting) of Shareholders of Walter Diversified Services Limited (the Company) will be held at the offices of the Company's independent auditor, Grant Thornton, Level 17, 383 Kent Street, Sydney on 30 October 2007 commencing at 2.30pm.

A. Consideration of reports

To receive and consider the Financial Report, the Directors' Report and the Independent Audit Report of the Company for the financial year ended 30 June 2007.

Unless the Company's Share Registry has been notified otherwise, Shareholders will not be sent a hard copy of the Annual Report. All Shareholders can view the Annual Report, which contains the Financial Report for the year ended 30 June 2007, on the website of the Company (www.walterdiversifiedservices.net.au), go to "Investor Relations" and then "Reports".

B. Questions and comments

Following the consideration of Reports, the Chairman will give Shareholders a reasonable opportunity to ask questions about or comment on the management of the Company.

The Chairman will also give Shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- (a) the conduct of the audit;
- (b) the preparation and content of the Independent Audit Report;
- (c) the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the Auditor in relation to the conduct of the audit.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by Shareholders that are relevant to the content of the Independent Audit Report or the conduct of the audit. A list of written questions, if any, submitted by Shareholders will be made available at the start of the Meeting and any written answer tabled by the Auditor at the Meeting will be made available as soon as practicable after the Meeting.

C. Items for approval

1. Re-election of Phillip McCarthy

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

"That Phillip McCarthy, who retires in accordance with clause 20.1 of the Company's Constitution, and having offered himself for re-election and being eligible, is hereby re-elected as a Director of the Company."

2. Re-election of Michael Jones

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

"That Michael Jones, who retires in accordance with clause 20.1 of the Company's Constitution, and having offered himself for re-election and being eligible, is hereby re-elected as a Director of the Company."

3. Remuneration Report

To consider and, if thought fit, to pass the following as an advisory resolution of the Company:

"That, the Company's Remuneration Report for the financial year ended 30 June 2007 (set out in the Directors' Report) be adopted."

4. Appointment of Auditor

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

"That, for the purposes of section 327B(1)(a) of the Corporations Act, Grant Thornton be appointed as the Auditor of the Company."

5. Approval of Employee Share Ownership Plan

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

"That, for the purposes of Exception 9 of ASX Listing Rule 7.2, section 260C(4) of the Corporations Act, and for all other purposes, approval is hereby given for all shares issued or acquired (as the case may be) under the "Walter Diversified Services Limited Employee Share Ownership Plan" which is to be constituted and administered in accordance with the Terms and Conditions of the Walter Diversified Services Limited Employee Share Ownership Plan which are tabled by the Chairman at the Meeting and marked "A" for identification purposes."

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 5 by any Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

6. Approval of Deferred Share and Incentive Plan

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

“That, for the purposes of Exception 9 of ASX Listing Rule 7.2, section 260C(4) of the Corporations Act, and for all other purposes, approval is hereby given for all shares issued or acquired (as the case may be) under the “Walter Diversified Services Limited Deferred Share and Incentive Plan” which is to be constituted and administered in accordance with the Terms and Conditions of the Walter Diversified Services Limited Deferred Share and Incentive Plan which are tabled by the Chairman at the Meeting and marked “B” for identification purposes.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 6 by any Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

7. Approval of Employee Option Plan

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

“That, for the purposes of Exception 9 of ASX Listing Rule 7.2, section 260C(4) of the Corporations Act, and for all other purposes, approval is hereby given for all options granted under the “Walter Diversified Services Limited Employee Option Plan ” which is constituted and administered in accordance with the Terms and Conditions of the Walter Diversified Services Limited Employee Option Plan which are tabled by the Chairman at the Meeting and marked “C” for identification purposes.”

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 7 by any Director of the Company and their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

8. Ratification of Options Issued

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

“That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, the Company ratifies the issue of:

- 1. 354,333 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2008;*
- 2. 354,333 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2009; and*
- 3. 354,334 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2010,*

on 2 November 2006 on the terms described in the Explanatory Statement which form part of this Notice of Meeting.”

Notice of 2007 Annual General Meeting.

Walter Diversified Services Limited ABN 66 121 517 860

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 8 by any Optionholders and their associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

9. Ratification of Shares Issued

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

"That, for the purposes of ASX Listing Rule 7.4, and for all other purposes, the Company ratifies the issue of 1,876,314 shares to Mary Donald Nominees Pty Ltd as trustee for the D.J. MacCormick Family Trust as part consideration for the purchase by the Company of the business and assets of D.J. & M.B. MacCormick Civil Engineering Pty Ltd, issued on 31 August 2007, on the terms described in the Explanatory Statement which form part of this Notice of Meeting."

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolution 9 by Mary Donald Nominees Pty Ltd and its associates.

However, the Company need not disregard a vote if:

- (a) 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
- (b) 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.

By order of the Board



Janine Rolfe
Company Secretary

25 September 2007

Entitlement to attend and vote

In accordance with Reg 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that persons who are registered holders of Shares of the Company as at 7:00pm (EST) on 28 October 2007 will be entitled to attend and vote at the Meeting as a Shareholder.

If more than one joint holder of Shares is present at the Meeting (whether personally, by proxy or by attorney or by representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

Voting by proxy

If you are a Shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that 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.

A proxy need not be a Shareholder of the Company.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 2:30pm (EST) on 28 October 2007. Proxies must be received before that time by one of the following methods:

Online:

Log onto the website www.walterdiversifiedservices.net.au and follow the instructions. You will need to put your Securityholder Reference Number (SRN) or Holder Identification Number (HIN), details and postcode.

By post:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

By facsimile:

In Australia (02) 9287 0309
From outside Australia +61 2 9287 0309

By delivery:

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Voting by Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 2:30pm (EST) on 28 October 2007 being 48 hours before the Meeting.

Corporate Representatives

A body corporate which is a Shareholder, or which has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Meeting. The appointment of the representative must comply with the requirements under section 250D of the *Corporations Act*. The representative should bring to the Meeting a properly executed letter or other document confirming its authority to act as the company's representative.

Shareholder Questions

If you wish a question to be put to the Chairman of the Meeting or Auditor and you are not able to attend the Meeting, please complete the Question Form which accompanies this Notice of Meeting.

To allow time to collate questions and prepare answers, Question Forms are to be received by the Share Registry by 5:00pm (EST) on 23 October 2007.

Explanatory Statement.

This Explanatory Statement has been prepared for the information of Shareholders of the Company in relation to the business to be conducted at the Company's 2007 Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with information that is reasonably required by Shareholders to decide how to vote upon the resolutions. The Directors recommend that Shareholders read this Explanatory Statement before determining whether or not to support the resolutions.

All of the resolutions to be voted on are ordinary resolutions. An ordinary resolution requires a simple majority of votes cast by shareholders entitled to vote on the resolution.

Ordinary business

Resolution 1: Re-election of Phillip McCarthy

Phillip McCarthy retires by rotation and, being eligible, offers himself for re-election as a Director.

Phil is an independent Non-Executive Director of the Company and has 36 years of experience in the Australian coal industry in both senior management and industry strategic roles. Recently, he has been involved in advising mining and manufacturing companies on corporate strategy, value creation, acquisitions and divestment via his consultancy business.

Phil was Chief Executive Officer and Managing Director of Powercoal Limited for over a decade, before the company was acquired by Centennial Coal. In addition, he has been a Member of the Australian Coal association and the Executive Committee of the NSW Minerals Council. For the last six years, Phil has acted as Chairman to the International Committee for Coal Research.

Phil is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management, and the Australian Institute of Mining and Metallurgy.

The Directors, with Phillip McCarthy abstaining, unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 2: Re-election of Michael Jones

Michael Jones retires by rotation and, being eligible, offers himself for re-election as a Director.

Michael is a founding shareholder of Walter Mining and has been associated with the original business since 1994, from which the Walter Diversified Services business has grown.

Michael has over 30 years experience in the mining, infrastructure, manufacturing and construction industries across a range of services and commodities. As General Manager, Commercial and Risk Management for the Group, Michael maintains a high level of involvement in the Group's activities, focusing on the identification and management of risk in all facets of the Group's operations and acquisitions.

Michael holds a Bachelor of Engineering with Honours from New South Wales Institute of Technology.

The Directors, with Michael Jones abstaining, unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 3: Remuneration Report

Section 250R(2) of the *Corporations Act* requires the Shareholders to vote on an advisory resolution that the Remuneration Report (the Report) be adopted.

The Report details the remuneration policy for the Company and reports the remuneration arrangements for Key Management Personnel (identified for the purposes of the Accounting Standards) and other WDS employees. The Report is available on pages 27 to 35 of the Company's Annual Report. The Report can also be viewed on the website of the Company (www.walterdiversifiedservices.net.au), go to "Investor Relations" and then "Reports".

The Chairman will give Shareholders a reasonable opportunity to ask questions about or make comments on the Report.

The Directors unanimously recommend that Shareholders vote in favour of this Advisory Resolution.

Resolution 4: Appointment of Auditor

Grant Thornton was appointed as Auditor of the Company in accordance with section 327A(1) of the *Corporations Act* and they hold office until the Company's first Annual General Meeting.

In accordance with section 327B(1) of the *Corporations Act*, the Company now seeks Shareholder approval to appoint Grant Thornton as the Auditor of the Company. Grant Thornton has not withdrawn its consent to act as Auditor.

The Directors unanimously recommend that Shareholders vote in favour of the appointment of Grant Thornton as Auditor.

Resolution 5: Approval of the Walter Diversified Services Limited Employee Share Ownership Plan

The Board believes that appropriately designed equity-based plans are an important component of the Company's remuneration arrangements. Such plans are a key tool to allow the Company to attract and retain talented directors and employees and ensure the interests of directors and employees are aligned with those of Shareholders in creating long-term Shareholder value.

The Walter Diversified Services Limited Employee Share Ownership Plan (WESOP) is an equity-based incentive plan which is proposed to be offered to all eligible employees of the Company. The WESOP aims to reward eligible employees for their contribution to the Company and assist with aligning the interests of employees and Shareholders.

The WESOP has been designed so that participants can benefit from the available income tax exemption under the relevant taxation legislation. Under the initial 2007/08 invitation, each participant will be allocated WDS shares with a total value of up to A\$1,000 at no cost to the employee. In future years, the Board may make offers which require employees to make a contribution (for example, under a salary sacrifice arrangement) to acquire shares under the WESOP. All shares allotted under the WESOP will rank equally with all Shares previously issued.

The price of the Shares to be acquired will be at the prevailing market price. The number of securities acquired will accordingly be a maximum of A\$1,000 divided by the market price of WDS' shares at the time the securities are allotted to the participant.

Shares acquired under the WESOP must be held under the WESOP for the earlier of three years or cessation of employment, during which time the Shares are subject to a restriction on disposal such that the holder cannot dispose of, or transfer, the Shares.

Finally, the Board has imposed a limit such that no more than 5% of WDS' issued share capital can be issued, or agreed to be issued, under awards that have been granted, but which have not lapsed, vested or exercised (as the case may be) under the WESOP or any other employee equity incentive plan.

The full Terms and Conditions of the WESOP are available on the website of the Company (www.walterdiversifiedservices.net.au), go to "Investor Relations" and then "Corporate Governance".

Legislative Requirements

Section 260C(4) of the *Corporations Act*, which applies to the Company, permits the Company to provide financial assistance to persons for the purpose of acquiring Shares in the Company under an employee share scheme provided shareholder approval is obtained.

Under Exception 9 of ASX Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to Listing Rule 7.1 (which contains the restrictions relating to issues exceeding 15% of the issued capital of a listed company in the 12 months before the date of issue) if, within three years before the date of the issue, shareholders have approved the issue of shares as an exception to Listing Rule 7.1.

Given the Company is seeking approval of the WESOP, no WDS shares have been issued under the WESOP to date.

A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

Resolution 6: Approval of Deferred Share and Incentive Plan

In line with the Company's remuneration philosophy, the Board believes that an equity-based long-term incentive is a key component of the "at-risk" remuneration arrangements for executives. To date, the Company has granted long-term incentives to executives in the form of share options (Options) under the Employee Option Plan.

The Board believes that in order to attract and retain talented executives and provide a long-term incentive which continues to align executives with the Company's strategies, a flexible equity-based plan should be established to allow the Board to grant different types of performance-based awards depending upon the prevailing circumstances.

Accordingly, the Board wishes to establish the Deferred Share and Incentive Plan (DSIP). Under the DSIP, the Company will be able to grant appropriately structured long-term incentive awards to executives (including Executive Directors). The DSIP will provide the Board with flexibility to grant long-term incentives to executives in the form of shares or rights to shares which will vest only on the satisfaction of appropriate performance hurdles. Long-term incentive awards will generally be granted to executives for nil consideration.

Explanatory Statement.

The Board will determine the performance hurdles to be applied to long-term incentive awards taking into account the Company's strategies and to ensure benefits are only delivered under the DSIP where the Company's performance has materially improved. Generally, any long-term incentive awards granted for which performance hurdles are not met, will lapse. In this way, long-term incentive awards under the DSIP will align executives' interests with those of Shareholders. Details of the performance hurdles determined by the Board for long-term incentive awards under the DSIP will be set out in the Company's annual Remuneration Report (contained in the Annual Report). Grants of long-term incentive awards under the DSIP to Executive Directors will also be detailed in the Remuneration Report.

The quantum of awards granted to each executive under the DSIP will be determined taking into account the executive's role, seniority and contribution to the Company, consistent with the Company's remuneration philosophy.

In addition to allowing the Board to make grants of long-term incentive awards to executives, the DSIP will also provide a mechanism for Non-Executive Directors to continue to salary sacrifice a minimum of 10% of their fees to acquire WDS Shares, in accordance with the Company's remuneration philosophy.

It is intended that acquisition of Shares under the DSIP, including those acquired on vesting of long-term incentive awards, will be subject to disposal restrictions to encourage participants to build and maintain their WDS shareholding and to allow (where available) deferral of income tax by the participant.

Depending on the terms of the invitation made by the Board, awards under the DSIP may be delivered to participants through the issue of Shares or on-market acquisitions, at the discretion of the Board.

Participants holding Shares acquired under the DSIP will have the same rights as ordinary Shareholders (generally being the right to vote at general meetings and to be paid dividends) and Shares allocated upon release of DSIP Securities from the DSIP will be quoted on the ASX. No security interests (such as charges or mortgages) can be held against DSIP securities.

Finally, the Board has imposed a limit such that no more than 5% of WDS' issued share capital can be issued, or agreed to be issued, under awards that have been granted, but which have not lapsed, vested or exercised (as the case may be) under the DSIP or any other employee equity incentive plan.

The full Terms and Conditions of the DSIP are available on the website of the Company (www.walterdiversifiedservices.net.au), go to "Investor Relations" and then "Corporate Governance".

The Employee Option Plan may continue to be used by the Company to grant share options to executives where it is considered that Options are the appropriate long-term incentive vehicle. Further details about the Employee Option Plan are set out in Resolution 7.

Legislative Requirements

Section 260C(4) of the *Corporations Act*, which applies to the Company, permits the Company to provide financial assistance to persons for the purpose of acquiring Shares in the Company under an employee share scheme provided Shareholder approval is obtained.

Under Exception 9 of ASX Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to Listing Rule 7.1 (which contains the restrictions relating to issues exceeding 15% of the issued capital of a listed company in the 12 months before the date of issue) if, within three years before the date of the issue, shareholders have approved the issue of shares as an exception to Listing Rule 7.1.

Given this Resolution is seeking approval of the DSIP, no securities have been issued under the DSIP to date.

A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

For the purposes of ASX Listing Rule 10.14, it is envisaged that, with respect to participation by the Executive Directors and Non-Executive Directors, any securities will be acquired on-market during the 2007/08 financial year.

Resolution 7: Approval of Employee Option Plan

The Company seeks Shareholder approval for the Walter Diversified Services Limited Employee Option Plan (EOP). The EOP is intended to provide employees and Directors of, and consultants to, the Company (Group Employees) with an incentive to work towards improving the performance of the Group and the Company's share price through the receipt of Options (which may convert to Shares).

A summary of the EOP was included in the Company's Prospectus dated 3 November 2006 and is set out below. Under the EOP, the Board may offer Options to Group Employees whom the Board determines should be entitled to participate in the EOP for no initial consideration (an exercise price is applicable upon conversion however). The Board may in its absolute discretion determine criteria to apply to a Group Employee to be able to participate in the EOP including, without limitation, a minimum period of service.

The Company will not apply for ASX quotation of any Options issued under the EOP. The exercise price per Option and exercise period is determined by the Board and will be specified in the offer to the Group Employee.

The Board may determine and specify in the offer to the Group Employee:

- (a) the time periods or other conditions, such as the achievement of performance hurdles, that must be satisfied before Options are vested; and/or
- (b) any other exercise conditions that must be satisfied before Options can be exercised.

As with the DSIP, the Board will determine the performance hurdles to be applied to awards under the EOP taking into account the Company's strategies and to ensure benefits are only delivered where the Company's performance has materially improved. Generally, any awards granted under the EOP for which performance hurdles are not met, will not vest. In this way, long-term incentive awards under the EOP will align executives' interests with those of Shareholders. Details of the performance hurdles determined by the Board for awards under the EOP will be set out in the Company's annual Remuneration Report. Any grants of long-term incentive awards under the EOP to Executive Directors will also be detailed in the Remuneration Report.

The quantum of awards granted to each executive under the EOP will be determined taking into account the executive's role, seniority and contribution to the Company, consistent with the Company's remuneration philosophy.

Options will be exercisable during the option exercise period specified by the Board in the offer to the Group Employee. Subject to the satisfaction of any applicable vesting and/or exercise conditions before Options can be exercised, Options are exercisable during the specified exercise period by giving notice of the exercise to the Company and by paying the exercise price for the Options exercised. Each Option entitles the holder to subscribe for one Share. The Shares allotted upon exercise of the Options will rank equally in all respects with all other issued Shares of the Company. The Company will apply for official quotation of those Shares on the ASX after they are issued.

If an Optionholder ceases employment as a result of misconduct, for cause or on other grounds for which the Company or any subsidiary may validly terminate their employment services, then all unexercised Options held by such participant will immediately be forfeited and lapse upon termination. If an Optionholder ceases to be a Group Employee in certain circumstances and the Options are otherwise exercisable, the Optionholder will have a period of 30 days or six months (or longer period as determined by the Board) in which to exercise those Options (the relevant time period will depend on the circumstances in which the optionholder ceased employment with the Group). Following the relevant period, any unexercised Options will then lapse.

An Optionholder will not be entitled to participate in new issues of Shares or other securities made by the Company to holders of its Shares in respect of his or her Options unless the Options are exercised before the record date for determining entitlements to the issue.

If the Company makes a pro rata bonus issue of Shares to its Shareholders and an Option is not exercised prior to the record date for determining entitlements to that issue, the Option, when exercised, will entitle the holder to one Share plus the number of bonus Shares which would have been issued to the holder if the Option had been exercised prior to the relevant record date.

If the Company undergoes a reorganisation of capital (other than by way of a bonus issue or issue for cash) or undertakes a pro rata issue (other than a bonus issue) of securities, the terms of the Options and the rights of the participants will be changed to the extent necessary to comply with the ASX Listing Rules.

Explanatory Statement.

If a takeover bid is made to acquire the whole or part of the issued Shares of the Company, or a scheme of arrangement, selective capital reduction or other transaction is initiated which has an effect similar to a full takeover bid for all the issued Shares of the Company (Bid), and the Bid is accepted by the holders of at least 50% of the Shares on issue, then each participant shall be able to exercise all or part of his or her Options, notwithstanding that the Option exercise period has not commenced or that applicable vesting and/or exercise conditions have not been satisfied.

Finally, the Board has imposed a limit such that no more than 5% of WDS' issued share capital can be issued, or agreed to be issued, under awards that have been granted, but which have not lapsed, vested or exercised (as the case may be) under the EOP or any other employee equity incentive plan.

The full Terms and Conditions of the EOP are available on the website of the Company (www.walterdiversifiedservices.net.au), go to "Investor Relations" and then "Corporate Governance".

Legislative Requirements

Section 260C(4) of the *Corporations Act*, which applies to the Company, permits the Company to provide financial assistance to persons for the purpose of acquiring shares in the Company under an employee share scheme provided Shareholder approval is obtained.

Under Exception 9 of ASX Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to Listing Rule 7.1 (which contains the restrictions relating to issues exceeding 15% of the issued capital of a listed company in the 12 months before the date of issue) if, within three years before the date of the issue, shareholders have approved the issue of shares as an exception to Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.14, it is envisaged that with respect to participation by the Executive Directors and Non-Executive Directors, any securities to be delivered by the Company upon the conversion of Options will be acquired on-market.

In November 2006, one grant of Options to 19 members of the Company's senior management team was made under the EOP and is outlined in Resolution 8.

A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

Resolution 8: Ratification of Options granted

Under ASX Listing Rule 7.1, a company must obtain shareholder approval if it wants to issue more than 15% of its equity securities. ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact so that the securities issued are regarded as having been made with approval for the purpose of Listing Rule 7.1.

Accordingly, Resolution 8 is seeking ratification for the granting of:

1. 354,333 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2008;
2. 354,333 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2009; and
3. 354,334 Options for Ordinary Shares on a one-for-one basis with an exercise price of \$1.875 vesting on 30 September 2010,

on 2 November 2006 without Shareholder approval.

The granting of these Options was within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders ratify the issue of the Options the subject of Resolution 8 for the purpose of ASX Listing Rule 7.4 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- 1,168,000 Options were granted in total (however only 1,063,000 remain on issue due to 105,000 Options having lapsed in accordance with the Walter Diversified Services Limited Employee Option Plan Rules).
- The Options were issued at no cost to the participants.
- All Options are Options over Ordinary Shares on a one-for-one basis with an exercise price of \$1.875. There are three vesting dates for the Options as set out above.
- The allottees were 19 members of the Company's senior management team.
- No funds were raised upon the grant of Options. Exercise monies received upon the conversion of Options will contribute towards working capital of the Company.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

Resolution 9 Ratification of Shares issued

Under ASX Listing Rule 7.1, a company must obtain shareholder approval if it wants to issue more than 15% of its equity securities. ASX Listing Rule 7.4.2 provides that shareholders may approve an issue of securities after the fact so that the securities issued are regarded as having been made with approval for the purpose of Listing Rule 7.1.

Accordingly, Resolution 9 is seeking ratification for 1,876,314 Shares which were issued on 31 August 2007 (without Shareholder approval). Details concerning the acquisition of, and the consideration for, the business and assets of D.J. & M.B. MacCormick Civil Engineering Pty Limited were announced to the ASX on 23 August and 31 August 2007.

The issue of these Shares was within the 15% limit permitted by ASX Listing Rule 7.1. Nevertheless, the Company is requesting that Shareholders ratify the issue of the Shares the subject of Resolution 9 for the purpose of ASX Listing Rule 7.4 so that the Company will have the flexibility to issue further securities under ASX Listing Rule 7.1 if the need or opportunity arises.

For the purposes of ASX Listing Rule 7.5, the following information is provided:

- 1,876,314 Shares were issued in total.
- The Shares were issued at \$2.6648 per Share (being the VWAP for the 45 days up to and including the date of the agreement).
- The Shares are Ordinary Fully Paid Shares.
- The Shares were issued on 31 August 2007.
- The Shares were allotted to Mary Donald Nominees Pty Ltd as trustee for the D.J. MacCormick Family Trust.
- No funds were raised as the Shares were issued as part payment of the consideration payable for the acquisition of the business and assets of D.J. & M.B. MacCormick Civil Engineering Pty Limited.
- A Voting Exclusion Statement is set out under the Resolution in the Notice of Meeting.

The Directors unanimously recommend that Shareholders vote in favour of this Resolution.

