

GREGORY AUSTRALIA LIMITED

CHAIRMAN'S ADDRESS TO THE EXTRAORDINARY GENERAL MEETING HELD AT THE SHERATON ON THE PARK ON THE 24TH OF APRIL 2006

CHAIRMAN'S ADDRESS

The purpose of today's Meeting is to consider, and if thought fit to pass the resolutions required, to acquire PNE Industries Pty Limited, as described in the Notice of Meeting and Information Memorandum that was sent to you.

Before we consider the various resolutions I would like to take this opportunity to update shareholders on the proposed acquisition.

I am pleased to advise that PNE had a very strong finish to the 3rd quarter with consolidated group sales for the 9 months to 31 March 2006 of \$11.5 million and net profit after tax of \$1.8 million. This means that net assets which will be acquired by Gregory now total \$6.7 million of which \$2.0 million is in actual cash.

One of PNE's subsidiaries, Opentec, was a strong performer and a big contributor to the results achieved by PNE during the second half. Initially, the Opentec business was operated by PNE under licence, with an option to purchase. I am pleased to advise that on the 8th of March, PNE exercised this option and purchased Opentec.

Opentec is a manufacturer of ruggedised mobile computing equipment, which is used extensively by the armed forces. In fact, Opentec has successfully completed 2 large defence contracts totalling over \$4 million.

It is the intention of the directors to extend the Opentec product range by introducing new products to take the company into new market sectors such as mining, emergency services and agriculture.

The traditional business of PNE has similarly been strong. In fact, PNE has had proposals accepted for the redesign of a comprehensive range of controls for a major Australian manufacturer, utilising innovative cutting edge technology, which will underpin sales to this important customer for many years to come.

PNE continues to develop new opportunities for volume niche markets. One such development is the "Safe Zone, In Road Safety Warning System" product that is nearing completion of the prototype stage and will shortly be road trialled.

All of this bodes well for the future of the PNE business and for Gregory should we approve the purchase of the shares in PNE today.

After a slow start to the year, I am very pleased to report that Gregory is looking to have a strong last quarter in the commercial furniture sector. Orders for delivery in this quarter are looking particularly strong with a considerable number of large opportunities now coming to fruition.

Last month Gregory launched the Boss range of products which, has been favourably received by the market. The directors believe that this brand new range of products will be a major contributor to the commercial furniture turnover.

In a moment we will consider the resolutions for the acquisition of PNE, however before we do this I would like to make special mention of the work done by the two outgoing directors, Bruce Hansen and Janet Sayer.

Bruce Hansen joined the board in March 2004 and Janet Sayer joined the board in June 2004, since then they have both been positive contributors to many aspects of the restructure of the company. Both Bruce and Janet, as independent directors in the transaction under consideration, played significant parts in ensuring the completion of all the documents received by the shareholders. I would therefore like to thank them for their contributions and wish them well in the future.

RESOLUTIONS

We will now consider and vote upon the resolutions. Each of these resolutions are interdependent upon each other, therefore if any one of these resolutions is not passed, none of the resolutions will be passed.

Resolution 1

The first resolution will be for the acquisition by the Company of all the shares in PNE Industries Pty Limited.

The text of the resolution is as follows:

That, subject to the passing of Resolutions 2, 3 and 4 set out in the Notice and for all purposes including, without limitation, ASX Listing Rules 10.1 and 11.1, the Company authorise and approve the acquisition of all the issued ordinary shares and options in PNE from the PNE Shareholders who include certain related parties of the Company and the change in the scale of activities of the Company resulting from the acquisition of all the issued ordinary shares and options in PNE on the terms set out in the PNE Share Purchase Agreement, as described in the Information Memorandum and which accompanies the Notice.

This resolution refers to ASX Listing Rules 10.1 and 11.1.

Under ASX Listing Rule 10.1, the ASX requires shareholder approval, where a company proposes to acquire a substantial asset from a related party of the Company. Tony Noun and I are both related parties of the Company pursuant to section 228 of the *Corporations Act* as we are both directors and shareholders of Gregory and of PNE.

Under ASX Listing Rule 11.1 the ASX requires shareholder approval where it is proposed to make a significant change to the scale of its activities.

I would like to make a few comments before opening this resolution to the floor for discussion.

Attached to the notice of this Extraordinary General Meeting was an Information Memorandum the purpose of which was to describe the transaction and acquaint shareholders with:

- The views of the independent directors; and
 - The view of the independent expert,
- with respect to this transaction.

The independent directors for the purposes of this transaction were Peter Gregory, John Scutt, Bruce Hansen and Janet Sayer. Tony Noun and I were not considered independent directors for this transaction, as we are directors and shareholders of PNE.

The independent directors unanimously recommended the proposed acquisition of PNE and their reasons may be found on page 15 of the Information Memorandum.

The Independent Expert was BDO Corporate Finance Pty Limited. The Independent Expert was of the opinion that, on balance, the benefits to the Gregory shareholders of the transaction outweighed the disadvantages, and accordingly BDO was of the view that the transaction was fair and reasonable. The report by BDO is an attachment to the Information Memorandum.

Resolution 2

The second resolution is for the approval of the issue of Gregory shares to the PNE Shareholders for the acquisition of the shares and options in PNE.

The text of the resolution is as follows:

That, subject to the passing of Resolutions 1, 3 and 4 set out in the Notice and for all purposes including, without limitation ASX Listing Rule 7.1 and Section 611 (Exception 7) of the Corporations Act the Company authorise and approve the allotment and issue by the Company of 40,416,667 fully paid ordinary shares in the capital of the Company, representing a Relevant Interest of 62% of the issued share capital of the Company on Completion pursuant to the PNE Share Purchase Agreement, to parties identified in Section 1.1 of the Notice.

This Resolution refers to ASX Listing Rule 7.1 and Section 611 (Exception 7) of the *Corporations Act*.

Under ASX Listing Rule 7.1 a company cannot issue, or agree to issue equity securities (which include Shares) without shareholder approval, where the number of equity securities issued or agreed to be issued in the preceding 12 month period and the new issue exceeds 15% of the number of equity securities on issue at the beginning of the preceding 12 month period.

The new shares in Gregory to be issued to the PNE shareholders as consideration for the purchase of the PNE shares and the PNE options exceeds 15% of the number of equity securities on issue at the beginning of the preceding 12-month period and accordingly, Shareholder approval is required for the issue of these new Gregory shares.

Section 606 of the *Corporations Act* prohibits a person from acquiring a Relevant Interest in issued voting shares in the Company, which results in voting power of any person in the Company increasing from below 20% to more than 20%.

It is possible that the PNE Shareholders may be deemed to be associates for the purposes of Section 12(2)(b) of the *Corporations Act* by virtue of their having together entered into the PNE Share Purchase Agreement and as a result of the issue of the new Gregory shares the Voting Power of the PNE shareholders in the Company, may be deemed to exceed 20%.

Section 611 (Exception 7) of the *Corporations Act* permits an allotment of shares to a person, which would result in that person's voting power in the Company increasing beyond 20% if that allotment receives shareholder approval.

I will not make any comments on this resolution because the consequence of approving the first resolution will be the approval of this resolution, and vica-versa.

Resolution 3

The third resolution will be for the election of Robyn Himmelberg as a director of the Company at Completion. Completion is the completion of the purchase of PNE which will take place subsequent to this meeting, in accordance with the PNE Share Purchase Agreement. Subject to Completion being successfully concluded the appointment of Robyn Himmelberg as a director of the Company will take effect.

Robyn is the finance director of PNE and with David Richards was a founding member of PNE. A resume of Robyn's experience may be found on page 22 of the Information Memorandum.

- The text of the Third Resolution is:

Subject to the passing of Resolutions 1, 2 and 4 the Company authorise and approve the appointment of Robyn Himmelberg as a Director of the Company at Completion.

Resolution 4

The fourth resolution will be for the election of David Richards as a director of the Company at Completion. As with Robyn Himmelberg, David Richards appointment is subject to Completion being successfully concluded.

David is the Managing Director of PNE and has many years of design and manufacturing experience in electronics and electromechanical devices.

David is responsible for most of the innovative design that has made PNE what it is today. As noted above, David is also a founding member of PNE. A resume of David's experience may be found on page 21 of the Information Memorandum

- The text of the Fourth Resolution is:

Subject to the passing of Resolutions 1, 2 and 3 the Company authorise and approve the appointment of David Richards as a Director of the Company at Completion.