

11 October 2011

Company Announcements
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000
AUSTRALIA

Dear Sir / Madam

RE: Monadelphous Group Limited Employee Option Prospectus

Monadelphous Group Limited proposes to issue up to 4,800,000 options to around 230 eligible employees of Monadelphous Group companies (the Group) pursuant to the Monadelphous Group Limited Employee Option Prospectus (the Prospectus). A copy of this Prospectus was lodged with the Australian Securities & Investment Commission (ASIC) today.

At Monadelphous, our people are the source of the Company's long term success. Attraction and retention strategies, including initiatives such as our long term incentive program (Employee Option Plan, the "Plan"), are critical to the continuation of this success. The Plan has been in place since the early 1990's with the primary objective of assisting in attracting, retaining and rewarding employees in a manner which aligns with the creation of shareholder wealth. Since its inception the Plan has significantly contributed to the high levels of retention of key personnel across the Group.

With an outlook of strong core markets and further tightening of the labour market, offers of options to eligible employees of the Group will be made to:

- recognise and reward the ability and efforts of employees who have contributed to the success of the Group;
- provide an incentive to employees to achieve the long term objectives of the Group and improve overall Group performance (aligned to the interests of shareholders);
- ensure total remuneration remains competitive in terms of market standards;
- encourage continuation of employment with the Group;
- attract persons of experience and ability to take up employment with the Group; and
- foster and promote loyalty and a long term relationship between the Group and its employees.

Historically, Monadelphous has issued invitations to selected employees pursuant to the terms of the Plan. The Plan allows the Company to offer options without the need for prospectus-type disclosure provided it complies with the terms of ASIC class order [CO 03/184]. One of the conditions of that class order, and a term of the Plan, is a limit on the number of options (or shares) that can be issued by Monadelphous under the Plan over a rolling five-year period.

Monadelphous proposes to issue up to 4,800,000 options to around 230 eligible employees of the Group due to the continued growth of the Group and the heightened importance of retaining and attracting skilled employees. This, when added to the number of options and shares issued under the Plan in previous years, would exceed the limit specific in the class order (and Plan rules) and therefore means the class order relief is not available in respect of this proposed issue of options. Accordingly, Monadelphous has prepared the attached Prospectus to provide the required statutory disclosure in respect of (and to allow it to make) this offer of options.

This Offer is only open to those eligible employees who have been invited to apply by the Board of Directors as set out in the personalised Application Form accompanying the Prospectus.

The full terms and conditions of the options are contained in Annexure A to the Prospectus, with a summary of the important aspects of the options set out below.

- No monies will be payable by eligible employees upon the issue of options.
- An exercise price of \$17.25, calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011, will be payable by eligible employees on exercise of their options (unless the employee opts for cashless exercise, in which case a fewer number of shares will be issued to take the exercise price into account).
- Options can only be exercised during the relevant window periods listed below if at that time the performance hurdle has been met and the options are in the money. The performance hurdle essentially requires Monadelphous to have achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the options. The earnings per share used in the calculation will be inclusive of any share-based payment expense incurred in respect of the options.
- If the performance hurdle is satisfied and the options are in the money, the options may be exercised in the following window periods:
 - up to a maximum of 25% during the window period commencing 1 September 2013;
 - up to a maximum of 25% during the window period commencing 1 September 2014; and
 - up to a maximum of 50% during the window period commencing 1 September 2015.
- If the performance hurdle is not achieved for a particular window period the options, rather than lapsing, will be re-tested during later window periods and may become exercisable at a later date subject to the achievement of the performance hurdle.

We look forward to the Plan continuing to assist in the attraction and retention of people who are highly competent, live the Monadelphous values and actively contribute to the long-term success of the Company.

Yours sincerely



John Rubino
Chairman

11 October 2011

[Name]
[Address]
[Address]

Dear [Name]

RE: Offer to apply for Options pursuant to the Monadelphous Group Limited Employee Option Prospectus

It is with great pleasure that the Directors of the Company invite you to apply for Options over the Company's Shares. These Options are issued in accordance with, and on the terms and conditions set out in, the Monadelphous Group Limited Employee Option Prospectus dated 11 October 2011 (the "Prospectus"). A copy of the Prospectus is attached to this letter. **The Prospectus is an important document and you are urged to read it in full.**

Attached to the Prospectus is a personalised Application Form indicating the number of Options offered to you and the Exercise Price of \$17.25 (calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011). You may accept the offer by completing and signing the Application Form and returning it to Zoran Bebic, Company Secretary, at the Registered Office of the Company (59 Albany Highway, Victoria Park, WA, 6100), by the Closing Date of 5:00pm on 25 October 2011 (being ten (10) Business Days after the date of the Prospectus or such other date as the Directors may determine). You may accept this offer in respect of only some, or all of the Options offered to you.

If you would like to nominate a Nominee to apply for the Options, you should contact the Company Secretary. If a Nominee is approved, a new Application Form (accompanied by this Prospectus) will be issued in the name of that person or entity (who will be bound by the Option terms and conditions and this Prospectus). The Board of Directors is only likely to consider permission to use a Nominee that is a company or trust controlled by you.

Please note, however, that any Options not accepted by you under this Prospectus, will result in the offer of those Options lapsing, and being of no further force or effect. Any Options which you have accepted will be granted to you and you will receive an Option Certificate within twenty (20) business days of the Closing Date.

During the currency of this offer (that is, until the Closing Date), the Company undertakes to provide you, within a reasonable time, with information on the current market price of the Company's Shares, if you so request.

Annexure C of the Prospectus is a taxation summary prepared by PricewaterhouseCoopers providing generic advice regarding the taxation of Options. This advice has been provided for information purposes only. Should you have any queries or require further advice regarding the tax implications of the issue or exercise of options, we recommend procuring expert advice specific to your particular situation.

Any advice given in connection with this offer is general advice only and you should consider obtaining your own financial product advice from an independent person licensed by the Australian Securities and Investments Commission to give such advice. It is also recommended that you consider obtaining any other advice (such as financial or legal) that may be relevant to the acceptance, or exercise, by you of Options.

Once you have read the Prospectus, if you have any queries in relation to the procedure for accepting the offer of Options, please contact either Zoran Bebic or Kristy Glasgow on 08 9316 1255.

Signed at Perth this 11th day of October 2011.

Sincerely



Rob Velletri
Managing Director

Monadelphous Group Limited

ABN 28 008 988 547



Employee Option Prospectus

For the offer of up to 4,800,000 options to Eligible Employees who have been invited to apply (as set out in the personalised Application Form accompanying this Prospectus)

This is an important document. This Prospectus does not take into account the individual investment objectives, financial situation or particular needs of each Applicant. If you are in any doubt about the action you should take, please consult your financial, taxation, or other adviser.

Monadelphous Group Limited
59 Albany Highway, Victoria Park
Western Australia 6100
Tel: +61 8 9316 1255
Fax: +61 8 9316 1950
Website: www.monadelphous.com.au

Important information

This Prospectus is dated 11 October 2011 and was lodged with ASIC on that date. None of ASIC, ASX or their respective officers take responsibility for the contents of this Prospectus. No securities will be allotted on the basis of this Prospectus later than its expiry date of 13 months after the date of this Prospectus.

This Offer is only open to those persons who have been invited to apply by the Board of Directors as set out in the personalised Application Form accompanying this Prospectus. Applicants should read this document in its entirety and, if in doubt, should consult their professional advisers. After reading this Prospectus, Applicants with queries regarding the procedures relating to the Offer can call the Company Secretary or Group Financial Controller on +61 8 9316 1255.

This Prospectus is a transaction specific prospectus for an offer of options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Options or the Offer, or to otherwise permit a public offering of Options or Shares, in any jurisdictions outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

Any forward looking statements in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside of the control of the Company and its Directors, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward looking statements in this Prospectus. Any advice contained in this Prospectus is general advice only and has been prepared without taking account of any Applicant's objectives, financial situation or needs. Accordingly, please consider the appropriateness of any advice having regard to your particular situation.

Definitions and Risk Factors

Defined terms and abbreviations used in this Prospectus are explained in the Glossary set out in Section 10 of this Prospectus. A reference to time is to Australian Western Standard Time (AWST), unless otherwise stated.

Potential Applicants should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to Section 6 of this Prospectus.

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1 Overview

Monadelphous has, for a number of years, made offers of options to Eligible Employees of the Group. This is done so as to:

- recognise and reward the ability and efforts of employees who have contributed to the success of the Group;
- provide an incentive to employees to achieve the long term objectives of the Group and improve overall Group performance;
- encourage employees to remain with the Group;
- attract persons of experience and ability to take up employment with the Group; and
- foster and promote loyalty and a long term relationship between the Group and its employees.

Previously, Monadelphous has made these offers pursuant to the terms of its Employee Option Plan (the “**Plan**”). That Plan allows Monadelphous to offer options to employees without the need for prospectus type disclosure, provided that it complies with the terms of ASIC class order [CO 03/184]. One of the conditions of that class order (and a term of the Plan) is a limit on the number of options (or Shares) that can be issued by Monadelphous under the Plan over a rolling five year period.

This year, due to the continued growth of the Group and the importance of retaining and attracting skilled employees, Monadelphous proposes to issue up to 4,800,000 Options to Eligible Employees of Monadelphous Group companies. This, when added to the number of Options and Shares issued under the Plan in previous years, would exceed the limit specific in the class order (and Plan rules) and therefore means that the class order relief is not available in respect of this proposed issue of Options. Accordingly, Monadelphous has prepared this Prospectus to provide the required statutory disclosure in respect of (and to allow it to make) this Offer of Options.

This Offer is only open to those persons who have been invited to apply by the Board of Directors as set out in the personalised Application Form accompanying this Prospectus.

2 Frequently asked questions

Who is eligible to be offered Options?	The Offer is open to full-time or permanent part-time employees of the Monadelphous Group. Participation is at the discretion of the Board of Directors. If you have been invited to participate, you will have received a copy of this Prospectus together with a personalised Application Form.
How do I know how many Options I am being offered?	The number of Options being offered to you, and the Exercise Price of those Options, is set out on the personalised Application Form that accompanies the Prospectus provided to you.
How much will it cost to apply for Options?	There is no cost to apply for, or be granted, Options.

What voting or dividend rights do the Options carry?	The Options carry no voting or dividend rights.
When do Options vest?	Options are only capable of exercise (i.e., will vest) during the relevant window period (see below) provided both: (a) the performance hurdle; and (b) the exercise condition have been met at that time. The performance hurdle is based on earnings per share growth and (essentially) requires that Monadelphous has achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the Option, for Options to become exercisable. The exercise condition essentially requires that at any time after the performance hurdle has been satisfied or waived, and during the next window period, the weighted average closing price of Monadelphous Shares on the ASX (calculated over the previous five (5) trading days on which the Company's Shares are traded) exceeds the Exercise Price of the Options. See the terms and conditions of the Options in Annexure A for further detail (and an illustrative example in Annexure B).
When can Options be exercised?	If the Options have vested (see above), you may exercise up to a certain percentage of your Options during prescribed window periods as follows: • up to a maximum of 25% of your Options during the window period commencing 1 September 2013; • up to a maximum of 25% of your Options during the window period commencing 1 September 2014; and • up to a maximum of 50% of your Options during the window period commencing 1 September 2015. Each of these window periods will commence on 1 September (in the stated year) and is intended to close three Business Days prior to the next dividend record date (as announced by the Company). In practice, this is likely to mean that a window period will be about one week in length. If the performance hurdle is not achieved for a particular window period, rather than lapsing, the Options will be re-tested during later window periods and may become exercisable at that later date. See the terms and conditions of the Options in Annexure A for further information.

How do I exercise Options?	Options can be exercised by completing an Option Exercise Form and returning it to the Company Secretary. On that form, you will be asked whether you wish to nominate cashless exercise.
What will it cost to exercise Options?	If you elect to exercise your Options in the traditional manner, you will need to pay Monadelphous a cash amount equal to the Exercise Price of each Option (which is shown on the Application Form and has been calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011) multiplied by the number of Options you are exercising. If you elect the cashless exercise alternative, you will not need to pay any cash, but a fewer number of Monadelphous Shares will be issued.
What is cashless exercise?	Cashless exercise allows you to exercise your Options without having to pay the Exercise Price in cash. The number of Shares issued will be equivalent in value to the number of Options exercised, multiplied by the excess of the Monadelphous Share price over the Exercise Price. Where Options are exercised during a September window period, the Monadelphous Share price used for this purpose will be the weighted average closing price of Monadelphous Shares on the ASX over the first five (5) trading days of the Share trading window (determined in accordance with the Company Share trading policy discussed at section 7.7 of this Prospectus) following the release of the Company's annual results to the ASX in or about late August of each year. Therefore, you have effectively 'paid' the Exercise Price by receiving a fewer number of Shares. Please note that any fractional entitlement to a Share that arises will be rounded down.
What if I do not select cashless exercise?	If you wish to exercise your Options in the traditional manner, you will need to pay Monadelphous the Exercise Price, in cash, for each Option exercised at the time of exercise. One Share will be issued per Option exercised.
Will the Options lapse?	Any Options capable of exercise that are not exercised during the prescribed window periods will lapse. Additionally, Options may lapse on cessation of employment or (at the discretion of the Board of Directors) on a change from full-time to part-time employment status. See the terms and conditions of the Options in Annexure A for further information.
Can I sell or transfer my Options?	No. Options cannot be sold and can only be transferred in very limited circumstances.

What are the tax consequences associated with Options?	Taxation in relation to options is complex. Eligible Employees (and, where relevant, their Nominees) are advised to obtain their own professional taxation advice in relation to their personal tax liabilities. However, Applicants are referred to section 5 and Annexure C of this Prospectus setting out a general discussion on taxation considerations (prepared by PricewaterhouseCoopers).
Who will receive the Shares issued on exercise of Options?	To ensure consistency with the arrangements that operate under the Employee Option Plan and for administrative ease, Monadelphous expects that new Shares issued on exercise of Options will ordinarily be issued to the Trustee, who will hold them on behalf of the former Option Holder (i.e., the Eligible Employee or approved Nominee or transferee). The Trustee will pass through any benefits that relate to such Shares (including all dividends) while they hold them. Shares can be withdrawn from the Trust by lodging a Withdrawal Notice instructing the Trustee to either transfer legal title to the underlying holder, or sell the Shares and remit the net proceeds. Further information regarding the Trust arrangements are set out in sections 3.3 and 8.5.
Who is the Trustee?	The Trustee is Pacific Custodians Pty Limited, a professional third party trustee (holding Australian Financial Services Licence number 295142) and a wholly owned subsidiary of Link Market Services Limited.
Who can I contact if I have any queries?	Applicants should read this document in its entirety and, if in doubt, should consult their professional adviser(s). After reading this Prospectus, Applicants with queries regarding the procedures relating to the Offer can call the Company Secretary or Group Financial Controller on +61 8 9316 1255.

3 Details of the Offer and the Options

3.1 Offer

By this Prospectus, Monadelphous is offering up to 4,800,000 Options to Eligible Employees of the Monadelphous Group.

This Offer is only available to you if you have received a personalised Application Form together with this Prospectus. That Application Form indicates the number of Options being offered to you. You can apply for a smaller number of Options (than is set out on the Application Form) by inserting the appropriate details in the space on the Application Form.

3.2 Objectives

The Offer is being made for the same reasons of promoting employee loyalty, attraction and retention that options are usually offered under the Plan (see further at section 1 (Overview) above). For the reasons set out in section 1, Monadelphous is not able to make this Offer pursuant to the Plan and has, accordingly, prepared this Prospectus. A prospectus is a legal disclosure document prepared in accordance with the Corporations Act which permits a company to make an issue of securities (including options).

As a result of ASIC class order [CO 04/671] (category 3) Shares issued upon exercise of the Options will also be able to be freely sold without breaching the on-sale provisions in section 707(3) of the Corporations Act (so, will be in the same position in this regard as if they had been issued under the Plan, in which event ASIC class order [CO 04/671] (category 1) would have applied).

3.3 Terms and conditions of the Options

The full terms and conditions of the Options are set out in Annexure A. Set out below is a summary of some of the important aspects of the Options. However, this summary is not complete and Applicants are advised to read the terms and conditions (in Annexure A) in full.

If you accept the offer made to you (in accordance with the Application Form and this Prospectus) you will be issued with Options.

Options will only become capable of exercise (i.e., will vest) during the relevant window period (see below) if at that time both: (a) the performance hurdle; and (b) the exercise condition, have been met.

The performance hurdle is based on earnings per share growth and (essentially) requires that Monadelphous has achieved average earnings per share growth of 10% per annum, compounded annually, over the life of the Options for Options to become exercisable.

The exercise condition essentially requires that at any time after the performance hurdle has been satisfied or waived, and during the next window period, the weighted average closing price of Monadelphous Shares on the ASX (calculated over the previous five (5) trading days on which the Company's Shares are traded) exceeds the Exercise Price of the Options.

If satisfied, the Options are capable of exercise in the following window periods (and in the following proportions):

- Up to 25% of Options can be exercised in the window period commencing on 1 September 2013;
- Up to 25% of Options can be exercised in the window period commencing on 1 September 2014; and
- Up to 50% of Options can be exercised in the window period commencing on 1 September 2015.

Each of these window periods will commence on 1 September (in the stated year) and is intended to close three (3) Business Days prior to the next dividend record date (as announced by the Company). In practice, this is likely to mean that a window period will be about one week in length (and in any event, can never exceed two weeks in length).

To exercise Options, the Option Holder will be required to complete and return an Option Exercise Form. That form will ask the Option Holder whether he or she wishes to exercise the Options in the traditional manner, or nominate cashless exercise. Where:

-
- (a) the Option Holder elects to exercise the Options in the traditional manner, the Option Holder will pay to Monadelphous an amount (in cash) equal to the Exercise Price (per Option, as specified on the Application Form which has been calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011) multiplied by the number of Options being exercised, and will (or a permitted Nominee will) receive (or the Trustee will receive on the Option Holder's or permitted Nominee's behalf) one Share for each such Option; or
 - (b) the Option Holder nominates cashless exercise, the Option Holder will not pay any cash to Monadelphous – rather the Option Holder will (or a permitted Nominee will) receive (or the Trustee will receive on the Option Holder's or a permitted Nominee's behalf) the number of Shares as is equivalent in value to the number of Options exercised multiplied by the excess of the Monadelphous Share price over the Exercise Price, rounded down to the nearest whole number. Where Options are exercised during a September window period, the Monadelphous Share price used for this purpose will be calculated as the weighted average closing price of Monadelphous Shares on the ASX over the first five (5) trading days of the Share trading window (which trading window will be determined in accordance with the Company Share trading policy discussed at section 7.7 of this Prospectus) following the release of the Company's annual results to the ASX in or about late August of each year.

By way of example only, if an Option Holder holds 50 Options (which have vested and are therefore capable of exercise), each with an exercise price of \$18.00, if they elect to exercise all of their Options in the traditional manner they will pay Monadelphous \$900 and receive 50 Shares. If they nominate cashless exercise in circumstances where the Monadelphous Share price (as determined for these purposes) is \$22.00 they will pay no cash and receive 9 Shares (being $(50 \times (\$22 - \$18) / \$22) = 9.1$, rounded down to 9 Shares).

If any Options eligible for exercise are not exercised during the relevant window, they will lapse. However, if the performance hurdle is not achieved for a particular window period, rather than lapsing, the Options will be re-tested during later window periods and may become exercisable at a later date.

Options may also lapse on cessation of employment (immediately in circumstances where employment ceases as a result of termination for gross misconduct, gross negligence, wilful disobedience or any other cause or matter entitling dismissal without notice). In addition, Options may lapse (at the discretion of the Board of Directors), in whole or part, on a change from full-time to part-time employment status.

The Options may become capable of exercise upon the occurrence of certain 'change of control' events (such as an unconditional takeover pursuant to which a bidder has acquired 50% voting control in Monadelphous).

The Options will not be quoted on the ASX. Monadelphous will, however, apply to have any resultant Shares listed on the ASX.

Unless the Board of Directors otherwise agrees, the Options will not be capable of transfer.

Options will not give Option Holders any entitlement to participate in new issues of Shares unless the Option Holder first exercises their Options.

To ensure consistency with the arrangements that operate under the Monadelphous Employee Option Plan and for administrative ease, Monadelphous expects that new Shares issued on exercise of Options will (unless the Board of Directors otherwise determines) ordinarily be issued to the Trustee, who will hold them on behalf of the former Option Holder (i.e., the Eligible Employee or approved Nominee or transferee) (the "**Beneficial Owner**"). In respect of these Shares:

-
- (a) the Trustee will hold the Shares as trustee for the Beneficial Owner subject to the terms of the Trust Deed (a summary of which is set out in section 8.5 of this Prospectus) and the terms and conditions of the Options;
 - (b) while Shares are held by the Trustee, the Beneficial Owner will be entitled to all of the rights attached to those Shares, including the right to vote, the right to receive dividends and the right to participate in issues of securities made or offered to shareholders; and
 - (c) the Beneficial Owner will (subject to the Trust Deed and the terms and conditions of issue of the Options) be able to withdraw its Shares from the Trust at any time by lodging a Withdrawal Notice instructing the Trustee to transfer legal title to the relevant Shares to the Beneficial Owner, or instructing the Trustee to sell the Shares and remit the proceeds.

A Withdrawal Notice will be deemed to have been issued in certain instances (such as where the Beneficial Owner ceases to be an Eligible Employee, or seven years has elapsed from the date of issue of the Shares).

Applicants are advised to review the full terms and conditions of the Options set out in Annexure A. An illustrative example is set out in Annexure B indicating the application of the performance hurdle, exercise condition and window periods. Any questions regarding these items can also be directed to the Company Secretary or Group Financial Controller on +61 8 9316 1255.

3.4 Opening and Closing Dates of the Offer

The Offer will open once this Prospectus is lodged with ASIC and will remain open until the Closing Date of 5.00pm on 25 October 2011 (being ten (10) Business Days after the date of this Prospectus). The Directors reserve the right to extend the Offer should they consider it necessary to do so. **However, late applications may not be accepted.**

Please note, the Directors do intend to extend the Closing Date of the Offer in respect of any Applicant who is (or who is a Nominee of) a Director of the Company until after the date of the Company's annual general meeting (currently scheduled for 22 November 2011). This will permit the issue of Options to such Applicant to be put to a vote of members in accordance with the requirements of the ASX Listing Rules.

3.5 Application

Applications for Options must be made by Applicants using the personalised Application Form accompanying this Prospectus. No payment is required to apply for or receive Options.

Completed Application Forms must be mailed or delivered to:

Postal address: PO Box 600, Victoria Park, WA, 6979
Attention: Zoran Bebic, Company Secretary

Delivery address: 59 Albany Highway, Victoria Park, WA, 6100
Attention: Zoran Bebic, Company Secretary

Completed Application Forms must reach the address set out above by no later than the Closing Date. The application must be in the name of the original Applicant (that is, the Eligible Employee) unless the Board of Directors approves the use of a Nominee. If an Eligible Employee wishes to nominate a Nominee, they should contact the Company Secretary in which case a new Application Form (accompanied by this Prospectus) will be issued in the name of that person or entity (who will be bound by the Option terms and

conditions and this Prospectus). The Board of Directors is only likely to consider permission to use a Nominee that is a company or trust controlled by the Eligible Employee.

If you would like to apply for some, but not all, of the Options specified on the Application Form, please insert the number of Options you would like in the relevant space on the Application Form. You cannot apply for more Options than the number shown on the Application Form.

The Board of Directors reserves the right to issue no Options, or a lesser number than that applied for.

3.6 Issue of Options

After receipt of a valid Application Form, Options will be granted and an Option certificate issued confirming the relevant holding of Options, as soon as practicable (and in any event no later than twenty (20) Business Days) after the Closing Date.

The Board of Directors will not issue Options if the Applicant (or where a Nominee has been approved, the Eligible Employee to which such Nominee is related) is no longer an employee at the time Options are to be granted. The Offer is not underwritten. The Company will only issue Options in response to valid Application Forms received from Applicants.

3.7 Australian Securities Exchange Listing

The Options offered under this Prospectus **will not** be listed on the ASX.

However, Monadelphous will apply for Official Quotation of any Shares issued on exercise of these Options.

3.8 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Options on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of applicable laws and that all approvals and consents have been obtained.

3.9 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary or Group Financial Controller on +61 8 9316 1255.

4 Purpose and effect of the Offer

4.1 Purpose of the Offer

The primary purpose of this Prospectus is to permit the issue of Options to Eligible Employees of the Group pursuant to the Offer.

As discussed at section 1 (Overview) above, it is not possible for Monadelphous to make this issue pursuant to the Plan and comply with the ASIC class order relief that Monadelphous has previously relied upon.

4.2 Effect on capital structure

The effect of the Offer on the capital structure of the Company is set out below.

Securities	Options	Shares
currently on issue (as at 11 October 2011)	2,846,000	88,674,327
offered pursuant to the Offer (assuming all Applicants apply for Options)	4,800,000	-
Total on issue after the Closing Date if Offer is taken up in full	7,646,000*	88,674,327*

* Assuming no exercise or lapse of any other options currently on issue

Following the Offer (and assuming all Options are issued under the Prospectus) the total of all options on issue in the Company will be:

Grant Date	Vesting Date	Exercise Price	Number of Options
31/10/2008	1/09/2012	\$10.00	1,905,000
28/09/2009	1/09/2012	\$12.22	110,000
28/09/2009	1/09/2013	\$12.22	220,000
25/10/2010	1/09/2012	\$14.84	152,750
25/10/2010	1/09/2013	\$14.84	152,750
25/10/2010	1/09/2014	\$14.84	305,500
November 2011 [^]	1/09/2013	\$17.25	1,200,000
November 2011 [^]	1/09/2014	\$17.25	1,200,000
November 2011 [^]	1/09/2015	\$17.25	2,400,000

[^] Options will be granted no later than twenty (20) Business Days after the Closing Date

If all Options issued under the Offer are exercised in the traditional manner (and assuming no other options are exercised or Shares issued), the number of Shares on issue would increase by up to 4,800,000 and the number of Options would decrease by a corresponding amount. If some or all holders of Options nominate cashless exercise, a lower number of Shares will be issued – and such number will depend upon the prevailing market price of Monadelphous Shares at the time of determination so cannot be accurately predicted at this time.

4.3 Financial effects

No funds will be raised from the issue of Options under the Offer. The principal effects of the Offer will be to:

-
- enable the Company to make the Offer (to Eligible Employees) notwithstanding that it cannot do so pursuant to the Plan;
 - increase the number of Options on issue (see section 4.2 above);
 - potentially (where Options are exercised) increase cash on hand held by the Company at a future time by up to \$82,800,000 (being the maximum proceeds if all Options are exercised in the traditional manner, but noting that this will be reduced to the extent that Options do not become capable of exercise or otherwise lapse, or holders nominate cashless exercise);
 - subject to the achievement of the performance hurdle, increase share based payment expense (and corresponding share based payment reserve), being the cost to the Company of issuing the Options (note, the cost of the Options will be determined at the date of grant and the share based payment expense is included in the earnings per share figure used in the performance hurdle calculation);
 - dilute earnings per Share;
 - increase the number of Shares on issue, where Options are converted; and
 - reduce cash on hand held by the Company in the order of \$35,000 (exclusive of GST), being an estimate of the costs of the Offer.

Except for these estimated costs of the Offer, the Offer is not expected to have any other impact on the Company's financial position.

The expenses of the Offer will be met from the Company's existing cash reserves.

Any cash amounts raised upon the exercise of Options are intended to be used for working capital purposes. To the extent that Options lapse (or do not become capable of exercise) or holders nominate cashless exercise, then cash amounts will not be raised.

4.4 Other effects

Options issued pursuant to this Prospectus will not need to be counted in determining the number of Options that have been issued under the Plan for the purposes of ASIC class order [CO 03/184] (see general discussion at section 1 above). Accordingly, this Offer may allow Monadelphous greater capacity to use its existing Plan for offers of Options to Eligible Employees in future years.

5 Taxation considerations

5.1 General comments only

The comments provided in this Prospectus that relate to the taxation considerations in respect of an application for Options are based on current Australian tax laws and practices and are intended to be general in nature only.

The taxation consequences of being granted Options are complex and will vary depending on the Applicants' particular circumstances. To assist Applicants, the Board of Directors engaged PricewaterhouseCoopers to prepare a taxation summary. That summary (which is set out at Annexure C of this Prospectus) does not take into account the specific circumstances of any Applicant and is not intended to be exhaustive, or a substitute for or to constitute, specific tax advice to Applicants. The information provided gives some general guidance, but does not amount to binding tax advice.

Each Applicant should consult their own tax adviser for tax advice which takes into account their specific circumstances.

6 Risk factors

6.1 General

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. While most risk factors are largely beyond the control of the Company and its Board of Directors, the Company will seek to mitigate the risks where possible and economically viable (for example, by obtaining appropriate insurances and by putting in place safeguards and appropriate systems).

An investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which Shares will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options.

When used in this Section 6 the term “Company” includes the Company and its subsidiaries and references to the business of the Company includes the businesses of the Company and its subsidiaries.

6.2 Risks relating to the Offer and holding Options

Applicants should be aware of the risks associated with this Offer of Options. These risks include but are not limited to the following:

- **Share price:** the risk that the Exercise Price of the Options may exceed the Share price during the vesting period and that the Options will lapse as a result;
- **Company performance hurdle:** the risk that the performance hurdle (relating to earnings per share growth) may not be met with the consequence that the Options either lapse or are to be retested at a later time; and
- **Income tax:** the risk that a personal income tax liability may arise even if an Option Holder does not choose to exercise Options capable of exercise in the relevant window period or an Option Holder (or related Eligible Employee) ceases employment.

Potential Applicants should consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

6.3 General risks regarding the Company and the industry in which it operates

The Company is subject to the inherent risks facing all companies that operate in, or provide services in respect of, engineering construction and maintenance and industrial services and also to general economic risks in varying degrees. A non-exhaustive list of some of the more important of these risks is set out below.

- **Economic conditions:** Economic conditions, both domestic and global, may affect the performance of engineering companies like the Company. Adverse changes in such things as global and country-by-country economic growth, the level of economic activity and inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, employment rates and industrial disruption, among others, are outside the control of the Company and may result in material adverse impacts on the Company’s business and its operating results.

-
- **Share market conditions:** As the Company is listed on the ASX, its Share price is subject to the numerous influences that may affect both the trends in the share market and the share prices of individual companies, including movements in international and local stock markets, changes in the outlook for commodities, inflation, interest rates, general economic conditions and changes in government, fiscal, monetary and regulatory policies. In the future, these factors may cause Shares to trade below current prices and may affect the income and expenses of the Company.
 - **General legal and taxation matters:** Future earnings, asset values and the relative attractiveness of Shares may be affected by changes in law and government policy, in particular, changes to taxation law (including transaction and other duty, capital gains tax and GST) and new or revised taxes such as resource rent or carbon taxes.
 - **Commodity price fluctuations:** The price of commodities is influenced by numerous variable factors, including laws and regulations, economic conditions and physical and trading demand and supply. Fluctuations in commodities may, positively or negatively, influence the operating and financial performance of projects, contracts and businesses in which the Company has an interest or to which the Company provides services.
 - **Contract risks:** The Company is and will in the future be a party to numerous contracts and agreements. A number of these contracts and agreements relate directly or indirectly to the provision of services by the Company (often over a material term) and therefore the Company is subject to contract execution risk and pricing risk, and risks of counterparty default or insolvency. A number of these contracts also include provisions which may impose financial and/or other claims on the Company for non-performance of the Company's obligations under the contract/agreement. Such provisions may include, amongst other things, liquidated damages, latent defects/damages and warranties and indemnities. A material claim under such provisions could adversely impact on the Company's operating and financial performance.
 - **Price risks:** Equity securities price risk arises from investments held in equity securities. The Company has a single equity investment which is publicly traded on the ASX. Movements in the share price of this investment may impact on the Company's financial performance.
 - **Liquidity risks:** The Company's objective is to manage the liquidity of the business by monitoring cash flows and through the use of financing facilities. The Company currently utilises financing facilities in the form of bank loans and hire purchase liabilities. Availability of financing and changes in the cost of financing may affect the cash flow of the Company.
 - **Competition risks:** The businesses in which the Company is involved are subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business investment decisions and controls, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects, contracts and businesses.
 - **Environmental risks:** It is possible that environmental claims could arise in the future against the Company and the potential for liability is an ever-present risk. The Company is required to comply with certain environmental management obligations from time to time.
 - **Government policy:** Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of the Company. The Company's activities (and those of its customers) are subject to extensive laws and regulations controlling not only the activities of the Company, but also the possible effects

of such activities upon the environment and upon interests of native and/or indigenous peoples, among other things.

- **Weather and climatic conditions:** The current and future operations of the Company, including construction and maintenance activities, may be affected by limitations on activities due to seasonal and unexpected weather patterns, heavy rain, floods and other weather and climate conditions.
- **Country risks:** The Company may undertake investments in the future in various countries where the economic, legal and political conditions vary from Australia. In addition, the relevant economic, legal and political conditions may change from time to time and such changes may have a positive or negative impact on the Company's projects or businesses in the relevant country. While the Company will undertake all reasonable due diligence in assessing the risks associated with those countries in which it invests the economic, legal and political conditions of such countries and any changes thereto are outside the control of the Company.
- **Shortage of skilled and semi-skilled employees:** The Company's continued growth is reliant on its ability to attract and retain skilled employees. There is a shortage of skilled and semi-skilled employees in the engineering construction sector generally, and particularly in Australia where unemployment rates are currently low. The Company's growth may be constrained if it is unable to source appropriate personnel on appropriate terms.
- **Key personnel risks:** Various activities relating to the Company's projects, contracts and businesses require personnel with appropriate industry experience and qualifications and in some cases the loss of such key personnel may have an impact on the relevant activities of the Company. The Company will endeavour to appropriately secure the tenure of key personnel on competitive market terms and in most cases it is likely that appropriate replacement personnel will be available from the market.
- **Foreign currency exchange rate risks:** Revenue and expenditure of the Company may be domiciled in currencies other than Australian dollars and as such expose the Company to foreign exchange movements, which may have a positive or negative influence on the Australian dollar equivalent of such revenue and expenditure. The Company may invest in projects, contracts and businesses in countries outside Australia in which case movements in the currency of the relevant country against the Australian dollar may increase or decrease the Australian dollar equivalent value of the investment. The Company will appropriately monitor and assess such risks and may from time to time implement measures, such as foreign currency hedging, to assist in managing these risks. However, hedging may not be implemented in all cases and the measures themselves may expose the Company to related risks.
- **Insurance risks:** The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in payment of a legitimate claim by the Company under an insurance policy.

7 A description of the Monadelphous Group

7.1 Overview

Monadelphous is a leading Australian engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sector.

The Company aims to build, maintain and support customer operations through the provision of safe, reliable, innovative and cost effective engineering service solutions. Listed on the ASX and included in the S&P/ASX 200 index, Monadelphous aims to be recognised as a leader in its chosen markets and a truly great company to work for, work with, and invest in.

A long-term approach to the management of customer relationships and the delivery of high quality work over 35 years has earned Monadelphous a reputation for engineering excellence. Monadelphous' highly customer-focussed approach and ability to provide value-added solutions for a diverse range of customer requirements has been fundamental to its continuing success.

The Company's strong service reputation is derived from its people and culture. Monadelphous' core values of safety and wellbeing, integrity, teamwork, achievement and loyalty stand the company apart from its competitors. These core values are embedded in Monadelphous' processes and systems and are evident in everything the Company does.

Monadelphous operates major offices in Perth and Brisbane in Australia, with regional offices in key resources and industrial centres across Australia and in Beijing, China. The Directors consider that this approach places the Company in a strong position to maximise its core business and continue diversification into chosen industry sectors throughout Australasia.

Monadelphous operates through three major divisions:

- engineering construction;
- maintenance and industrial services; and
- infrastructure.

Further details of the services provided by Monadelphous and the markets in which it operates can be found on the Company's website www.monadelphous.com.au.

Monadelphous has demonstrated consistent growth in revenue, profit and earnings for over 20 years. For more information on the Company's results, please refer to section 7.3 below, or the "Investors & Media" section on the Company's website www.monadelphous.com.au where you can access copies of various public reports and presentations.

7.2 Issued share capital

As at the date of this Prospectus, the Company has 88,674,327 Shares on issue. The Company is listed (and the Shares are admitted to quotation) on the ASX.

7.3 Financial information

A summary of the Company's performance over the last five years is as follows:

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Revenue	1,449,252	1,279,862	1,127,474	958,966	968,419
Profit before income tax expense	131,576	115,148	104,149	99,749	86,835
Income tax expense	36,509	31,931	29,908	30,206	26,417
Profit after income tax expense	95,067	83,217	74,241	69,543	60,418
Basic earnings per share	108.84c	96.86c	87.48c	83.21c	73.56c

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Interim dividends per share (fully franked)	40.00c	35.00c	30.00c	29.00c	22.00c
Special dividends per share (fully franked)	-	-	-	-	15.00c
Final dividends per share (fully franked)	55.00c	48.00c	44.00c	43.00c	29.00c
Net tangible asset backing per share	214.54c	164.74c	139.84c	117.73c	105.87c
Total equity and reserves	193,234	144,286	122,565	101,817	90,481
Depreciation	23,341	16,789	15,066	12,718	10,390
Return on equity	49.2%	57.7%	60.6%	68.3%	66.8%
EBITDA margin	10.6%	10.1%	10.3%	11.5%	9.8%

7.4 Dividend policy

The Company's dividend payment policy is to return between 80 to 100% of full year profits as dividends to shareholders. This policy is reviewed periodically and is subject to ongoing trading conditions, the need for significant cash requirements for investment opportunities and the Company's banking covenants. While past practice can be no indication of future matters, for the year ended 30 June 2011, Monadelphous has paid:

- an interim dividend of \$0.40 per Share; and
- a final dividend of \$0.55 per Share.

7.5 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on the ASX.

The highest and lowest market sale prices of the Company's Shares on the ASX during the 12 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$22.40 on 4 March 2011.

Lowest: \$15.30 on 9 August 2011.

The latest available closing sale price of the Company's Shares on the ASX prior to the lodgement of this Prospectus with ASIC was \$18.11 on 10 October 2011.

7.6 Rights attaching to Shares

The exercise of Options will result in the issue of Shares (in accordance with the terms and conditions of the Options – see further description at section 3.3 and Annexure A). Any Shares so issued will be fully paid and rank equally with then existing Shares.

The Company's Shares are quoted on the ASX. An application will be made to the ASX for Official Quotation of any Shares issued on exercise of Options. Official Quotation is not guaranteed or automatic on such an application. Nothing in this Prospectus is to be taken to

state or imply that the Shares issued upon exercise of Options will be granted Official Quotation. However, Official Quotation is expected in the ordinary course as the Company is admitted to the official list of the ASX.

Since the Shares to be issued upon exercise of Options will be credited as fully paid, no monetary liability will attach to them.

The rights and restrictions attaching to Shares are set out in the Constitution and, in certain circumstances, are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and by the general law. Under section 140(1) of the Corporations Act, the Constitution has effect as a contract between the Company and each member and between a member of the Company and each other member. Accordingly, if you exercise Options and acquire Shares (or the Trustee acquires Shares on your behalf) you will, as a result, become liable to comply with the Constitution.

The following is a summary of the principal rights attaching to Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. Shareholders should seek their own advice when trying to establish their rights in specific circumstances. Further details of the rights attaching to the Shares are set out in the Constitution, a copy of which can be inspected at the Company's registered office during normal business hours.

(a) Voting

Shareholders are entitled to notice of and to attend and vote at general meetings. Subject to any rights or restrictions attached to any shares or class of shares which may in the future be issued with special or preferential voting rights (at present there are none), every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll one vote for each fully paid Share.

In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

(b) Dividends

The Board of Directors may pay any interim and final dividends as, in their judgment, are justified by the profits of the Company. Subject to any shares or class of shares which may in the future be issued with special or preferential rights (at present there are none), dividends must be paid to the Shareholders in proportion to the number of Shares held by a Shareholder but where Shares are partly paid, dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares.

(c) Rights on Winding Up

The liquidator in a winding up may, with the sanction of a special resolution of Shareholders, divide among the Shareholders the whole or any part of the property of the Company and determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Subject to any shares or class of shares which may in the future be issued with special or preferential rights (at present there are none), the property of the Company that is to be distributed on a winding up shall be distributed amongst Shareholders in proportion to the Shares held by them, irrespective of the amounts paid up, or credited as paid up, on those shares.

(d) Issue of Shares

Without prejudice to any special rights conferred on the holders of any shares or class of shares (at present there are none) and subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Board of Directors may issue shares in the Company or grant options over shares in the Company on such terms and conditions as the Board of Directors think fit.

(e) Transfer of Shares

Subject to the Constitution, the Corporations Act and the ASX Listing Rules the Shares are freely transferable.

(f) Variation of rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied, whether or not the Company is being wound up, with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class. Any variation of rights shall be subject to sections 246B and 246E of the Corporations Act. The provisions of the Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy one-third of the issued shares of the relevant class.

7.7 Share trading policy and restriction on hedging of equity incentive awards

(a) Share trading policy

Monadelphous has a Share trading policy. Pursuant to this policy, Monadelphous officers and employees are only permitted to trade in Monadelphous Shares during specified periods, and only then if they are not in possession of unpublished price sensitive information in respect of Monadelphous. Those periods are between 24 hours, and 30 working days, after any of:

- the release of Monadelphous' half yearly results to the ASX;
- the release of Monadelphous' annual results to the ASX;
- the close of the Monadelphous annual general meeting; or
- any other time as the Board of Directors permits.

In addition, there are notification requirements in respect of any proposed trading of Shares.

A copy of the Share trading policy is available on the Company's website at www.monadelphous.com.au or by contacting the Company Secretary or Group Financial Controller on +61 8 9316 1255.

(b) Hedging of equity awards

It is also Monadelphous company policy that key management personnel are prohibited from entering into arrangements to protect the value of their unvested long term incentive awards. This includes a prohibition on entering into contracts to hedge exposure to options that have been granted as part of their remuneration package.

The term “key management personnel” has the meaning given in the accounting standards and broadly means those persons with the authority and responsibility for directing and controlling the activities of the Company.

This policy is monitored on an annual basis and involves each member of key management personnel signing an annual declaration of compliance.

8 Other important information

8.1 Continuous disclosure obligations

The Company is listed on the ASX (ASX: MND) and is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act. As such, the Company is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is subject to the ASX Listing Rules which require continuous disclosure of any information the Company has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company’s ASX announcements are available from www.asx.com.au.

In addition, the Company is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request between the date of this Prospectus and the Closing Date:

- (a) the annual financial report for the financial year ended 30 June 2011 lodged by the Company with ASIC on 23 August 2011; and
- (b) any continuous disclosure notices given by the Company to the ASX in accordance with the ASX Listing Rules after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Prospectus with ASIC.

Details of documents lodged with the ASX since the date of lodgement of the Company’s latest annual financial report and before the lodgement of this Prospectus with ASIC are set out in the table below.

Date	Description of announcement
23/08/2011	Monadelphous Delivers Earnings Growth for the Tenth Consecutive Year
23/08/2011	Monadelphous 2011 Annual Results Presentation
07/09/2011	Appendix 3B
07/09/2011	Employee Share Options Forfeited
14/09/2011	Change of Director’s Interest Notice
19/09/2011	Monadelphous Awarded Major Iron Ore Construction Contract
26/09/2011	Appendix 3B
30/09/2011	Appendix 3B

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It does not need to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses and prospects of the issuing company because the market should already have access to all information necessary to reach an informed view about the relevant continuously quoted securities.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to the ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Applicants should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to participate in the Offer.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

As at the date of this Prospectus, other than information included in this Prospectus, the Company has not excluded any information from a continuous disclosure notice in accordance with the ASX Listing Rules that is information that investors and their professional advisers would reasonably require (and would reasonably expect to find in this Prospectus) for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Options.

Further information regarding the Company can be obtained via the ASX website at www.asx.com.au or the Company website at www.monadelphous.com.au.

8.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director or proposed director of the Company holds, or held at any time during the two years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any Director or proposed director of the Company, either to induce him or her to become, or to qualify him or her as, a Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

The relevant interests of Directors in securities of the Company at the date of this Prospectus are as follows:

	Ordinary Shares	Options over Ordinary Shares
C. G. B. Rubino	2,004,000	Nil
R. Velletri	2,250,000	250,000
I. Tollman	667,586	Nil
P. J. Dempsey	78,000	Nil
C. P. Michelmore	18,597	Nil

The remuneration information for each Director for the last two financial years is set out below:

	Financial Year	Short Term Benefits			Post Employment		Long Term Benefits	Share-Based Payments	Total
		Salary & Fees	Non Monetary	Cash STI	Super-annuation	Retire-ment Benefits	Long Service Leave	Options LTI	
		\$	\$	\$	\$	\$	\$	\$	\$
Non- Executive Directors									
I. Tollman	2011	60,000	768	-	-	-	-	-	60,768
	2010	40,000	551	-	-	-	-	-	40,551
P. J. Dempsey	2011	100,917	1,292	-	9,083	-	-	-	111,292
	2010	70,000	963	-	-	-	-	-	70,963
C. P. Michelmore	2011	90,000	1,152	-	-	-	-	-	91,152
	2010	70,000	963	-	-	-	-	-	70,963
Total Non-Executive Directors	2011	250,917	3,212	-	9,083	-	-	-	263,212
Total Non-Executive Directors	2010	180,000	2,477	-	-	-	-	-	182,477
Executive Directors									
C. G. B. Rubino	2011	366,270	4,094	-	14,030	-	8,853	-	393,247
	2010	334,862	8,491	-	14,461	-	10,005	-	367,819
R. Velletri	2011	747,356	17,205	220,000	15,199	-	43,733	138,966	1,182,459
	2010	649,771	18,318	240,000	14,461	-	12,608	204,144	1,139,302
Total Executive Directors	2011	1,113,626	21,299	220,000	29,229	-	52,586	138,966	1,575,706
Total Executive Directors	2010	984,633	26,809	240,000	28,922	-	22,613	204,144	1,507,121

During the financial year ended 30 June 2011 the Company paid a premium of \$93,641 in respect of a policy insuring the Directors and officers against any liabilities and expenses and

costs that may arise as a result of work performed in their respective capacities. To the extent that these payments relate to Directors, they are reflected in the table above.

Directors, companies associated with the Directors and their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.3 Interests of advisers

Other than as set out below or elsewhere in this Prospectus, no underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, holds, or held at any time during the two years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any underwriter, promoter or any other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Clifford Chance have acted as solicitors to the Company in respect of this Prospectus. Clifford Chance will be paid approximately \$20,000 (excluding GST) for services in relation to this Prospectus.

PricewaterhouseCoopers have prepared the summary of Australian taxation considerations set out in this Prospectus. PricewaterhouseCoopers will be paid approximately \$10,000 (excluding GST) for services in relation to this Prospectus.

8.4 Consents

Clifford Chance have given their written consent to being named as the solicitors to the Company in this Prospectus in the form and context in which they are named. PricewaterhouseCoopers have given their written consent to being named as the taxation advisers to the Company in this Prospectus in the form and context in which they are named. Neither Clifford Chance nor PricewaterhouseCoopers have withdrawn their consent prior to the lodgement of this Prospectus with ASIC.

Clifford Chance and PricewaterhouseCoopers:

- (a) do not make, or purport to make, any statement in this Prospectus; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to their name.

8.5 Summary of Trust Deed

Monadelphous entered into the Trust Deed with the Trustee on 18 December 2008. The Trust was established for the sole purpose of obtaining and holding Shares on behalf of participants

in the Employee Option Plan or any other equity plans or arrangements that may be used by the Company.

Pursuant to the Trust Deed:

- (a) The Trustee is appointed as trustee of the Trust;
- (b) The Trustee declares that it will hold all Shares issued to or otherwise acquired by it on behalf of persons entitled to participate in Monadelphous incentive arrangements (on the terms of the Trust Deed and the relevant terms of issue) and that neither the Company nor the Trustee acquires any beneficial interest in those Shares;
- (c) The Trustee agrees to deal with Shares it holds in accordance with the directions of the Beneficial Owners (and in accordance with the relevant terms of issue);
- (d) The Trustee shall not be paid any remuneration from the Trust, but may be separately remunerated by the Company;
- (e) The Trustee can be removed and replaced by the Company at any time;
- (f) The Company indemnifies the Trustee in respect of all liabilities, costs and expenses incurred by the Trustee in performing its functions under the Trust Deed;
- (g) The Trustee agrees that:
 - (h) the Beneficial Owners will have an absolutely vested right to all dividends paid on Shares held by the Trustee;
 - (ii) it will provide Beneficial Owners with notice of any rights issue and will subscribe for the relevant Shares if it receives the amount necessary to participate in the rights issue;
 - (iii) it will hold any bonus shares received (in respect of Shares held by it) on trust;
 - (iv) it will vote as directed by the Beneficial Owner in respect of any Shares held by it, and if no directions are received, it will not exercise those voting rights;
 - (v) it will forward to Beneficial Owners any notice of meeting received, unless it has been notified that the Beneficial Owner does not wish to receive such notice.

A copy of the Trust Deed is available for inspection at the Company's registered office during normal business hours.

8.6 Litigation

As at the date of this Prospectus, and other than minor matters that may arise in the ordinary course of its business, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

8.7 Contract tenders

Monadelphous regularly tenders for awards of new contracts to provide continuing sources of work to its various business divisions. If contracts are of a sufficient scale, Monadelphous announces the award of new contracts to the ASX. While a number of tenders may have been submitted, or are being considered for submission, there is nothing that is sufficiently advanced or certain that Monadelphous considers warrants disclosure in this Prospectus.

8.8 Estimated expenses of Offer

The total expenses of the Offer are estimated to be approximately \$35,000 comprising legal costs, taxation and financial advice, printing and other administrative expenses, including ASIC fees.

9 Directors' authorisation and consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated: 11 October 2011.



Calogero Giovanni Battista Rubino
Chairman
Signed for and on behalf of
Monadelphous Group Limited

10 Glossary

\$ means Australian dollars.

Applicant means an Eligible Employee of the Company or one of its Subsidiaries (or, where applicable, a Nominee of an Eligible Employee which has been approved by the Directors) who has been invited to apply for Options as set out in the personalised Application Form accompanying this Prospectus.

Application Form means a personalised application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board of Directors means the board of Directors of the Company, from time to time.

Closing Date means the date specified in Section 3.4 (unless closed earlier or extended).

Company or **Monadelphous** means Monadelphous Group Limited ABN 28 008 988 547.

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cwlth).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Employee means a full-time or permanent part-time employee of any Group company (including executive directors of such companies), but specifically excludes the Company's Executive Chairman Mr John Rubino.

Employee Option Plan means the Monadelphous Group Limited Employee Option Plan pursuant to which the Company makes offers of options to eligible employees from time to time.

Exercise Price means the exercise price of the Options as set out in the Application Form, which has been calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011.

Group means Monadelphous Group Limited and its Subsidiaries.

Offer means the offer of Options referred to in the "Details of the Offer" section of this Prospectus.

Official Quotation means official quotation on the ASX.

Option means an option to subscribe for a Share on the terms and conditions set out at Annexure A.

Option Exercise Form means a form enabling the exercise of Options which is available at any time upon request by contacting the Monadelphous Company Secretary or Group Financial Controller on +61 8 9316 1255.

Option Holder means a holder of Options.

New Issue means new issues of securities in the share capital of the Company.

Nominee has the meaning given to it in Annexure A.

Prospectus means this prospectus.

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

Shareholder means a shareholder of the Company.

Subsidiary has the meaning given to it in the Corporations Act, and includes Monadelphous Engineering Associates Pty Ltd (ACN 008 861 836), Monadelphous Engineering Pty Ltd (ACN 010 305 923), Skystar Airport Services Pty Ltd (ACN 009 074 248), Monadelphous Properties Pty Ltd (ACN 008 840 499), Monadelphous Workforce Pty Ltd (ACN 089 259 754), Genco Pty Ltd (ACN 009 208 431), MBF Workforce Pty Ltd (ACN 108 911 959), MI&E Holdings Pty Ltd (ACN 092 951 043), Monadelphous PNG Ltd (PNG Co. No. 1-52392), Skystar Airport Services Holdings Pty Ltd (ACN 116 520 908), Skystar Airport Services NZ Pty Ltd (NZ Co No. 1708 945), Ellavale Engineering Pty Limited (ACN 064 855 876), Moway International Limited (HK Co No. 1167361), SinoStruct Pty Ltd (ACN 128 995 764), Moway AustAsia Steel Structures Trading (Beijing) Company Limited (PRC Business Licence No. 110000450074362), KT Pty Ltd (ACN 059 743 878) and Monadelphous Energy Services Pty Ltd (ACN 081 037 121).

Trust means the "Monadelphous Group Limited Employee Share Trust", being an employee share trust established by the Company for the sole purpose of subscribing for or acquiring, delivering, allocating and holding Shares in the Company for the benefit of participants in employee equity incentives schemes established by the Company from time to time.

Trust Deed means the trust deed executed by the Company and the Trustee on 18 December 2008.

Trustee means Pacific Custodians Pty Limited, a professional third party trustee (holding Australian Financial Services Licence number 295142) and a wholly owned subsidiary of Link Market Services Limited, or such other trustee as is appointed by the Directors from time to time.

Withdrawal Notice means a written notice given by a Beneficial Owner of Shares held through the Trust to the Company requesting that some or all of the Shares held by the Trustee be sold or transferred (which notice is given in accordance with the terms and conditions set out in Annexure A).

Corporate Directory

Directors

Calogero Giovanni Battista Rubino (Chairman)
Robert Velletri (Managing Director)
Irwin Tollman (Non-executive Director)
Peter John Dempsey (Lead Independent Non-executive Director)
Christopher Percival Michelmore (Independent Non-executive Director)

Share Registry*

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth, WA, 6000

Company Secretaries

Zoran Bebic
Philip Trueman

Solicitors to the Offer

Clifford Chance
Level 12, London House
216 St Georges Terrace
Perth, WA, 6000
Telephone: +61 8 9262 5555
Facsimile: +61 8 9262 5522
www.cliffordchance.com.au

Registered Office and Principal Place of Business

59 Albany Highway
Victoria Park, WA, 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950

Taxation advisers

PricewaterhouseCoopers
Levels 19-21, QV1 Building
250 St Georges Terrace
Perth, WA, 6000
Telephone: +61 8 9238 3000
Facsimile: +61 8 9328 3999
www.pwc.com.au

*** This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.**

Annexure A – Terms and conditions of Options

The Options are issued on, and subject to, the following terms and conditions (which are intended, to the extent practicable, to replicate those that would otherwise apply pursuant to the terms of the Monadelphous Employee Option Plan).

1 Definitions and interpretation

In these terms and conditions, unless the context otherwise requires:

“Applicant” means an Eligible Employee (or, where relevant, a Nominee) who has been issued with an Application Form inviting them to apply for Options on and subject to these terms and conditions;

“Application Form” means a form of application by which an Eligible Employee (or, where appropriate, Nominee) will be invited to apply for the issue of Options on these terms and conditions;

“ASX” means ASX Limited trading as the Australian Securities Exchange (or as the context requires, the market operated by it);

“ASX Listing Rules” means the listing rules of the ASX;

“Board of Directors” means the board of directors of the Company from time to time;

“Business Day” means a day on which all the major trading banks are open for business in Perth;

“Company” or **“Monadelphous”** means Monadelphous Group Limited [ACN 008 988 547];

“Company Secretary” means the person designated as the Company Secretary of the Company from time to time;

“Corporations Act” means the Corporations Act 2001 (Cwth) as amended from time to time;

“Date of Issue” in relation to any Options, means the date so identified on each Option Certificate, being the date those Options are issued to the first relevant Option Holder;

“Director” means an executive director of the Company, from time to time, but does not include a person who is only a director by virtue of being an alternate director;

“Eligible Employee” means a full-time or permanent part-time employee of any Group company, and includes executive Directors, but specifically excludes the Company’s Executive Chairman Mr John Rubino;

“Ellavale” means Ellavale Engineering Pty Limited [ACN 064 855 876];

“Exercise Condition” means the following condition that must be satisfied or waived in order for an Option to vest and be exercisable by an Option Holder:

- (a) at any time after any relevant performance hurdles which apply to the Options have been satisfied or waived, and during the next Window Period, the weighted average closing price of Monadelphous Shares on ASX over the previous five (5) trading days on which the Company’s Shares are traded exceeds the Exercise Price for the relevant Options;

“Exercise Price” means the price payable upon exercise of an Option as set out on the Application Form which has been calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011 (subject to any modification in accordance with these terms and conditions).

“Expiry Date” in relation to any Options, means 5.00pm WST on the last day of the eighth Window Period after the Date of Issue, being the last date on which the remaining exercisable number of those Options may be exercised pursuant to these terms and conditions;

“GEN” means Genco Pty Ltd [ACN 009 208 431];

“Group” means the Company, MEA, ME, SAS, MPL, MWF, MBF, GEN, MIE, SASH, SASNZ, Moway, Ellavale, PNG, SinoStruct, MASST, KT and MES collectively, and includes any of their Related Bodies Corporate, and **“Group company”** means any company in the Group;

“KT” means KT Pty Ltd [ACN 059 743 878];

“MASST” means Moway AustAsia Steel Structures Trading (Beijing) Company Limited [PRC Business Licence No. 110000450074362];

“MBF” means MBF Workforce Pty Ltd [ACN 108 911 959];

“MEA” means Monadelphous Engineering Associates Pty Ltd [ACN 008 861 836];

“ME” means Monadelphous Engineering Pty Ltd [ACN 010 305 923];

“MES” means Monadelphous Energy Services Pty Ltd [ACN 081 037 121];

“MIE” means MI&E Holdings Pty Ltd [ACN 092 951 043];

“Moway” means Moway International Limited [HK Co No. 1167361];

“MPL” means Monadelphous Properties Pty Ltd [ACN 008 840 499];

“MWF” means Monadelphous Workforce Pty Ltd [ACN 089 259 754];

“New Issues” means new issues of securities in the share capital of the Company;

“Nominee” means, in respect of an Eligible Employee:

- (a) that person's spouse;
- (b) that person's biological or legally adopted child of at least 18 years of age;
- (c) a trustee or trustees of a trust set up wholly for the benefit of one or more Eligible Employees or a person mentioned in paragraphs (a) or (b);
- (d) a company in which all of the issued shares are beneficially held by, and all of the voting rights are beneficially held by:
 - (i) the Eligible Employee; and/or
 - (ii) a person or persons mentioned in paragraphs (a), (b) or (c) above; or
- (e) any other person or entity approved by the Company;

“Official List” means the official list of entities that the ASX has admitted and not removed;

“Official Quotation” means quotation of the Shares on the Official List;

“Option Certificate” means the option certificate which will be sent to the Option Holder upon a correct application being made and accepted for the relevant Options;

“Option Exercise Form” means a form by which an Option may be exercised by an Option Holder (and which is available, upon request, from the Company Secretary);

“Option Holder” means an Applicant who has been issued Options on these terms and conditions and (where relevant) includes any Nominee or transferee approved by the Board of Directors in accordance with these terms and conditions;

“Options” means the options issued pursuant to these terms and conditions to acquire Shares, and where a reference herein is made to a particular number or quantity of Options, then “Options” means those particular Options;

“PNG” means Monadelphous PNG Ltd [PNG Co. No. 1-52392];

“Registered Office” in relation to the Company, means 59 Albany Highway, Victoria Park, Western Australia, or such other registered office of the Company from time to time;

“Related Body Corporate” has the meaning given to that expression in the Corporations Act;

“Rules” means particular rules within these terms and conditions;

“SAS” means Skystar Airport Services Pty Ltd [ACN 009 074 248];

“SASH” means Skystar Airport Services Holdings Pty Ltd [ACN 116 520 908];

“SASNZ” means Skystar Airport Services NZ Pty Ltd [NZ Co No. 1708 945];

“Shareholder” means the person or entity who holds Shares or, where relevant, beneficial title to Shares registered in the name of the Trustee as a result of the exercise of Options (including any approved Nominee in accordance with Rule 4.6) up until the date that the relevant Shares are withdrawn from the Trust in accordance with these Rules;

“Shares” means the ordinary fully paid shares in the share capital of the Company;

“SinoStruct” means SinoStruct Pty Ltd [ACN 128 995 764];

“Takeover Bid” means an off-market bid or a market bid made under Chapter 6 of the Corporations Act;

“Trust” means the “Monadelphous Group Limited Employee Share Trust”, being an employee share trust established by the Company for the sole purpose of subscribing for or acquiring, delivering, allocating and holding Shares in the Company for the benefit of Shareholders and participants in other employee equity incentives schemes established by the Company from time to time;

“Trust Deed” means the trust deed executed by the Company and the Trustee on 18 December 2008;

“Trustee” means Pacific Custodians Pty Limited, a professional third party trustee (holding Australian Financial Services Licence number 295142) and a wholly owned subsidiary of Link Market Services Limited, who has agreed to act as trustee of the Trust on the terms and conditions set out in the Trust Deed or such other replacement trustee appointed by the Directors from time to time;

“Voting Power” has the meaning given to it in the Corporations Act;

“Withdrawal Notice” means a written notice given by a Shareholder to the Company requesting that some or all of the Shareholder’s Shares held by the Trustee on behalf of the Shareholder be sold or transferred to the Shareholder (or a person nominated by the Shareholder), which notice must:

- (a) be signed by, or on behalf of, the Shareholder;
- (b) specify the number of Shares to be sold or transferred; and
- (c) be in the form specified by the Board of Directors from time to time;

“Window Periods” means the periods of:

- (a) 1st March to:
 - (i) three (3) Business Days prior to the next dividend record date as announced by the Company; or
 - (ii) if earlier, 14th March; and
- (b) 1st September to:
 - (i) three (3) Business Days prior to the next dividend record date as announced by the Company; or
 - (ii) if earlier, 14th September,

each year (both start and end days inclusive), being the only two (2) periods in each year, during which Options may be exercised;

“WST” means Australian Western Standard Time;

Words importing the singular include the plural and vice versa;

Words denoting a gender include all other genders;

Unless otherwise explicitly so stated, references to “days” shall be references to calendar days; and

Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase shall have corresponding meanings.

2 Grant of Options and certificate

After receipt of a valid Application Form, the Company shall by no later than twenty (20) Business Days from the date that the offer of Options closes, deliver to the Option Holder an Option Certificate in respect of the number of Options granted. By applying, the Applicant will be taken to have agreed to be bound by these terms and conditions in respect of any Options issued and be taken to have agreed to become a member of the Company (and be bound by the Company’s constitution) upon the exercise of any Options.

3 General terms and conditions

- 3.1 No monies will be payable as consideration for the issue of the Options.

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- 3.2 An Option Certificate will be issued for the Options, and will be in the name of the Applicant. Subject to any exceptions as set out in Rule 5, Options will only be issued to Applicants if they (or where a Nominee is approved, the Eligible Employee to which such Nominee is related) are still in the employ of a Group company at the time of issue of the relevant Options. Employees serving a termination notice period at that time will not be “Eligible Employees” for the purpose of being issued Options.
- 3.3 All unexercised Options will expire on the Expiry Date.
- 3.4 Subject to Rules 4.11 (regarding reorganisations) and 4.3 (regarding cashless exercise), each Option will carry the right in favour of the Option Holder to subscribe (or have the Trustee subscribe on the Option Holder’s behalf) for one (1) Share.
- 3.5 Options will not be listed for Official Quotation on the ASX.
- 3.6 The Board of Directors may, at certain defined periods, allow an Option Holder to transfer all or some of their Options to another party. However any such transfer will not be allowed without the approval of the Board of Directors (in its absolute discretion). The Board of Directors’ approval may be given subject to satisfaction of certain conditions, in which event such approval will be deemed not to have been given until all such conditions have been satisfied. In particular, the Board of Directors are only likely to permit a transfer to a company or trust controlled by the Eligible Employee. In addition, the Board of Directors may require the proposed new holder of Options to enter into a covenant with the Company pursuant to which the proposed new holder acknowledges and agrees to be bound by the termination provisions set out in these terms and conditions.

4 Exercise of Options

- 4.1 Subject to the provisions of Rules 4.2, 5.2, 5.3 and 5.4, Options may only be exercised as set out below, or as otherwise determined by the Board of Directors at the Date of Issue or pursuant to Rules 5.5 or 5.6:
- (a) between the Date of Issue and up to and including the next subsequent three (3) Window Periods, no Options (0%) may be exercised;
 - (b) subject to Rules 4.1A and 4.1B, during the fourth Window Period after the Date of Issue, up to a maximum of twenty-five percent (25%) of the Options may be exercised;
 - (c) during the fifth Window Period after the Date of Issue, no Options (0%) may be exercised;
 - (d) subject to Rules 4.1A and 4.1B, during the sixth Window Period after the Date of Issue, up to a maximum of a further twenty-five percent (25%) of the Options may be exercised;
 - (e) during the seventh Window Period after the Date of Issue, no Options (0%) may be exercised;
 - (f) subject to Rules 4.1A and 4.1B, during the eighth Window Period after the Date of Issue, up to a maximum of the remaining fifty percent (50%) of the Options may be exercised;
 - (g) all Options not exercised by the end of the eighth Window Period after the Date of Issue, shall lapse and be of no further force or effect; and
 - (h) notwithstanding (a) to (g) above (but subject to Rule 4.12), no Option may be exercised unless and until it has been on issue for at least 20 months.

4.1A The ability to exercise Options during each applicable Window Period (in accordance with Rule 4.1 above) is also subject to satisfaction of the following performance hurdles:

- (a) no Options (that could otherwise be exercised during a Window Period in accordance with Rule 4.1) shall be capable of exercise during that Window Period where, over the Measurement Period, the Company has experienced EPS Growth which is less than Target Growth; and
- (b) all Options (that could otherwise be exercised during a Window Period in accordance with Rule 4.1) shall be capable of exercise during that Window Period where, over the Measurement Period, the Company has experienced EPS Growth which is equal to, or greater than, Target Growth, and

the Exercise Condition being met.

In other words, and for the purposes of clarification, it is the intention of the Company that Option Holders only be entitled to exercise Options where the Company's EPS is growing at a rate of at least 10% per annum on average over the Measurement Period and the Exercise Condition is met. An illustrative example is set out in Annexure B.

For the purposes of this Rule 4.1A:

"Calculation Date" means (as relevant) the most recently passed:

- (a) 30 June (by reference to the Company's results for the year to that 30 June); or
- (b) 31 December (by reference to the Company's results for the year to that 31 December),

immediately prior to the beginning of the then applicable Window Period (or such other date as the Board of Directors determines);

"EPS" means undiluted earnings per Share, as determined by the Board of Directors, on the basis of consolidated net profit of the Company after tax (excluding unusual or abnormal items) divided by the weighted average number of issued Shares for that relevant period;

"EPS Growth" means the amount (expressed as a percentage, and rounded to two decimal places) by which EPS as at the Calculation Date exceeds EPS at the Start Date, as determined by the Board of Directors;

"Measurement Period" means the period from the Start Date to the Calculation Date (or such other period as the Board of Directors determines);

"Start Date" means (as relevant) the most recently past:

- (a) 1 January (by reference to the Company's results for the preceding year to 31 December); or
- (b) 1 July (by reference to the Company's results for the preceding year to 30 June),

immediately prior to the Date of Issue of the relevant Options (or such other Date as the Board of Directors determines); and

"Target Growth" means growth of 10% per annum compounded over the Measurement Period. For example, a Measurement Period of 3 years would result in Target Growth of 33.1%.

4.1B The Board of Directors acknowledges that there may be circumstances that have a temporary impact upon the EPS performance of the Company and which may result in the performance hurdle specified in Rule 4.1A not being met during a particular Window Period. It is the intention of the Board of Directors that Option Holders be entitled to “catch-up” where subsequent strong performance by the Company means that the performance hurdle would have been met over a longer period of time. Accordingly:

- (a) If any Options are not capable of exercise during the fourth Window Period (as a result of the application of Rule 4.1A(a)) those Options will be re-tested and will become capable of exercise during the sixth Window Period if (and only if) the Option Holder is entitled to exercise any Options during such sixth Window Period.
- (b) If any Options are not capable of exercise:
 - (i) during the fourth Window Period (as a result of the application of Rule 4.1A(a)) and did not subsequently become capable of exercise during the sixth Window Period (as a result of the application of Rule 4.1B(a)); or
 - (ii) during the sixth Window Period (as a result of the application of Rule 4.1A(a)),

then such Options will be re-tested and will become capable of exercise during the eighth Window Period if (and only if) the Option Holder is entitled to exercise any Options under these terms and conditions during such eighth Window Period.

4.2 Options shall be exercisable by the delivery to the Company Secretary at the Registered Office, of a properly completed Option Exercise Form stating the intention of the Option Holder to exercise the number of Options specified in the Option Exercise Form. The Option Exercise Form must be accompanied by an Option Certificate and must indicate whether the Option Holder wishes to exercise their Options:

- (a) in the traditional manner, in which case, the Option Exercise Form must also be accompanied by a cheque made payable to the Company or the Trustee (as directed by the Board of Directors) for the full amount of the Exercise Price of the Shares to be issued by the Company (or paid by electronic funds transfer to a bank account specified by the Company) on exercise of those Options (as set out in the Application Form); or
- (b) by cashless exercise, in which case Rule 4.3 will apply and no cash need accompany the Option Exercise Form.

Each exercise of Options may only be up to a maximum of the percentage or percentages of Options permitted by Rules 4.1, 4.1A and 4.1B, and any Options that become exercisable and are not exercised during the relevant Window Period will lapse and no longer be exercisable.

4.3 Where an Option Holder nominates cashless exercise then the Company will only allot and issue such number of Shares as is equivalent in value to the number of Options being exercised multiplied by the excess of the Share price over the Exercise Price (as set out in the Application Form), rounded down to a whole number. For these purposes:

- (a) where Options are exercised in accordance with Rules 4.1, 4.1A and 4.1B, the Monadelphous Share price used for this determination will be calculated as the weighted average closing price of Monadelphous Shares on the ASX over the first five (5) trading days of the Share trading window (which trading window will be determined in accordance with the Company share trading policy) following the release of the Company's annual results to the ASX in or about late August of each year; and
- (b) where Options are exercised in other circumstances, or where the Directors otherwise determine in good faith, the Monadelphous Share price will be determined as the

weighted average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to the date of exercise of the relevant Options.

By way of example only, if an Option Holder holds 50 Options that are presently capable of exercise, each with an Exercise Price of \$18.00, then:

- (c) if they elect to exercise in the traditional manner, the Option Holder will pay \$900 and the Company will issue 50 Shares; and
- (d) if they elect cashless exercise, in circumstances where the Monadelphous Share price at the date of exercise is calculated to be \$22.00, the Option Holder will pay no cash, and the Company will issue 9 Shares (being $(50 \times (\$22 - \$18) / \$22) = 9.1$, rounded down to 9 Shares).

4.4 An illustrative example concerning the exercise of Options is set out in Annexure B.

4.5 Where the Option Holder elects to exercise in the traditional manner (in accordance with Rule 4.2(a)), then the Exercise Price shall be payable in full on exercise of the Options.

4.6 The Company shall allot the Shares upon exercise of the Options and where relevant deliver the share certificates or holding statements for them, within five (5) Business Days of the expiry of the relevant Window Period during which Options are exercised. Shares issued upon exercise of Options shall (at the discretion of the Board of Directors) be either issued in the name of:

- (a) the Option Holder (or, at the discretion of the Board of Directors, to a Nominee specified by the Option Holder); or
- (b) the Trustee on behalf of the Option Holder (or, at the discretion of the Board of Directors, on behalf of a Nominee specified by the Option Holder),

provided that in the case of a Nominee, such person has first consented to becoming a member of the Company.

4.7 Shares issued on exercise of Options shall rank, from the date of their allotment, equally with existing Shares of the Company in all respects.

4.8 Options will not give any right to participate in dividends until Shares have been issued and allotted.

4.9 The Company shall in accordance with the ASX Listing Rules apply to have Shares listed for Official Quotation.

4.10 Subject to the ASX Listing Rules and except to the extent required by law, Option Holders will not be permitted to participate in any New Issues without first exercising their Options.

- 4.11
- (a) The rights of Option Holders will be changed to the extent necessary to comply with the ASX Listing Rules applying to any reorganisation or reconstruction of capital at the time of the reorganisation or reconstruction. This includes, without limitation, any consolidation, subdivision, reduction, return or pro-rata cancellation of capital.
 - (b) In the event of a bonus issue of Shares, the number of Shares over which an Option is exercisable is increased by the number of Shares which the Option Holder would have received under the bonus issue if the Option had been exercised before the record date for the bonus issue.
 - (c) If there is a pro-rata issue (as defined in the ASX Listing Rules) to the holders of Shares, the Exercise Price of an Option is to be reduced in accordance with the formula set out in Listing Rule 6.22.2.
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- (d) If any of the events described in (a), (b) or (c) above occurs, the Board of Directors will consider whether the performance hurdle calculation in Rule 4.1A needs to be adjusted on a pro-rata basis to ensure a consistent approach (and, where appropriate, will make such an adjustment if the Board of Directors considers appropriate).

4.12 Notwithstanding any other Rules or the terms and conditions of the Options, in the event that:

- (a) a Takeover Bid is made for the Company and the bidder obtains Voting Power of 50% or more and, in addition, the takeover offers are made or declared unconditional (other than for events, circumstances or conditions contemplated by sections 652C(1), 652C(2) and 625(3) of the Corporations Act);
- (b) a transaction by way of compromise or arrangement under part 5.1 of the Corporations Act is approved by the requisite majorities of members (and, if relevant, creditors) of the Company at a meeting convened in accordance with the order of a court under section 411(1) of the Corporations Act; or
- (c) an event or transaction by which an entity becomes or is to become the registered holder of more than 50% of Shares is approved or accepted by a majority of members of the Company,

Option Holders may elect to exercise all or any of their Options which have not been exercised and which have not yet lapsed immediately upon the occurrence of such an event.

5 Cessation of right to exercise Options

5.1 For the purposes of this Rule 5 the term “Unexercised Options” means Options granted pursuant to these terms and conditions which have not been exercised and have not lapsed.

5.2 If the Eligible Employee ceases to be an Eligible Employee in the following circumstances, the exercise of Options shall be subject to the following restrictions:

- (a) subject to Rules 5.2(b) and 5.3, where the Eligible Employee ceases to be an Eligible Employee by reason of the cessation of his/her employment with the Group company which is his/her employer for whatever reason, including resignation or retirement, (unless otherwise determined by the Board of Directors in its absolute discretion) all Unexercised Options held will immediately lapse;
- (b) where the Eligible Employee ceases to be an Eligible Employee by reason of the relevant Group company terminating the Eligible Employee’s contract of service in circumstances where the Eligible Employee is found to be guilty of gross misconduct, gross negligence, wilful disobedience or any other cause or matter which entitles that Group company to dismiss the Eligible Employee without notice, the Option Holder’s right to exercise Unexercised Options shall terminate immediately upon dismissal of the Eligible Employee; or
- (c) where Options have been assigned validly in accordance with Rule 3.6 or where an Eligible Employee has nominated a Nominee approved by the Board of Directors (and that Nominee is the Option Holder), and an event has occurred in respect of the original Eligible Employee (to whom an offer of Options was made) of the nature referred to in Rules 5.2(a) and (b) or 5.3, the Option Holder shall be entitled to exercise the Unexercised Options within the same time limits and on the same terms and conditions specified in Rules 5.2(a) and (b) or 5.3, as if that Option Holder was the original Eligible Employee who was issued (or invited to apply for) the relevant Options. The Company reserves the right not to recognise any purported exercise of Options, which is not made, in accordance with this Rule 5.2(c).

5.3 If the Eligible Employee ceases to be an Eligible Employee in the following circumstances, the exercise of Options issued on these terms and conditions shall be subject to the following conditions:

- (a) where the Option Holder dies and at the date of his/her death that Option Holder held any Unexercised Options, those Unexercised Options shall be transferred automatically to the estate of the deceased Option Holder, and shall continue as provided for by these terms and conditions notwithstanding the fact that the Option Holder is no longer an Eligible Employee;
- (b) where the relevant Option Holder is a Director of a Group company and ceases to hold such office by reason of removal pursuant to a resolution duly passed by the members of that Group company, the Option Holder's Unexercised Options shall continue as provided for by these terms and conditions notwithstanding the fact that the Option Holder is no longer a Director of that Group company; or
- (c) where the Option Holder ceases to be an Eligible Employee by reason of ill health or accident (resulting in permanent disability), then the Option Holder's right to exercise Unexercised Options shall not be terminated and shall continue as provided for by these terms and conditions prior to the occurrence of the ill health or permanent disability, notwithstanding the fact that the Option Holder is no longer an Eligible Employee.

5.4 If the Eligible Employee was offered Options as a full-time employee and moves to part-time employment with a Group company then (at the discretion of the Board of Directors) all, or any proportion determined by the Board of Directors, of the Options held by such person shall lapse immediately, or at such other time determined by the Board of Directors. Where Options are held by a Nominee, or have been assigned validly in accordance with Rule 3.6, then this Rule shall apply equally to the Option Holder when there is a change in employment of the Eligible Employee who was initially issued (or invited to apply for) the relevant Options.

5.5 Subject to compliance with the ASX Listing Rules, the Board of Directors may (by simple majority vote and at any time before or after the issue of an Option) modify any of the Window Periods in Rule 4.1, alter or waive any of the performance hurdles or periods for testing or re-testing in Rules 4.1A or 4.1B, extend or waive all or any of the time limits in Rules 5.2 or 5.3, or waive all or any of the restrictions or conditions in Rules 5.2, 5.3 or 5.4 generally or in specific circumstances from time to time.

5.6 Without limiting the generality of Rule 5.5, the Board of Directors may extend the time within which Options may by virtue of Rules 5.2, 5.3 or 5.4 be exercised, irrespective of whether such time in relation to any particular Option has passed or expired or not. In exercising any power or discretion under Rule 5.5, the Board of Directors shall have an unfettered discretion and shall not be obliged to assign any reason for the manner in which it has or has not exercised any discretion conferred by this Rule.

6 Dividends, Voting Rights and Notices of Meetings

6.1 Where the Trustee holds Shares on behalf of a Shareholder, the dividends payable on those Shares will be paid by the Company to the Trustee, and the Trustee will pay any such dividends to the Shareholder as soon as reasonably practicable after those dividends are paid by the Company to the Trustee.

6.2 Each Shareholder may direct the Trustee by notice in writing as to how to exercise the voting rights attaching to Shares held on their behalf by the Trustee, either generally or in respect of a particular resolution, by way of proxy only. In the absence of any such direction, the Trustee must not exercise the voting rights attaching to the Shares held on behalf of the Shareholder by the Trustee. The Trustee must not vote in respect of any Shares it holds on behalf of a Shareholder if the vote occurs by show of hands.

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- 6.3 The Company must, or, by direction of the Board of Directors the Trustee must, forward to a Shareholder a copy of any notices of meetings of members of the Company if the Shareholder has notified the Company or the Trustee in writing that they wish to receive such notices.

7 Trustee

- 7.1 The Board of Directors may determine and conclude agreements with the Trustee, and enforce or prosecute any rights under such agreements, without reference or recourse to the Option Holders or Shareholders who have received Options or Shares pursuant to these terms and conditions. Without limiting the Company's rights in this regard, the Company may, pursuant to and in accordance with any such agreements:
- (a) provide funds to the Trustee in order to allow the Trustee to subscribe for Shares to be held on behalf of Shareholders under these terms and conditions;
 - (b) pay the Trustee for services provided in connection with its activities;
 - (c) remove the Trustee and appoint a new trustee (and make any necessary arrangements or provisions for the transfer of Shares held by the Trustee on behalf of Shareholders to a new trustee); and
 - (d) otherwise exercise any rights, responsibilities or powers afforded to it under the Trust Deed.
- 7.2 The Board of Directors may determine the manner in which any costs associated with the Trust and the performance by the Trustee of its role and duties as trustee and under the Trust Deed, and costs incurred in the course of such performance, are to be borne.
- 7.3 The Trustee must administer or hold Shares issued on exercise of Options in accordance with these terms and conditions and any procedures determined by the Company and as agreed to between the Board of Directors and the Trustee.
- 7.4 Unless the Board of Directors determines otherwise, Shares issued upon exercise of Options will be registered in the name of the Trustee on issue by the Company to the Trustee.

8 Withdrawal and transfer of Shares from the Trust

- 8.1 Any Shares held by the Trustee in the Trust for the benefit of a Shareholder, will remain held in the Trust for the benefit of the Shareholder unless and until the Shares are withdrawn from the Trust by:
- (a) a Shareholder submitting (or being deemed to have submitted) to the Company a Withdrawal Notice;
 - (b) the Board of Directors approving that notice under this Rule 8; and
 - (c) the Trustee acting in accordance with any such approval by the Board of Directors by transferring the legal title in those Shares to, or by selling those Shares, in accordance with the direction of the Shareholder.
- 8.2 A Shareholder may submit a Withdrawal Notice to the Company in respect of some or all of the Shares held by the Trustee on behalf of the Shareholder.
- 8.3 The Board of Directors may approve the withdrawal from the Trust of all or a specified number of Shares held by the Trustee on behalf of a Shareholder if any of the following applies:
- (a) the Shareholder has submitted, or is deemed to have submitted, a Withdrawal Notice to the Company in respect of the relevant number of Shares;

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- (b) the Shareholder (or where the Shares are held by a Nominee or have been assigned validly in accordance with these Rules, the Eligible Employee initially invited to apply for Options) ceases to be an Eligible Employee (in which case the Shareholder will be deemed to have submitted a Withdrawal Notice in respect of all of the Shares held by the Trustee on behalf of that Shareholder); or
 - (c) a seven year period commencing on the date of acquisition of Shares by the Shareholder under this Plan has expired (in which case, the Shareholder will be deemed to have submitted a Withdrawal Notice in respect of all of the Shares held by the Trustee on behalf of that Shareholder).
 - 8.4 The Board of Directors may adopt procedures for the consideration of a Withdrawal Notice, which may (amongst other things) specify times, intervals or periods at or during which the Board of Directors will consider whether or not to approve a Withdrawal Notice submitted by a Shareholder from time to time.
 - 8.5 The Board of Directors must not unreasonably withhold its approval of the withdrawal of Shares from the Trust that are the subject of a Withdrawal Notice validly submitted by a Shareholder under this Rule 8. For the avoidance of doubt, nothing in this Rule 8 requires the Board of Directors to:
 - (a) deal with a Withdrawal Notice at an earlier time than the next time specified under any procedure adopted by the Board of Directors under Rule 8.4; or
 - (b) approve a Withdrawal Notice where the Board of Directors is permitted by Rule 8.6 to decline to act on that Withdrawal Notice.
 - 8.6 If a Shareholder (or, where Shares are held by a Nominee or have been validly assigned, the Eligible Employee who was initially offered Options) owes money to any Group company, the Board of Directors may decline to act on a Withdrawal Notice submitted, or deemed to have been submitted, by the Shareholder until arrangements (which are satisfactory to the Board of Directors) have been made for the payment of the money.

9 Rights of employees

Except to the extent explicitly stated to the contrary in any document or dealing between a Group company and an employee, these Options (and these terms and conditions) shall not form part of any contract of employment between a Group company and any of its employees or directors and shall not confer directly or indirectly on any employee, any legal or equitable right whatsoever against that Group company, nor the right to be employed by, or to continue to be employed by, or hold any position in, that Group company.

10 Register

The Company shall at all times whilst it has issued Options, keep a register of Options, and the information required to be contained therein, as required by the ASX Listing Rules and the Corporations Act.

11 Notices

- 11.1 Any notice required to be given pursuant to these terms and conditions shall be in writing and shall be given by:
 - (a) delivering it to the relevant party personally or at his/her/its address on a Business Day during ordinary business hours; or
 - (b) sending it to the address of the relevant party by prepaid airmail post if overseas, otherwise by prepaid ordinary mail; or

-
- (c) any other manner approved by the Board of Directors from time to time (including email notification).

11.2 A notice shall be deemed to be given and received:

- (a) if given in accordance with Rule 11.1(a) above, on the Business Day next after the date of delivery;
- (b) if given in accordance with Rule 11.1(b) above, five (5) Business Days after the date of posting; or
- (c) if sent by email, when the sender receives an automated message confirming delivery; or four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, whichever occurs first.

12 Governing law

The Options (and these terms and conditions relating to them) shall be governed and construed according to the laws of the State of Western Australia.

Annexure B – Illustrative Example

By way of illustrative example only:

Mr X works for Monadelphous Engineering Associates Pty Ltd. He is offered 10,000 Options, by an Application Form dated 1st September 2011. He decides to accept the invitation, and to take up 7,500 of the Options offered. He does so on 7th September 2011, by completing an Application Form, and lodging it with the Company Secretary of Monadelphous Group Limited, at the Company's Registered Office. Mr X accepts the application in his own name. Mr X's Option Certificate for the 7,500 Options is issued by the Company on 21st September 2011.

The following table illustrates Mr X's choices:

Date of Issue	Window Period	Target Growth - being 10% compound growth per annum (or part thereof)	Actual EPS Growth (from the Start Date to the Calculation Date)	Percentage and Number of Options Exercisable
21 September 2011	Window Period 1: commencing 1 March 2012	N/A	N/A	Nil
21 September 2011	Window Period 2: commencing 1 September 2012	N/A	N/A	Nil
21 September 2011	Window Period 3: commencing 1 March 2013	N/A	N/A	Nil
21 September 2011	Window Period 4: commencing 1 September 2013	21.00%	19.50%	Nil (due to non-satisfaction of the performance hurdle)
21 September 2011	Window Period 5: commencing 1 March 2014	N/A	N/A	Nil
21 September 2011	Window Period 6: commencing 1 September 2014	33.10%	33.90%	3,750 Options , being: The full 25% for Window Period 6 (1,875 Options) + 1,875 'catch-up' Options from Window Period 4 [Assume that the Exercise Condition has been met]
21 September 2011	Window Period 7: commencing 1 March 2015	N/A	N/A	Nil

Date of Issue	Window Period	Target Growth - being 10% compound growth per annum (or part thereof)	Actual EPS Growth (from the Start Date to the Calculation Date)	Percentage and Number of Options Exercisable
21 September 2011	Window Period 8: commencing 1 September 2015	46.41%	47.50%	3,750 Options , being: The full 50% for Window Period 8 [Assume that the Exercise Condition has been met]
21 September 2011	After close of Window Period 8	N/A	N/A	Nil

In this example:

- (a) the Exercise Price of Mr X's Shares is fixed under these terms and conditions and will be as set out in the Application Form;
- (b) it is assumed that the Company's EPS was 100c for the year to 30 June 2011; 119.5c for the year to 30 June 2013; 133.9c for the year to 30 June 2014; and 147.5c for the year to 30 June 2015; and
- (c) if it is assumed that the Company's EPS was 100c for the year to 30 June 2011, then its target EPS would be 121c for the year to 30 June 2013; 133.1c for the year to 30 June 2014; and 146.41c for the year to 30 June 2015.

Mr X is not obliged to exercise all his Options (subject to the percentages allowable) during any allowable Window Period after the Date of Issue, but if he does not, then those Options that are capable of exercise and are not exercised in that Window Period will lapse, and cannot be exercised in a following Window Period (or be subject to re-testing under Rule 4.1B). For example, if Mr X only exercises 2,500 Options in the sixth Window Period after the Date of Issue, the remaining 1,250 unexercised Options will lapse, and cannot be exercised by him, in any of the remaining Window Periods.

Annexure C – Taxation Summary



The Directors
Monadelphous Group Limited
PO Box 600
VICTORIA PARK WA 6979

27 September 2011

Dear Directors

Employee Option Prospectus Taxation Summary

In accordance with your request, we have prepared this Taxation Summary to be included in the employee option prospectus ("Prospectus") to be issued by Monadelphous Group Limited ("MGL") on or around 27 September 2011 to employees of MGL and its subsidiaries, who have been invited to apply for options under the Prospectus ("Eligible Employees"). This Taxation Summary summarises the implications of Division 83A and the capital gains tax provisions of the Income Tax Assessment Act 1997 (Cth) ("ITAA") for Eligible Employees arising as a result of the sale of the shares received by Eligible Employees under the Prospectus.

PricewaterhouseCoopers ("PwC") is not licensed to provide financial product advice under the Corporations Act 2001 (Cth). Taxation is only one of the matters that Eligible Employees need to consider when making a decision in relation to a financial product.

This Taxation Summary is general in nature and does not take into account the objectives, financial situation, needs or circumstances of any Eligible Employee. Accordingly, Eligible Employees should, before making a decision in relation to a financial product, consider taking advice from the holder of an Australian Financial Services License.

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We have considered Division 83A of the ITAA, which took effect from 1 July 2009, as at the date of this Taxation Summary. We have not considered any Australian or overseas tax implications for employees who are not Eligible Employees, nor any overseas tax implications for Eligible Employees. This Taxation Summary should be read in conjunction with the Prospectus. PwC has not authorised or caused the issue of the whole or any part of the Prospectus except this Taxation Summary.

The taxation treatment of shares and options may change from time to time and, as such, it is strongly recommended that, before acting on this Taxation Summary, Eligible Employees consider the appropriateness of this Taxation Summary having regard to their specific circumstances and seek their own professional advice. Neither PwC nor its related entities or officers shall be held responsible for Eligible Employees who act solely on the information provided in this Taxation Summary.

The Taxation Summary assumes that Eligible Employees are, and remain, Australian residents for income tax purposes. There are specific rules regarding individuals whose residency status changes. In addition, this Taxation Summary assumes Eligible Employees are not share traders and will hold their Options and Shares on capital account. As the circumstances for each Eligible Employee will be different, this Taxation Summary needs to be considered on a case by case basis and each Eligible Employee should consult their tax adviser in relation to their own personal circumstances.

Terms defined in Annexure A of the Prospectus (Terms and conditions of Options) shall have the same meaning in this Taxation Summary, except where otherwise indicated. In addition to the defined terms in Annexure A of the Prospectus, we have provided a glossary of additional terms used in this Taxation Summary at Appendix A.

1. Taxation Summary

With effect from 1 July 2009, there is no longer a choice available to Eligible Employees who participate in the share scheme to choose the time at which they are taxed. There is no ability to elect to be taxed at grant date, regardless of whether the Options are issued to Eligible Employees or Nominees. It is important that Eligible Employees are aware of the income tax implications of participating prior to taking up the Options under the Prospectus.

There are various taxing points throughout the life of the Options and once the Options have been exercised. Capital Gains Tax payable on the ultimate disposal of MGL Shares is not the only tax liability that will arise (i.e. receiving Options does not mean tax consequences only arise when the Shares are eventually sold). Non-compliance with the Australian tax legislation may result in retrospective taxes, including interest and associated penalties. We encourage Eligible Employees to seek specific advice from their tax advisers which is tailored to their particular circumstances.

A summary of the key income tax implications to Eligible Employees are outlined in the table below:

Event	Tax implications for the Plan
Grant of Options	There is no taxing point on the grant of Options. There is no ability to elect to be taxed at this time.
Window Period	
<i>If the Eligible Employee exercises their Options on any day during the Window Period (e.g. between 1 to 14 September).</i> <i>It is important to note, the tax implications will be the same regardless of which day the Eligible Employee exercises their Options, and even if the Eligible Employee chooses not to exercise their Options (unless Out Of The Money) or if their Nominee exercises the Options.</i>	<u>In The Money</u> If the Eligible Employees' Options are In The Money, the taxing point will be the first day that the Eligible Employee can exercise their Options regardless of the actual date in the Window Period they exercise their Options or whether Options are Out Of The Money at a later point in the Window Period. <u>Out Of The Money, then In the Money</u> If the Options are Out Of The Money and then In The Money during the same Window Period, the taxing point will be the first day that the Eligible Employee can exercise their Options regardless of the actual date in the Window Period they exercise the Options i.e. the first day in the Window Period on which the Options are In the Money. <u>Out Of The Money</u> Where the Options are Out Of The Money and remain so for the duration of the Window Period, no taxing point will arise, as the Options can never be exercised due to the Exercise Condition. The assessable income of the Eligible Employee (not the Nominee, as the Nominee will not be subject to tax at this time) will be the difference between the market value of the Options at the relevant taxing point identified above and the tax cost base of the Options. This is likely to be the difference between the market

Event	Tax implications for the Plan
	value of the Shares and the exercise price of the Options. The assessable income of the Eligible Employee will be subject to tax at their marginal tax rate as ordinary income (i.e. this is not a capital gain). This taxing point will be in addition to the taxing point on selling the Shares (see below). The Nominee will not be subject to tax at this time.
<i>If the Eligible Employee exercises their Options and subsequently sells their Shares within 30 days of the taxing point.</i>	The above taxing point will not apply. The relevant taxing point will only be on selling the Shares. The assessable income of the Eligible Employee will effectively equal the net sale proceeds (i.e. proceeds received from selling Shares less the Exercise Price paid (if any) to exercise the Options).
<i>Withdrawing Shares from the Trust</i>	There should be no taxing point on the mere withdrawal of Shares from the Trust.
<i>Sale of Shares</i>	
<i>If the Eligible Employee sells their Shares after 30 days from the taxing point.</i>	In addition to the above taxing points, the Eligible Employee will be subject to CGT on the difference between the net sale proceeds and the market value of the Shares at the taxing point during which they were acquired. The Eligible Employee will be able to claim the 50% CGT discount if the Shares are held for more than 12 months from the date of issue.
<i>If the Nominee sells the Shares.</i>	The taxing point for the Nominee will be the day the Shares are sold. The Nominee will be subject to CGT on the difference between the net sale proceeds and the market value of the Shares at the deferred taxing point. The 50% CGT discount will apply if the Shares are held for more than 12 months from the date of issue. However, we note that some Nominees may not be eligible (e.g. companies).



These key income tax implications which Eligible Employees should be aware of and consider carefully are expanded below:

- The Options offered to Eligible Employees are considered “Employee Share Scheme (“ESS”) interests” for Australian income tax purposes and are subject to Australia’s employee share scheme tax rules.
- When the Options are first issued under the Prospectus, there will be no taxing point. The taxing point will be deferred to a later point in time and as mentioned above, there is no longer an ability to elect to be taxed at Grant Date.
- It may be possible for Eligible Employees to have ESS interests issued directly to a Nominee. In this case, the Eligible Employee (and not the Nominee) will be subject to tax as outlined below and in the table above. For income tax purposes, the Options will be treated as if they were issued to the Eligible Employee.
- Cessation of employment will give rise to a taxing point if this occurs prior to the first day of the relevant Window Period and the Eligible Employee’s Options are not forfeited as a consequence.
- When the specific performance and time-based criteria outlined in the Prospectus have been achieved such that the Options can be exercised¹, there will be a taxing point at the beginning of the next Window Period, provided the Options are In The Money at this time. Options cannot be exercised under the rules outlined in the Prospectus, unless they are In The Money due to the Exercise Condition.
- It is important to note, the exact taxing point will be the first day of the relevant Window Period in which the Options can be exercised (i.e. either 1 March or 1 September), provided the Options are In The Money. This will be the taxing point, regardless of whether the Eligible Employee exercises the Options at that time.
- Options under the Prospectus can only be exercised when they are In The Money. Therefore, if the market value of the Shares on the first day of the relevant Window Period is less than the Exercise Price, the Options will be Out Of The Money and there will be no tax payable at this point. If during the same Window Period, the Options become In The Money as a consequence of the share price rising, the taxing point will be the first day that the Eligible Employee can exercise their Options regardless of the actual date in the Window Period the Option is exercised i.e. the first day in the Window Period on which the Options are in the Money.

¹ Note: a reference to “exercise” in this summary encompasses both Cash Exercise and Cashless Exercise.

- At the taxing point identified above, the Eligible Employee's assessable income will be equal to the market value of the Options on that date, less the tax cost base of the Options. This is likely to be the market value of the Shares less the Exercise Price (whether the Eligible Employee chooses Cash Exercise or Cashless Exercise).
- If Eligible Employees exercise their Options and sell the Shares within 30 days of the first day of the relevant Window Period, there will only be one taxing point which is the date the Shares are sold. Eligible Employees' assessable income will effectively equal the net sale proceeds (i.e. proceeds received from selling Shares less the Exercise Price paid (if any)).
- At the taxing point, the Eligible Employee's assessable income will be subject to tax at their marginal tax rates as ordinary income (i.e. this is not a capital gain). The top marginal rate is currently 46.5% (including 1.5% Medicare levy). This assessable income will be required to be included in their income tax return for the year in which the taxing point occurs.
- The market value of the Shares at the particular taxing point identified above will become the CGT cost base of the Shares issued to the Eligible Employee. This will be relevant for any future disposal of the Shares.
- Where the Eligible Employee sells their Shares more than 30 days after the relevant taxing point, a capital gains tax event will also arise. The capital gain will be equal to the sale proceeds received (assuming the transaction is at arm's length) less the CGT cost base of the Shares. Where the Shares have been held for more than 12 months, the Eligible Employee will be able to claim the 50% CGT discount concession. This net capital gain will be required to be included in their income tax return for the year in which the capital gain arises.
- There should be no taxation issues associated with the mere withdrawal of the Eligible Employee's Shares from the Trust i.e. the taxing point is unlikely to be deferred even where the Prospectus includes specific disposal restrictions, such as the requirement to have a withdrawal from the Trust approved by the Board of Directors.
- Where the Eligible Employee's Options were issued to a Nominee and the Nominee subsequently sells the Shares, the Nominee (and not the Eligible Employee) will be subject to CGT on the capital gain. The 50% CGT discount concession will apply if the Shares are held for more than 12 months. However, certain Nominees may not be eligible for the CGT discount concession (e.g. companies).



2. Worked Example

The following example is provided solely to illustrate what the taxation implications may be for an Eligible Employee as outlined in this Taxation Summary. **The example is not included to provide any indication or assurance of the possible or likely exercise price or share price.** Consistent with this, all figures and dates are assumed. Different results can arise depending on the figures used and the timing of exercise and sale.

By way of illustrative example only:

- Year 0:** Assume the Eligible Employee is granted 1,000 Options to acquire Shares. The Market Value of Shares when the Options are granted is \$18 per share. The Options have an Exercise Price of \$18 and a term of four years.
- Year 2:** Assume that the performance hurdle has been met for the fourth Window Period and 25% of the Options are eligible to be exercised. The Market Value of Shares on the first day of the Window Period was \$17.50 and the Options remained Out Of The Money for the entire Window Period, therefore those Options can never be exercised.
- Year 3:** Assume that the performance hurdle has been met for the sixth Window Period and 25% of the Options are eligible to be exercised. The Market Value of Shares on the first day of the Window Period was \$25, therefore the Options were In The Money. The Eligible Employee exercised the Options on the first day of the Window Period.
- Year 4:** Assume that the performance hurdle has been met for the eighth Window Period and 50% of the Options are eligible to be exercised. The Eligible Employee exercised the Options on the first day of the Window Period when available. The Market Value of Shares on the first day of the Window Period was \$27. The Eligible Employee now withdraws all of their Shares from the Trust.
- Year 6:** In year six (after holding all of the Shares for more than twelve months from the date of exercise), the Eligible Employee sells the Shares for \$29 each. Assume that there are no brokerage fees or associated sale costs. Also assume that the Eligible Employee's marginal tax rate is 46.5% (including 1.5% Medicare levy).

For the purpose of this example, we have included the outcomes for both Cash Exercise and Cashless Exercise.



Grant and Exercise of Options

As outlined above, where the Options are issued directly to a Nominee, the Eligible Employee (and not the Nominee) will be subject to tax at each of the taxing points. As such, the following taxing points are relevant for the Eligible Employee.

By way of illustrative example only:

Cash Exercise	Eligible Employee
Year 0 (Options are granted) There is no taxing point on the grant of Options.	N/A
Year 2 (first day of relevant Window Period) There is no taxing point during the Window Period	N/A
Year 3 (first day of relevant Window Period) Market value of Shares (250 x \$25) Less: Exercise Price (250 x \$18) Taxable income Tax payable (@46.5%)	\$6,250 (\$4,500) \$1,750 \$814
Year 4 (first day of relevant Window Period) Market value of Shares (500 x \$27) Less: Exercise Price (500 x \$18) Taxable income Tax payable (@46.5%)	\$13,500 (\$9,000) \$4,500 \$2,093



<i>Cashless Exercise</i>	<i>Eligible Employee</i>
Year 0 (Options are granted) There is no taxing point on the grant of Options.	N/A
Year 2 (first day of relevant Window Period) There is no taxing point during the Window Period	N/A
Year 3 (first day of relevant Window Period) Market value of Shares (250 x \$25) Less: Exercise Price (250 x \$18) Taxable income (70 shares received x \$25) Tax payable (@46.5%)	\$6,250 (\$4,500) \$1,750* \$814
Year 4 (first day of relevant Window Period) Market value of Shares (500 x \$27) Less: Exercise Price (500 x \$18) Taxable income (166 shares received x \$27) Tax payable (@46.5%)	\$13,500 (\$9,000) \$4,500* \$2,093

* Subject to rounding

Note: there is no difference in the tax outcome on grant and exercise of the Options where an election to use the Cashless Exercise mechanism is made (aside from immaterial rounding differences). However, the election to use Cashless Exercise results in a lower number of Shares being provided to the Eligible Employee.



Sale of Shares

Where the Options and Shares are issued directly to a Nominee, the Nominee will be subject to tax on the sale of the Shares. As such, the second column illustrates the implications for the Nominee.

By way of illustrative example only:

<i>After Cash Exercise</i>	<i>Eligible Employee</i>	<i>Nominee (Company)²</i>
Year 6 (sale of Shares) Sale proceeds (750 x \$29) Less: tax cost base of the Shares aggregate market value of Shares exercised in years 2 to 4 (Nil + \$6,250 + \$13,500) Net gain Discount taxable capital gain (i.e. after 50% CGT discount) ³ Tax payable (@ 46.5%) Tax payable (@ 30%)	\$21,750 (\$19,750) \$2,000 \$1,000 \$465 N/A	\$21,750 (\$19,750) \$2,000 \$2,000 N/A \$600

<i>After Cashless Exercise</i>	<i>Eligible Employee</i>	<i>Nominee (Company)¹</i>
Year 6 (sale of Shares) Sale proceeds (236 shares received ⁴ x \$29) Less: tax cost base of the Shares aggregate market value of Shares exercised in years 2 to 4 (Nil + \$1,750 + \$4,500) Net gain Discount taxable capital gain (i.e. after 50% CGT discount) ² Tax payable (@ 46.5%) Tax payable (@ 30%)	\$6,844 (\$6,250) \$594 \$297 \$138 N/A	\$6,844 (\$6,250) \$594 \$594 N/A \$178

¹ For illustration purposes, we have assumed the Nominee is a company which is subject to income tax at 30%.

² For illustration purposes, we have shown the effect of the 50% CGT discount. The actual effect of the 50% CGT discount will vary from case to case. Note that a company is not eligible to receive the 50% CGT discount.

³ Total of 70 Shares received in Year 3 and 166 Shares received in Year 4.



3. Tax Obligations

The obligation of returning any assessable income under the employee share scheme tax rules or any capital gains on the sale of the Shares rests with the Eligible Employee and/or holder of the Options or Shares (as applicable). Whilst no amounts will be included on the Eligible Employee's annual PAYG Payment Summaries issued by MGL, MGL must report such income to both the Eligible Employee and the Australian Taxation Office ("ATO") in the year of the relevant deferred taxing point. Refer to our comments on Employer Reporting Obligations in section 4 below. This means that the actual payment of income tax will be deferred until the Eligible Employee's income tax return has been prepared and lodged and the ATO issues an assessment for the income year. Based on the present lodgment rules for income tax returns, this can be up to 9 months after the end of the 30 June year where the individual lodges with a registered tax agent.

Certain taxpayers may be required to make pre-payments of tax in respect of income (not including capital gains) which is not subject to PAYG withholding. Income which arises as a result of the exercise of the Options is not considered income for which pre-payments of tax ("PAYG instalments") need to be made. However, the PAYG rules are quite fact specific, and again, each Eligible Employee should consult their tax and/or financial adviser in relation to whether these rules may apply to them.

4. Employer Reporting Obligations

MGL must provide each Eligible Employee with an ESS statement (in respect of Options granted under the Prospectus), if a deferred taxing point has arisen or could have arisen in the financial year.

MGL must issue each Eligible Employee with the ESS statement by 14 July following the end of the financial period. This statement will assist them in completing their personal income tax return and will outline the amount to be included as assessable income of the Eligible Employee. If the Eligible Employee is unsure of what to include in their tax return, they should seek advice from their tax adviser.

* * * * *

Yours faithfully



PricewaterhouseCoopers



APPENDIX A GLOSSARY

Capital Gains Tax (CGT)	CGT will generally be payable at the Eligible Employee's marginal tax rate if they make a profit at the time Shares are sold. If, at this time, the Eligible Employee has held the Shares for more than twelve months, their capital gain may be reduced by 50 percent. This reduction is referred to as the "50% CGT discount".
Cash Exercise	The issue or transfer of Shares to the Eligible Employee following lodgement of an Option Exercise Form and on cash payment of the Exercise Price specified in the Application Form.
Cashless Exercise	A choice by the Eligible Employee to be issued a Specified Number of Shares for no upfront cash consideration following lodgement of an Option Exercise Form. The Cashless Exercise mechanism can be elected by the Eligible Employee in lieu of a Cash Exercise.
In The Money	The Options will be In The Money when the Weighted Average Closing Price of Shares on the ASX on the preceding five business days on which the Shares are traded exceeds the Exercise Price.
Grant Date	The date that the Options are granted to Eligible Employees being the date of issue as set out on the Option Certificate.
Out Of The Money	The Options will be Out Of The Money when the Weighted Average Closing Price of Shares on the ASX on the preceding five business days on which the Shares are traded is less than or equal to the Exercise Price.
Specified Number of Shares	The number of Shares with a total market value equal to the difference between the Exercise Price and the market value of the Options when exercised, calculated in accordance with Rule 4.3 in Annexure A of the Prospectus.

Monadelphous Group Limited
ACN 008 988 547

Application Form – Offer of Employee Options

This Application Form is important. If you are in doubt as to how to deal with it, please contact your financial, taxation or other adviser without delay. You should read the entire Prospectus carefully before completing this form. To meet the requirements of the Corporations Act this Application Form must not be distributed unless it is included in, or accompanied by, the Prospectus.

A You are invited to apply for

Number of options in Monadelphous Group Limited issued pursuant to a prospectus dated 11 October 2011 having an exercise price of \$17.25 (calculated as the average closing price of Monadelphous Shares on the ASX over the five (5) trading days prior to 10 October 2011) and expiring on the earlier of three (3) Business Days prior to the 2015 final dividend record date or 14 September 2015.

B Number applied for

If you wish to apply for a lesser number of Options (than set out in box A above), please insert the number of Options you would like in this box. If you would like to take up all of the Options referred to in box A, you do not need to write anything in this box B.

C Name of Applicant

Given Name(s) Surname

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D Enter Your Postal Address – Include State and Postcode

Unit Street number Street name or PO Box/Other Information

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City/Suburb/Town

State

Postcode

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E Enter Your Contact Details

Contact name

Telephone number – Business Hours/After Hours

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F Signature

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Please sign here to confirm your application. Where the Applicant is a trust or a company, this should be signed by the trustee or a director for and on behalf of the Applicant.

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus (which I have received and read), that all details and statements made by me/us are complete and accurate, and that I apply for the number of options referred to above on the terms and conditions set out in the Prospectus. If these options are exercised, I/we agree to be bound by the Constitution of Monadelphous Group Limited.

Any questions concerning the Application Form should be directed to the Company Secretary on +61 8 9316 1255.

If you wish to accept this offer, please return your Application Form marked attention to Zoran Bebic, Company Secretary, to PO Box 600, Victoria Park, WA, 6979, or 59 Albany Highway, Victoria Park, WA, 6100, by 5:00pm on 25 October 2011. Until such time as this offer closes, Monadelphous agrees to provide you, within a reasonable time of request, with information on the current share market price of Monadelphous Shares. Any advice given in connection with this offer is general advice only and you should consider obtaining your own financial product advice from an independent person licensed by ASIC to give such advice. If you wish to nominate a Nominee to receive Options, please advise the Company Secretary. If such Nominee is approved, a replacement Application Form will be issued.

Capitalised terms used on this Application Form that are not otherwise defined shall have the meaning given to them in the Prospectus.