

GARRATT'S LIMITED

ACN 000 003 725

Telephone: 02 9743 0988 Facsimile: 02 9736 2291

Company Announcements Office
Australian Stock Exchange
Level 10
20 Bond Street
Sydney NSW 2000

1 October 1999

Via Facsimile To: 1300 300 021

ANNOUNCEMENT

NOTICE OF ANNUAL GENERAL MEETING

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GARRATT'S LIMITED

ACN 000 003 725

Telephone: 02 9743 0988 Facsimile: 02 9736 2291

30 September 1999

TO ALL SHAREHOLDERS AND NOTEHOLDERS

1999 ANNUAL GENERAL MEETING

Further to our letter of 17 September 1999, enclosed is a copy of the Notice of Annual General Meeting, including agenda items, explanatory notes and proxy form.

Petah Fitzsimmons
Company Secretary

GARRATT'S LIMITED

ACN 000 003 725

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 91st ANNUAL GENERAL MEETING of Garratt's Limited will be held at Clarendon Business College, Level 11, 26 O'Connell Street, Sydney, on Friday 5 November 1999 at 11.00am.

AGENDA:

Ordinary Business

1. To receive, consider and adopt the financial statements of the Company and the consolidated financial report of the consolidated entity for the year ended 30 June 1999 and the reports by directors and auditors thereon.
2. To re-elect as a director of the Company Dr. Stanley Kenneth Baker who retires by rotation in accordance with the provisions of the Articles of Association and being eligible offers himself for re-election.
3. To consider and, if thought fit, pass the following as an ordinary resolution pursuant to Listing Rule 7.1 of the Official Listing Rules of the Australian Stock Exchange Limited:

“That, for the purpose of improving the depth, liquidity and spread of the Company's shares, the Board be authorised, for a period of 3 months from the date of this Annual General Meeting, to issue up to 2.5 million new fully paid ordinary shares at not less than 95% of the average market price of the Company's shares for a period of 5 trading days before the issue or issues, such shares to be issued progressively.”

(Please refer to the explanatory note and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited.)

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

“That the Chairman's fee be increased from \$20,000 to \$35,000 per annum from 1 July 1999.”

(Please refer to the explanatory note and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited.)

Special Business

5. To consider and, if thought fit, pass the following as a special resolution pursuant to Listing Rule 7.37 of the Official Listing Rules of the Australian Stock Exchange Limited:

“That the Company be authorised to establish and maintain an Employee Share Option Plan (‘Plan’) subject to the terms and conditions of the Plan accompanying this Notice of Annual General Meeting.”

(Please refer to the explanatory note and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited.)

6. To consider and, if thought fit, pass the following as special resolutions pursuant to Listing Rule 10.14 of the Official Listing Rules of the Australian Stock Exchange Limited:
 - A. “That approval be and is hereby given for the Company to offer 350,000 free options to Mr. Christopher Campbell, Group Managing Director, subject to the terms and conditions of the Plan.”
 - B. “That approval be and is hereby given for the Company to offer 50,000 free options to Mr. Phillip Maundrell, Group Financial Controller, subject to the terms and conditions of the Plan.”

(Please refer to the explanatory note and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited.)

7. To transact any other business which may be brought forward in conformity with the Articles of Association.

By Order of the Board
Petah Fitzsimmons
Company Secretary
30 September 1999

A member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote in their stead. That person need not be a member of the Company, but should be a natural person over the age of 18 years. Where more than one proxy is appointed, each proxy must be appointed to represent a proportion of the member’s voting rights. Proxy forms executed by companies must be under seal or in accordance with the Corporations Law.

Proxy forms must be lodged at the registered office of the Company, 15 McDonald Street, Mortlake NSW 2137, or sent by facsimile to the registered office of the Company on +61 2 9736 2291, not less than 48 hours before the timing of the meeting.

(Proxy form attached)

GARRATT'S LIMITED

ACN 000 003 725

PROXY FORM FOR THE 91st ANNUAL GENERAL MEETING

Registered Office: 15 McDonald Street, Mortlake NSW 2137, Australia
Mailing Address: PO Box 515, Concord NSW 2137, Australia

I/We

of.....

being a member/members of Garratt's Limited, hereby appoint

of.....,

or, in his/her absence, the Chairman of the Meeting, as my/our general/special proxy to vote on my/our behalf at the Annual General Meeting of the Company, to be held on 5 November 1999 or at any adjournment of that meeting.

Signed this day of 1999

Signature of Shareholder(s)

Company Seal

Should you decide to direct your proxy how to vote, please tick the appropriate box against each item. Otherwise your proxy may vote as he/she thinks fit or abstain.

Resolution:

	For	Against	Abstain
1. To adopt the accounts and reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To elect Dr. Stanley Kenneth Baker as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Board to issue up to 2.5 million new shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To increase the Chairman's fee from \$20,000 to \$35,000.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Abstain
5. To establish and maintain an Employee Share Option Plan.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6A. To approve the offer of 350,000 free options to Mr. Christopher Campbell, Group Managing Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6B. To approve the offer of 50,000 free options to Mr. Phillip Maundrell, Group Financial Controller.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

GARRATT'S LIMITED

ACN 000 003 725

91st ANNUAL GENERAL MEETING: EXPLANATORY NOTES TO AGENDA ITEMS 3, 4, 5 & 6

ORDINARY BUSINESS

AGENDA ITEM 3: TO AUTHORISE THE BOARD TO ISSUE UP TO 2.5 MILLION NEW SHARES.

1. Introduction

- 1.1 Although the Company has been operating for more than 90 years, and has been listed on the Australian Stock Exchange (ASX) for a long time, it is still a small company in comparison to other companies that are listed on the ASX.
- 1.2 Several steps have been taken to increase the number of shares. In July 1996 there were 5.5 million shares. Now there are 10.7 million, an increase of 37% just over the past 12 months. Shareholder spread has also improved considerably – by more than 60% from 200 to about 330 shareholders. But these increases have not been enough.
- 1.3 Moreover, the shares are tightly held. The ten largest shareholders hold 68% of all shares. The top twenty account for more than 77%.
- 1.4 Notwithstanding the substantial improvement in the Company's performance over the past three years, the Company has not seemed to be able to attract substantial investors from the market. This is more than likely because the shares are tightly held and there are not many shares on issue. This situation is also disadvantageous to existing shareholders, because, generally, the smaller the market in the shares, the less easy it would be to sell out.
- 1.5 There is a need for greater depth and liquidity in the shares. Otherwise the shares will not be as 'marketable' as they can be.

2. ASX Rules

- 2.1 Under the ASX Rules, the Board has the discretion to issue new shares of up to 15% of the shares on issue during the previous 12 months. Over the past 12 months the Board has issued about 1.2 million new shares under this Rule.
- 2.2 However, given the present capital base of only 10.7 million shares, an additional 15% increase (1.6 million new shares) would, by itself, not be much improvement.
- 2.3 While it would be possible to convene an extraordinary general meeting of shareholders to consider the issue of new shares should the 15% restriction apply, this would be costly, and would require a delay of more than a month. Especially in respect of smaller placements, whether or not in connection with an acquisition, such a delay may result in the Company losing the opportunity to make the issue.

3. Recommendation

- 3.1 Your Directors recommend that you vote in favour of the resolution to authorise the Board to issue up to 2.5 million new fully paid ordinary shares at not less than 95% of the average market price of the Company's shares for a period of 5 trading days before the issue or issues. Funds raised from such issue or issues shall go towards additional working capital for the Company.
- 3.2 Such approval, which would not diminish the Board's discretion to issue new shares as described in 2.1 above, would give the Board greater flexibility to issue more shares with the objective to improve the depth and liquidity in the Company's shares.

4. Voting Exclusion Statement

4.1 The Company will disregard any votes cast on this resolution by:

- a shareholder who may participate in the proposed issue(s) and a shareholder who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed; and
- an associate of that shareholder (or those shareholders).

4.2 However, a vote will not be disregarded if:

- it is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving the proxy in relation to this resolution.

AGENDA ITEM 4: TO INCREASE THE CHAIRMAN'S FEE FROM \$20,000 TO \$35,000 PER ANNUM

1. Introduction

- 1.1 In 1996 shareholders agreed that the maximum aggregate directors' fees that may be paid in any financial year to non-executive directors of the Company 'or its child entities' by the Company or any child entity is \$100,000.
- 1.2 Presently directors' fees are only paid to Mr. Peter Irving Burrows, non-executive Chairman. The fee paid is \$20,000 per annum.

2. Recommendation

- 2.1 In view of the duties and responsibilities of the position of Chairman, especially in the context of the continuing growth and development of the Group, the Remuneration Committee has approved the increase of the fee to be paid to the Chairman to \$35,000 per annum from 1 July 1999.

2.2 This increase is not required to be approved by shareholders as it is within the limit approved in 1996. Under the Company's Articles of Association the Directors may by agreement determine the proportion and manner of the distribution of the aggregate directors' fees. Nevertheless, Mr. Burrows has requested that the increase be submitted to shareholders for endorsement.

2.3 Your Directors, other than Mr. Burrows, recommend that you vote in favour of the increase in the fee to be paid to the Chairman.

3. Voting Exclusion Statement

3.1 The Company will disregard any votes cast on this resolution by:

- Mr. Burrows; and
- an associate of Mr. Burrows.

3.2 However, a vote will not be disregarded if:

- it is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving the proxy in relation to this resolution.

SPECIAL BUSINESS

AGENDA ITEM 5: TO ESTABLISH AND MAINTAIN AN EMPLOYEE SHARE OPTION PLAN ('PLAN') SUBJECT TO THE TERMS AND CONDITIONS OF THE PLAN ACCOMPANYING THIS NOTICE OF ANNUAL GENERAL MEETING

1. Introduction

1.1 In the Chairman's address to the 1998 Annual General Meeting he outlined the need for a share option plan for employees. He spoke about the Company's management:

"Their role, put simply, is to improve shareholders' wealth. The small management team we now have has done remarkably well to turn around the business over the past two years and to set in place a structure and strategy for the future. The two years have been difficult and challenging. The uncertainties facing the Australian and international economies mean that the challenges are going to continue. We are not a large company. We must be alert, smart and prudent. With this as the backdrop it is imperative that we are able to attract, and retain, the people that we need – not just to improve shareholders' wealth but also to protect what is already there. My experience is that an excellent way to ensure employee encouragement and commitment is for employees to have a stake in the business. The Board will therefore be drawing up an employee options scheme for consideration."

(From Chairman's Address to 1998 AGM)

1.2 Since that meeting the management team has continued to grow the Company and improve shareholders' wealth. Indeed, during the financial year just past, shareholders' funds more than doubled from \$2.5 million to \$5.6 million.

2. Recommendation

2.1 Shareholders will note that the options referred to in the Plan will be to subscribe for shares in the Company at a premium to the price prevailing at the time of the grant of the options.

2.2 Your Directors recommend that you vote in favour of the Plan.

3. Voting Exclusion Statement

3.1 The Company will disregard any votes cast on this resolution by an officer (including director and employee) of the Company or any of its related bodies corporate and an associate of such officer.

3.2 However, a vote will not be disregarded if:

- it is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving the proxy in relation to this resolution.

AGENDA ITEM 6: TO APPROVE THE OFFER OF:

- A. 350,000 FREE OPTIONS TO MR. CHRISTOPHER CAMPBELL, GROUP MANAGING DIRECTOR; AND
- B. 50,000 FREE OPTIONS TO MR. PHILLIP MAUNDRELL, GROUP FINANCIAL CONTROLLER,

SUBJECT TO THE TERMS AND CONDITIONS OF THE PLAN.

1. Introduction

These resolutions follow from the proposed Plan (which is subject to shareholders' approval).

2. Recommendation

Your Directors, other than Mr. Campbell in respect to Resolution 6A, recommend that you vote in favour of Resolutions 6A and 6B.

3. Voting Exclusion Statement

3.1 The Company will disregard any votes cast on any of resolutions 6A and 6B by the person named in that resolution and any of his associates, or by a director of the Company or any of its related bodies corporate and an associate of such director.

3.2 However, a vote will not be disregarded if:

- it is cast by a person as proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving the proxy in relation to this resolution.

GARRATT'S LIMITED

EMPLOYEE SHARE OPTION PLAN

1. Purpose

The Garratt's Limited Employee Share Option Plan provides a method whereby directors and employees of the Company and its related bodies corporate are able to acquire shares in the Company. The Employee Share Option Plan is aimed at motivating directors and employees to have a greater interest and involvement in the achievement of the objectives of the Company. The performance of the Company is expected to improve and this will in turn benefit all shareholders.

2. Definitions & Interpretations

In this document the following terms have the following meanings:

"Acceptance Form" means the acceptance form in such form as the Directors may approve from time to time.

"Base Number" means the base number of shares specified on the face of the Option Certificate and, where applicable, adjusted in accordance with the terms of this document.

"Base Price" means the average price of the Company's share for a period of 5 trading days before the Board's approval of the offer of the options to an Eligible Employee.

"Board" or **"Directors"** means the Board of Directors of the Company from time to time.

"Bonus Shares" means Shares to which a holder of Shares in the Company is entitled to have allotted to the holder in any bonus issued by the Company by way of capitalisation of profits or otherwise.

"Company" means Garratt's Limited (ACN 000 003 725).

"Controlled Entity" means a Related Body Corporate or any other entity in which the Company has control.

"Date of Grant" means the date of issuance of the Options as specified on the face of the Option Certificate.

"Eligible Employee" means an Employee whom the Directors determine in their absolute discretion from time to time to be an employee entitled to participate in the Plan.

"Employee" means any person in the permanent full-time or part-time employment of the Company or any of its Related Bodies Corporate including but not limited to executive and non-executive directors of the Company or any of its Related Bodies Corporate.

"Exercise Date" means a date when the Options may be exercised by an Eligible Employee pursuant to this document.

"Exercise Period" means the period commencing on the First Exercise Date and ending on the Last Exercise Date, both inclusive.

"Exercise Price" means

- (a) the Base Price plus 8% of the Base Price for the First Exercise Date;
- (b) the Base Price plus 16% of the Base Price for the Second Exercise Date; and
- (c) the Base Price plus 24% of the Base Price for the Last Exercise Date;

and, where applicable, adjusted to take account of a subdivision or consolidation of the Shares or of any increase, reduction or other reconstruction of the capital of the Company relating to the Base Number of Shares covered by the Base Price.

"First Exercise Date" means the earlier of:-

- (a) 30 June 2000; or

(b) such earlier date determined by the Directors in their absolute discretion.

“Group” means the Company and its Controlled Entities.

“Holder” means the holder specified on the face of the Option Certificate or such holder’s permitted transferee, assignee, nominee or legal personal representative.

“Last Exercise Date” means the earlier of:-

- (a) 30 June 2002; or
- (b) a date determined by the Board in their absolute discretion.

“Listing Rules” means the Listing Rules of the Australian Stock Exchange Limited in force from time to time.

“Marketable Parcel” has the meaning given to it by the Listing Rules.

“Notice of Exercise” means a duly completed notice of exercise of Options signed by the Holder, in a form approved by the Directors from time to time.

“Options” means options to take up Option Shares pursuant to the Plan granted to the Holder as evidenced by the Option Certificate.

“Option Certificate” means the option certificate to be issued pursuant to Clause 7.

“Option Period” means the period commencing on the Date of Grant and ending when the Option is exercised or lapses.

“Option Shares” means the Base Number of Shares adjusted in accordance with the terms of this document.

“Plan” means the employee share option plan established by this document.

“Related Body Corporate” has in relation to the Company, the meaning given to that term as in the Corporations Law.

“Rights Issue” means an offer or invitation made by the Company to holders of Shares to subscribe for Shares and Securities for

cash pro-rata in accordance with their respective holdings of Shares.

“Rights Issue Shares” means Shares or Securities for which holders of Shares are entitled to subscribe for under a Rights Issue.

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

“Second Exercise Date” means the earlier of:-

- (a) 30 June 2001; or
- (b) such earlier date determined by the Directors in their absolute discretion.

“Takeover Offer” includes a takeover offer and any offer made pursuant to a takeover announcement as set out in the Corporations Law.

“Total Exercise Price” means the Base Number of Options to be exercised in a particular case multiplied by the relevant Exercise Price for a particular Exercise Date.

3. Interpretation

In this document:

- (a) a word denoting any gender includes all genders;
- (b) the singular includes the plural and vice versa; and
- (c) a reference to any statute, ordinance code or other law and any provision thereof includes regulations and other instruments under them and amendments, re-enactments or replacements of them.

4. Eligibility

- (a) Subject to approval of shareholders when required, the Directors may determine from time to time in their absolute discretion who is an Eligible Employee and the extent of that Eligible Employee’s participation in the Plan.

- (b) The determination of the Directors is final in each case and the Directors are not obliged to give reasons to an Eligible Employee for such determination.

5. Offer

- (a) The Company may offer Options in the Plan to an Eligible Employee by written notice accompanied by an Acceptance Form and such other materials as the Directors consider appropriate from time to time.
- (b) The written notice of offer referred to in clause 5(a) must include:
- (i) the name and residential address of the Eligible Employee to whom the offer is made;
 - (ii) the maximum number of Options available to the Eligible Employee;
 - (iii) the Base Price;
 - (iv) the First Exercise Date;
 - (v) the Second Exercise Date;
 - (vi) the Last Exercise Date;
 - (vii) the Exercise Price for the First Exercise Date, the Second Exercise Date and the Last Exercise Date;
 - (viii) the periods for acceptance of the offer;
 - (ix) an undertaking and explanation of the way in which the Company will, during the Option Period, within a reasonable period of the request of an Eligible Employee (or a Holder), inform the Eligible Employee (or Holder) of the current market price of Shares in the same class as Shares to which the Options relate; and
 - (x) such other information as the Directors may in their absolute discretion deem fit.

6. Acceptance of Offer

- (a) An Eligible Employee may only accept the offer to take up Options by delivering to the Company the duly

completed Acceptance Form in the form annexed to this document within the time period for acceptance of the offer.

- (b) An Eligible Employee may accept the offer to take up the Options in whole or in part but, if the offer is accepted in part then the Eligible Employee may only do so in multiples which constitute a Marketable Parcel and may not subsequently accept the offer in respect of the remaining Options unless those Options are re-offered by the Company.
- (c) The acceptance takes effect from the Date of Grant.

7. Option Certificate

- (a) Following receipt by the Company of a duly completed Acceptance Form from an Eligible Employee, the Company must issue, as soon as practicable, an Option Certificate to the Eligible Employee.
- (b) The Option Certificate shall be in such form as the Directors may approve from time to time.

8. Assignment and Transfer of Options

- (a) An Eligible Employee must not transfer or assign the Options except that an Eligible Employee is at liberty at any time to transfer or assign all or any of his or her Options to:
- (i) his or her spouse; or
 - (ii) a proprietary limited company in which all the issued shares are beneficially owned by the Eligible Employee and his or her spouse; or
 - (iii) any other nominee of the Eligible Employee whom the Directors may permit in their absolute discretion provided that any such transferee or assignee first undertakes to the Company in a deed not to transfer or assign the Options

until such time as they are exercised:
and

where the transferee or assignee is a company in which all the issued shares are beneficially owned by the Eligible Employee and his or her spouse, the Eligible Employee and his or her spouse first undertake to the Company that they will not sell or dispose of their shares in the company until such time as the Options are exercised.

- (b) A legal personal representative of a Holder of Options who has died or whose estate is liable to be dealt with under laws relating to mental health or bankruptcy is entitled to be registered as the Holder of such Options after the production to the Board of such documents or other evidence as the Board may reasonably require to establish that entitlement.

9. Lapse of Options

- (a) The Options lapse, to the extent that they have not been exercised, on the Last Exercise Date.
- (b) The Options are deemed to have lapsed upon the Holder ceasing to be an Employee of the Company or any of its Related Bodies Corporate or where the Holder is an assignee or transferee of Options from an Eligible Employee, such Eligible Employee ceases to be an Employee of the Company or any of its Related Bodies Corporate.
- (c) Upon the Options lapsing or being deemed to have lapsed, all rights of the Holder under the Options cease.
- (d) Notwithstanding clauses 9(b) and 9(c), the Directors shall have the discretion to allow a Holder to exercise the Holder's Options subject to the terms of this document even

though the relevant Eligible Employee has ceased to be an Employee .

10. Exercise of Option

- (a) The Holder may exercise the Holder's Options (in whole or in part) on any Exercise Date in the manner provided in this document by lodging a Notice of Exercise at the registered office of the Company for the time being or other place nominated by the Board for this purpose.
- (b) Each Notice of Exercise must be accompanied by a cheque made in favour of the Company in full payment for the Total Exercise Price for the Option Shares.
- (c) If a Holder elects to exercise only a part of the Options, such exercise must be in multiples which constitute a Marketable Parcel.
- (d) The Directors may amend from time to time in their absolute discretion the Notice of Exercise in the form annexed to this document by written notice to all Holders who have not exercised their Options.

11. Share Allotment and Certificate

- (a) Subject to the Holder complying with clause 10, the Company must as soon as practicable after receipt of the Notice of Exercise and clearance of the cheque referred to in clause 10(b):
- (i) allot the number of Shares specified in the Notice of Exercise of the Holder;
 - (ii) enter the Holder's name in the relevant Share register of the Company; and
 - (iii) unless requested otherwise and permitted by law, issue such statements in respect of the Shares specified in the Notice of Exercise of the Holder and deliver them to the Holder or as the Holder may otherwise direct.

(b) Where a Holder submits a Notice of Exercise to the Company which is received after an announcement by the Directors of their intention to pay or to recommend the payment of a dividend to shareholders, the Company must not allot Shares specified in the Notice of Exercise of the Holder until the day after the books' closing date for the determination of entitlements to that dividend.

(c) Clause 11(b) does not apply where a Holder receives a notice from the Directors pursuant to clause 16 and exercises any of the Holder's Options during:

- (i) the period that the Takeover Offer referred to in that notice remains open for acceptance; and
- (ii) if the offerer under the Takeover Offer has the right to compulsorily acquire any outstanding Shares and exercises that right, the period during which such compulsory acquisition may occur.

12. Rights Issues

(a) If the Company from time to time during the Option Period offers shareholders Rights Issue Shares then each Holder will have the right to accept such offer by the prior exercise of the Holder's Options in accordance with this document.

(b) The Company must give each Holder notice of any Rights Issue as soon as practicable and shall afford each Holder at least ten (10) business days prior to and inclusive of the books' closing date (to determine entitlements to the issue) to exercise the Options.

(c) Where clause 12 (a) applies, the Company must give written notice to all Holders for which the First Exercise Date has not passed, stating that the First Exercise Date for those Options has been varied to

allow Holders to exercise their Options in time to participate in the Rights Issue.

13. Bonus Issues

If the Company from time to time issues any Bonus Shares during the Option Period, then the number of Option Shares to be allotted to a Holder upon exercise of Options ("the exercised options") must be that number of Shares to be allotted in respect of the exercised options and such number of Bonus Shares in the Company as a Holder would have been entitled to receive had he immediately prior to the entitlement date for the Bonus Shares exercised his Options and become the registered holder on the entitlement date of the consequent shares.

14. Reconstruction of Capital

Notwithstanding any other term of this document:

(a) if the issued share capital of the Company is changed or reconstructed in any manner (including, without limitation, by consolidation, division, reduction or return) during the Option Period, the number of Options or the Exercise Price or both shall be reconstructed (as appropriate) but so that the benefits being conferred on Holders will not exceed those benefits being conferred on shareholders of the Company; and

(b) in all other respects, the terms of the exercise of the Options will remain unchanged (except for such changes as may be required and sanctioned by a meeting of members of the Company approving the reconstruction of the issued share capital of the Company).

15. Adjustment of Base Number, Exercise Price and Base Number of Shares

(a) The Directors may determine the amount or extent of any adjustment to be made to the Base Number, Exercise Price and Option Shares

having regard to their definition in clause 2 and in accordance with the terms of this document and each determination shall be conclusive and binding on the Company and the Holder.

- (b) Where a change to the capital structure of the Company occurs by way of Bonus Shares and/or Rights Issue Shares, the Exercise Price must be adjusted in accordance with the Listing Rules and any other applicable law, and in the absence of any applicable Listing Rule or law, as determined by the Directors in their absolute discretion.
- (c) If upon the making of any adjustment contemplated by these terms, a Holder becomes entitled to a fraction of a share, that fraction will be disregarded.

16. Takeover Offers

If a Takeover Offer is made to acquire the whole or any part of the issued share capital of the Company or the Directors have reason to believe that control of the Company is likely to change at any time up to the Last Exercise Date of the Options, the Directors may in their absolute discretion give written notice of the Takeover Offer to the Holders and immediately thereafter each Holder becomes and remains entitled to exercise the Holder's Options at any time up to the Last Exercise Date of the Options.

17. Ranking and Listing

- (a) The Options will not be listed.
- (b) Shares allotted as a consequence of the exercise of Options shall, from the date of allotment, rank equally with all other issued Shares.
- (c) The Company must apply for official quotation of the Shares referred to in clause 17(b) on each stock exchange on which the Shares are listed as soon as practicable after their allotment.

18. Set-Off Rights

Where the Holder is obliged to make a payment to the Company under these terms and the Company is obliged to make a payment to the Holder, the Company may set off in its absolute discretion to the extent permitted by law, any amount owing by the Holder to the Company against any amount the Company is obliged to pay the Holder.

19. Issue Limitations

- (a) The total number of Options that may be issued under the Plan must not exceed five per cent (5%) of the Company's issued capital from time to time.
- (b) The maximum number of Options that may be granted to any one Eligible Employee under the Plan shall be determined by the Directors, in their absolute discretion, from time to time.

20. No Interest in Shares

- (a) A Holder of Options has no interest in Shares which are the subject of the Holder's Options unless and until those Options are exercised in accordance with these terms and Shares are allotted to that Holder as a result of the exercise.
- (b) Notwithstanding any term or condition of this document, if an Eligible Employee ceases to be an employee of the Company or a Related Body Corporate by reason of dismissal for cause, the Directors may in their absolute discretion cancel the Options of such Eligible Employee or the nominee of such Eligible Employee or both, whether before or after any purported exercise of such Options without any liability arising out of such cancellation.

21. General

- (a) The entitlement of the Holder and these terms are subject to the Listing

Rules, the Corporations Law and the Company's Articles of Association.

documentation of the relevant postal authority.

- (b) The Plan does not form part of any contract of employment between the Company (or its Related Bodies Corporate) and any employee or officer and does not give any legal or equitable rights whatsoever to an employee or officer of the Company (or Related Body Corporate) except as a participant under the Plan.
- (c) The Directors may from time to time add to, vary or change these terms, subject to the Listing Rules, provided the addition or variation does not reduce the Holder's rights or entitlements in respect of any Option granted before the date of variation or addition unless prior written approval is obtained from the affected Holder.

22. Notice

- (a) A notice or other communication required or permitted to be given to the Company or an Eligible Employee or a Holder must be in writing.
- (b) A notice to the Company may be delivered personally or sent by security post or certified mail, postage prepaid, to the registered office of the Company marked for the attention of the Company Secretary.
- (c) A notice to an Eligible Employee or a Holder may be delivered personally or sent by security post or certified mail, postage prepaid, to the last known address of the Eligible Employee or Holder based on the records of the Company.
- (d) A notice or communication shall be deemed to have been given if:
 - (i) personally delivered, upon delivery; and
 - (ii) mailed in accordance with clause 22(b) or clause 22(c) on actual delivery to the addressee, as evidenced by

23. Governing Law

The Plan and the rights of the Holders in respect of the Plan shall be governed by the Laws of the State of New South Wales.

GARRATT'S LIMITED
EMPLOYEE SHARE OPTION PLAN

NOTICE OF EXERCISE

To Garratt's Limited ("the Company")

1. I _____ of _____

being the registered Holder of Options to subscribe for ordinary shares in the Company comprised in the enclosed Option Certificate(s) irrevocably exercise my Options to have the following allotted and issued to me in accordance with the terms of the Garratt's Limited Employee Share Option Plan:

Number Amount(\$)

Option Shares

2. I enclose my cheque for \$ _____ made in favour of the Company in full payment of the Total Exercise Price for the Option Shares specified in paragraph 1 above.
3. I request that you allot and issue to me the above Shares specified in paragraph 1 above and register my name in the Share register of the Company, where appropriate.
4. I agree to be bound by the Memorandum and Articles of Association of the Company.
5. If this notice is signed by an attorney, the attorney hereby declares that he has no notice of revocation of the power under authority of which this notice is signed.

Signature

Date

GARRATT'S LIMITED
EMPLOYEE SHARE OPTION PLAN

ACCEPTANCE FORM

To Garratt's Limited ("the Company")

I _____ of _____
hereby accept the offer of the Company dated _____ to take up _____

Options to subscribe for ordinary shares in the capital of the Company in accordance with the terms of the Garratt's Limited Employee Share Option Plan ("Plan").

I agree that upon issue of those Options, I shall hold those Options and deal with them only in accordance with the terms of the Plan, a copy of which is attached to this Acceptance Form, and in accordance with the Articles of Association of the Company.

Name of Eligible Employee

Address of Eligible Employee

Date