

# GARRATT'S LIMITED

ACN 000 003 725

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3 September 2004

## **Letter To Shareholders of Garratt's Limited**

Dear Shareholder

### **Renounceable Rights Issue**

On 28 July 2004 the Company announced a one-for-one renounceable rights issue ('the Issue') at 15 cents per share.

The write down of the debt owed by the late Thanga Thangathurai in the financial year ended 30 June 2003, the repayment of about \$4.1 million to holders of the Company's convertible notes and the less than satisfactory performance in the financial year just past, have together substantially eroded the Company's capital base.

The total number of new shares to be issued pursuant to the Issue will be 11,895,281.

The Issue will raise approximately \$1.78 million in new capital, which will be used to reduce bank loans and other borrowings and also add to the Company's working capital.

The Directors of the Company have relevant interests in 2,895,374 shares representing about 24.3% of the Company's equity. They have confirmed that all the rights in respect to those 2,895,374 shares will be taken up.

Chiang Meng Heng, a non-executive Director, has agreed to underwrite the remaining 8,999,907 new shares.

The Prospectus was lodged with the Australian Securities and Investments Commission, and the Australian Stock Exchange, yesterday. It will be mailed to shareholders, with the entitlement and acceptance form, 14 September 2004.

Further information about the Issue may be seen in the attached copy of ASX Appendix 3B dated 1 September 2004.

Yours faithfully

Neville Thomas Cleary  
Chairman

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

GARRATT'S LIMITED

ABN

95 000 003 725

We (the entity) give ASX the following information.

### Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |                                                                                                                                                                                                                                              |                            |
|---|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| 1 | +Class of +securities issued or to be issued                                                                                                                                                                                                 | Ordinary Shares            |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued                                                                                                                                                | 11,895,281                 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully Paid Ordinary Shares |

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> <li>• the date from which they do</li> <li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li> <li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li> </ul>	<p>Yes</p>				
<p>5 Issue price or consideration</p>	<p>\$0.15</p>				
<p>6 Purpose of the issue          (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Reduce Bank loans and other borrowings, and add to working capital</p>				
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>7 October 2004</p>				
<p>8 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">23,790,562</td> <td style="text-align: center;">Ordinary Shares</td> </tr> </tbody> </table>	Number	+Class	23,790,562	Ordinary Shares
Number	+Class				
23,790,562	Ordinary Shares				

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	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	Not applicable	-
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	The Company does not have a declared dividend policy	

## Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Renounceable
13 Ratio in which the +securities will be offered	One-for-one
14 +Class of +securities to which the offer relates	Ordinary Shares
15 +Record date to determine entitlements	10 September 2004
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable
17 Policy for deciding entitlements in relation to fractions	Not applicable
18 Names of countries in which the entity has +security holders who will not be sent new issue documents  Note: Security holders must be told how their entitlements are to be dealt with.  Cross reference: rule 7.7.	<p>Issue documentation will be sent to all security holders but those resident in the following countries may not subscribe:  Malaysia, United Kingdom,  United States of America,  Spain and Vanuatu.</p> <p>These security holders 'rights' will be offered to a nominee appointed by the Company. The proceeds of any sale of such 'rights' will be passed on to the security holders resident in the named countries, after deduction of costs.</p>

+ See chapter 19 for defined terms.

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**New issue announcement**

19	Closing date for receipt of acceptances or renunciations	28 September 2004
20	Names of any underwriters	Mr Chiang Meng Heng
21	Amount of any underwriting fee or commission	2.5%
22	Names of any brokers to the issue	Not applicable
23	Fee or commission payable to the broker to the issue	Not applicable
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of <sup>+</sup> security holders	Not applicable
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	Not applicable
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	14 September 2004
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable
28	Date rights trading will begin (if applicable)	6 September 2004
29	Date rights trading will end (if applicable)	21 September 2004
30	How do <sup>+</sup> security holders sell their entitlements <i>in full</i> through a broker?	By completing the section on the back of the Entitlement and Acceptance form entitled "Instructions to your Stockbroker" and lodging the form with their stockbroker.
31	How do <sup>+</sup> security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	By completing the Entitlement and Acceptance form for the part of the

<sup>+</sup> See chapter 19 for defined terms.

entitlement to be accepted and also completing the section on the back of the Entitlement and Acceptance form entitled "Instructions to your Stockbroker" and lodging the form with their stockbroker together with payment for the new shares to be taken up.

32 How do <sup>+</sup>security holders dispose of their entitlements (except by sale through a broker)?

By forwarding a completed standard renunciation form together with your Entitlement and Acceptance Form and the transferee's payment of the acceptance money to the Registry.

33 <sup>+</sup>Despatch date

7 October 2004

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of securities  
(tick one)

(a)  Securities described in Part 1

(b)  All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

#### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35  If the <sup>+</sup>securities are <sup>+</sup>equity securities, the names of the 20 largest holders of the additional <sup>+</sup>securities, and the number and percentage of additional <sup>+</sup>securities held by those holders

36  If the <sup>+</sup>securities are <sup>+</sup>equity securities, a distribution schedule of the additional <sup>+</sup>securities setting out the number of holders in the categories  
1 - 1,000  
1,001 - 5,000  
5,001 - 10,000  
10,001 - 100,000  
100,001 and over

37  A copy of any trust deed for the additional <sup>+</sup>securities

<sup>+</sup> See chapter 19 for defined terms.

**Entities that have ticked box 34(b)**

38 Number of securities for which  
+quotation is sought

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39 Class of +securities for which  
quotation is sought

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40 Do the +securities rank equally in all  
respects from the date of allotment  
with an existing +class of quoted  
+securities?

If the additional securities do not  
rank equally, please state:

- the date from which they do
- the extent to which they  
participate for the next dividend,  
(in the case of a trust,  
distribution) or interest payment
- the extent to which they do not  
rank equally, other than in  
relation to the next dividend,  
distribution or interest payment

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41 Reason for request for quotation  
now

Example: In the case of restricted securities, end of  
restriction period

(if issued upon conversion of  
another security, clearly identify that  
other security)

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	Number	+Class
42 Number and +class of all +securities quoted on ASX ( <i>including</i> the securities in clause 38)		

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**Quotation agreement**

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

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**Appendix 3B**  
**New issue announcement**

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- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: ..... Date: 1<sup>st</sup> September 2004  
(Director)

Print name: Christopher Campbell

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