

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of FerrAus Limited (ACN 097 422 529) will be held in The Boardroom, at Unit 5, Ground Floor, 60 Hindmarsh Square, Adelaide on Monday 18 January 2010 at 11:00am (Adelaide time) for the purposes of transacting the following business.

### **Business:**

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

### **Approval of issue of Options to the Managing Director**

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue by the Company of 1,500,000 unlisted Options to the nominee of the Managing Director, Mr Michael John Amundsen, on the terms and conditions set out in Annexure A to the Explanatory Memorandum accompanying the Notice of Meeting, is approved."*

### **Voting Exclusion Statement**

The Company will disregard any votes cast on the Resolution by Mr Michael John Amundsen, his nominee, any of their associates, or any person who might obtain a benefit if the resolution is passed, except a benefit solely in the capacity of a holder of ordinary securities.

However the Company need not disregard a vote if:

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

### **Explanatory Notes**

The Explanatory Notes accompanying this Notice of Meeting are incorporated in and comprise part of this Notice of Meeting, and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Notes which contains definitions of capitalised terms used both in this Notice of Meeting and the Explanatory Notes.

### **Proxies**

Please note that:

- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Shareholder; and
- (c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

Please read carefully the instructions on the enclosed Proxy Form and consider how you wish to direct the proxy to vote on your behalf. You may direct the proxy to vote “for” or “against” or to “abstain” from voting or you may leave the decision to the appointed proxy after discussion at the meeting.

To record a valid vote Shareholders will need to complete and lodge the Proxy Form (and the power of attorney or other authority (if any) under which it is signed, or a certified copy of it) at the share registry of the Company, Security Transfers Registrars Pty Ltd, at any of the following addresses, by no later than 48 hours before the time for the holding of the meeting.

Security Transfers Registrars Pty Ltd  
PO BOX 535  
Applecross, Western Australia 6953

Street Address:  
Alexandrea House, Suite 1  
770 Canning Highway  
Applecross, Western Australia 6153

Facsimile: +61 8 9315 2233

Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

Proxy Forms may also be lodged online at [www.securitytransfer.com.au](http://www.securitytransfer.com.au) by no later than 48 hours before the time for the holding of the meeting.

#### **“Snap-shot” Time**

The Company may specify a time, not more than 48 hours before the meeting, at which a “snap-shot” of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting. The Company’s directors have determined that all Shares of the Company that are quoted on ASX as at 11:00 am (Adelaide time) on 16 January 2010 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

#### **Corporate Representative**

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company’s representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

Dated 11 December 2009

BY ORDER OF THE BOARD  
FERRAUS LIMITED

A handwritten signature in cursive script that reads "Donald Stephens".

DONALD STEPHENS  
COMPANY SECRETARY

**Voting**

A Proxy Form is enclosed with this Notice.

## **EXPLANATORY NOTES**

### **1 Introduction**

These Explanatory Notes set out information in connection with the business to be considered at the Extraordinary General Meeting of Shareholders of the Company in The Boardroom, at Unit 5, Ground Floor, 60 Hindmarsh Square, Adelaide on Monday 18 January 2010 at 11:00am (Adelaide time). These Explanatory Notes should be read in conjunction with the Notice of Meeting which they accompany. Capitalised terms in these Explanatory Notes are defined in the Glossary.

### **2 Approval of issue of Options to the Managing Director**

On 3 July 2009 the Company announced the appointment of Mr Michael John Amundsen as its Chief Executive Officer and Managing Director, effective from 1 July 2009. Details of the terms of Mr Amundsen's appointment were announced on 3 July 2009.

The resolution seeks approval of the issue of 1,500,000 Options to Mr Amundsen's nominee, on the terms set out in Annexure A to this Explanatory Memorandum. Mr Amundsen has nominated his wife, Mrs Jacqueline Erin Amundsen, to be issued the Options.

The Options, if approved for issue, will form part of Mr Amundsen's remuneration package. The Options will be additional to a gross base salary of \$327,000 per annum (inclusive of government mandated superannuation contributions). Mr Amundsen does not receive any director's fee in addition to this remuneration.

Mr Amundsen currently holds 100,000 Shares and no Options.

#### **1. Key Details of Options**

The key details of the Options proposed to be issued to Mr Amundsen's nominee are as follows:

- (a) 1,500,000 Options will be issued to Mr Amundsen's nominee, his wife, Mrs Jacqueline Erin Amundsen;
- (b) the Options will be subject to a 1 year escrow period from the date of issue, and may be exercised at any time during the two year period from the date of expiry of the escrow period;
- (c) the Options will be issued in three tranches, with 500,000 Options exercisable at \$0.75 each, 500,000 Options exercisable at \$1.00 each and 500,000 Options exercisable at \$1.25 each;
- (d) if the resolution is approved by Shareholders, all three tranches of the Options will be issued by the Board no later than one month after the date the resolution is passed;
- (e) the Options will lapse if not exercised by the earlier of their exercise expiry date and the date that Mr Amundsen ceases to be employed by the Company (unless cessation of employment is due to Retirement, Redundancy, Total and Permanent Disability (each as defined in the FerrAus Limited Employee Option Scheme approved at the Company's 2009 Annual General Meeting) or death of Mr Amundsen, in which case the Options will immediately vest and be exercisable for a period of 30 day (or in the case of death 3 months) after such cessation of employment);
- (f) the Options will not be quoted on ASX; and

- (g) the 1 year escrow period will cease if a takeover bid is made for the Company and that takeover bid becomes unconditional, or the Company is subject to a binding scheme of arrangement.

The full terms and conditions of the Options are set out in Annexure A.

## **2. ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies.

The issue of the Options to Mr Amundsen's wife requires the Company to obtain Shareholder approval because Mr Amundsen's wife is a Related Party of the Company by reason of the fact that she is the spouse of a Director of the Company.

It is the view of the Directors (excluding that of Mr Amundsen) that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the issue of Options to Mr Amundsen's nominee.

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to the resolution:

- (a) the Options will be issued to Mr Amundsen's wife, Mrs Jacqueline Erin Amundsen;
- (b) the maximum number of Options that may be issued by the Company to Mrs Jacqueline Erin Amundsen is 1,500,000 Options. If all the Options are exercised, 1,500,000 Shares will be issued as a result of the exercise of those Options;
- (c) all three tranches of the Options will be issued by the Board no later than one month after the date the resolution is passed;
- (d) the Options will be issued for no consideration and therefore no funds will be raised by the issue of the Options. The Options will be issued in 3 tranches of 500,000 Options, with Options in tranche 1 exercisable at \$0.75 each, Options in tranche 2 exercisable at \$1.00 each and Options in tranche 3 exercisable at \$1.25 each. Any funds raised from time to time due to the exercise of any of those Options will be used as the Board sees fit; and
- (e) the Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Memorandum.

## **3. ASX Listing Rule 7.1**

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Options to Mr Amundsen's nominee if approval is obtained under Listing Rule 10.11, accordingly Shareholder approval is not sought for the purposes of Listing Rule 7.1.

By approving the issue of Options to Mr Amundsen's nominee under Listing Rule 10.11, the issue will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

## **4. Chapter 2E Corporations Act**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) Shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Amundsen is considered to be a Related Party of the Company because he is a director of the Company, and his nominee, Mrs Jacqueline Erin Amundsen, is also a Related Party of the Company because she is the spouse of a Director of the Company.

The proposed issue of Options by the Company to Mr Amundsen (or his nominee) constitutes the giving of a financial benefit to a Related Party of the Company. However it is the view of the Directors that the proposed issue of Options falls under one of the exceptions to the Chapter 2E provisions.

The relevant exception, contained in section 211(1) of the Corporations Act, states that shareholder approval is not required in order to give a financial benefit to a Related Party if that benefit is reasonable remuneration given to an employee. The Directors (excluding Mr Amundsen) have reviewed a valuation of the Options, together with the remuneration paid to Mr Amundsen, and the total remuneration to that of similar employees in similar companies. Based on this, it is the view of the Directors (excluding that of Mr Amundsen) that the proposed issue of Options to Mr Amundsen's nominee as part of Mr Amundsen's remuneration is reasonable in the Company's circumstances and for the position in which Mr Amundsen is employed, and that, for the purposes of Chapter 2E of the Corporations Act, the proposed issue of Options does not require Shareholder approval under the Corporations Act.

## Glossary

**"ASX"** means ASX Limited ACN 008 624 691.

**"ASX Listing Rules"** or **"Listing Rules"** means the official listing rules of ASX.

**"Board"** means the board of Directors.

**"Company"** means FerrAus Limited ACN 097 422 529.

**"Corporations Act"** means Corporations Act 2001 (Cth).

**"Director"** means a director of the Company.

**"Option"** means an unlisted option to subscribe for one Share.

**"Proxy Form"** means the proxy form set out at the last page of this Notice.

**"Related Party"** has the meaning given to that term in Section 228 of the Corporations Act.

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

**"Shareholder"** means a holder of a Share.

## ANNEXURE A - TERMS AND CONDITIONS OF OPTIONS

1. Each Option will entitle the holder (**Optionholder**) to subscribe for one fully paid ordinary share (**Share**) in FerrAus Limited ACN 097 422 529 (**Company**) (subject to possible adjustments referred to in paragraphs 11, 12 and 13 below).
2. Each Option will be subject to a 1 year escrow period, such that it will only be exercisable at any time after 9:00am Adelaide time on the first anniversary of date of issue of that Option and before 5:00pm Adelaide time on the third anniversary of the date of issue (**Expiry Date**). If, during the escrow period, a takeover bid is made for the Company and that takeover bid becomes unconditional, or the Company is subject to a binding scheme of arrangement, each Option will, even though the escrow period has not expired, immediately become capable of being exercised.
3. Options will lapse if not exercised by the earlier of the Expiry Date and the date that Mr Amundsen ceases to be employed by the Company for any reason (unless cessation of employment is due to Retirement, Redundancy, Total and Permanent Disability (each as defined in the FerrAus Limited Employee Option Scheme approved at the Company's 2009 Annual General Meeting) or death of Mr Mike Amundsen, in which case the Options will immediately vest and be exercisable for a period of 30 days (or in the case of death 3 months) after such cessation of employment).
4. The exercise price of each Option (**Exercise Price**) is as follows:
  - a. Tranche 1 comprising 500,000 Options - \$0.75
  - b. Tranche 2 comprising 500,000 Options- \$1.00
  - c. Tranche 3 comprising 500,000 Options- \$1.25
5. Options are exercisable by notice in writing to the Company, delivered to the registered address of the Company and accompanied by the full payment of the Exercise Price for the Options that are exercised in cleared funds.
6. Some or all of the Options may be exercised at any one time or times prior to the Expiry Date (but during the exercise period specified in paragraph 2) provided that no less than 1,000 Options are exercised at any one time, unless the holder exercises all Options able to be exercised by the holder at that time.
7. Shares issued pursuant to the exercise of any of the Options will rank in all respects on equal terms with the existing Shares in the Company.
8. The Company will not seek to have the Options admitted to the official list of ASX and the Options will not be listed on ASX. The Company will make application for new Shares allotted on exercise of the Options to be admitted to the official list of ASX.
9. An Option may only be transferred with the approval of the Board.
10. Options will not entitle the Optionholder to participate in any new issue of securities by the Company unless the Option has been duly exercised prior to the relevant record date. The Company will ensure that for the purposes of determining entitlements to participate in any new issues of securities to holders of Shares, that the record date will be at least seven business days after the date the issue is announced.
11. If there is a bonus issue to the holders of Shares:
  - (a) the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue; and

- (b) no change will be made to the Exercise Price.
12. If, prior to the Expiry Date the issued capital of the Company is reorganised, the rights of the Optionholders may be varied to comply the ASX Listing Rules which apply to the reconstruction.
13. If the Company makes a rights issue (other than a bonus issue), the Exercise Price of Options on issue may be reduced in accordance with the following formula:

$$\text{New Option Exercise Price} = O - \frac{E(P - (S + D))}{(N + 1)}$$

Where:

- O = the old Exercise Price of the Option;
- E = the number of underlying Shares into which one Option is exercisable;
- P = the volume weighted average price per Share recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex-entitlements date;
- S = the subscription price for a Share under the pro rata issue;
- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

ABN: 86 097 422 529

**SHARE REGISTRY:**  
Security Transfer Registrars Pty Ltd  
**All Correspondence to:**  
**PO BOX 535,**  
**APPLECROSS WA 6953 AUSTRALIA**  
770 Canning Highway,  
**APPLECROSS WA 6153 AUSTRALIA**  
T: +61 8 9315 2333 F: +61 8 9315 2233  
E: [registr@securitytransfer.com.au](mailto:registr@securitytransfer.com.au)  
W: [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

Holder Number:

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

**OR**

**The name of the person you are appointing**

(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 11:00 am (Adelaide Time) on Monday 18 January 2010 at The Boardroom, Unit 5, 60 Hindmarsh Square, Adelaide SA 5000 and at any adjournment of that meeting.

Please mark "X" in the box to indicate your voting directions to your Proxy.

## Resolution

**For      Against    Abstain\***

### 1. Approval of grant of Options to the Managing Director

7

7

7

**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.**

\* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Security Holder

Security Holder 2

Security Holder 3

--

\_\_\_\_\_

\_\_\_\_\_

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

**Proxies must be received by Security Transfer Registrars Pty Ltd no later than 11.00am (Adelaide Time) on 16 January 2010.**

## ONLINE PROXY SERVICE

You can lodge your proxy online at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

Online Proxy ID:

\_\_\_\_\_

NAME

[illegible]

(    )

## 1. Name and Address

## 2. Appointment of a Proxy

### 3. Directing your Proxy how to vote

#### 4. Appointment of a Second Proxy

To appoint a second Proxy you must:

- ## 5. Signing Instructions

## 6. Lodgement of Proxy

**Online Voting: [www.securitytransfer.com.au](http://www.securitytransfer.com.au)**

Security Transfer Registrars Pty Ltd

**PO BOX 535**

**Applecross, Western Australia 6953**

**Street Address:**

**Alexandrea House, Suite 1**

**770 Canning Highway**

**Applecross, Western Australia 6153**

**Telephone +61 8 9315 2333**

**Facsimile** +61 8 9315 2233

**Email** registrar@securitytransfer.com.au

**8818360295**