



MEMO

To: Board of Directors
From: Company Secretary
Subject: **SHARE CONSOLIDATION FOR LISTING**

As you are aware, before we can finalise the prospectus for the capital raising in conjunction with our listing on the ASX we will need to consolidate our current shares to ensure they have a minimum of 20¢ each on listing.

This requirement is spelt out in Condition 2 of ASX Listing Rule 2.1 which provides that for a company seeking approval for its shares to be listed on the ASX, the issue price or sale price of all the shares for which the company seeks quotation must be at least 20¢ each.

The company currently has 100,000,000 ordinary shares on issue with a value of 10¢ per share. Therefore, in order to satisfy Condition 2 of ASX Listing Rule 2.1 for quotation of its ordinary shares, the company will have to consolidate its total issued share capital at a ratio of 1 new ordinary share for every 2 ordinary shares currently on issue, which will have the effect of increasing the value of each new ordinary share from 10¢ to at least 20¢ (but the total value will remain unchanged).

Rule 32 of the company's Constitution provides that the company may reduce or alter its share capital in any manner provided for by the Corporations Act, and authorises the company's directors to do anything that is required to give effect to any resolution authorising reduction or alteration of the share capital of the company.

The Corporations Act Section 254H(1) provides that a company may convert all or any of its shares into a larger or smaller number of shares by ordinary resolution passed at an [extraordinary] general meeting of shareholders ("EGM"). Therefore, the company is required to obtain shareholder approval to convert its shares into a smaller number which, *ipso facto*, will increase the value per share by the inverse ratio (i.e., "consolidate" its total issued share capital).

If the proposed consolidation is approved by shareholders, all shareholders holding an odd number of shares will be left with a fractional shareholding of half a new ordinary share. In such circumstances, it is suggested that the company round up each of these fractional shareholdings to the nearest whole number. If nothing else, this will minimise shareholder 'concerns' about 'losing' half a share!

I propose that the resolution to be put to shareholders read as follows:

"THAT pursuant to section 254H of the Corporations Act, the total issued share capital of the Company be consolidated at a ratio of 1 ordinary share for every 2 ordinary shares currently on issue, rounded up to the nearest whole number, effective from the date of passing of this resolution."



As the company is not yet ASX listed, the notice period for a shareholders' meeting is still only 21 clear days (it will move to 28 days once listed). So, if we mail-out by this Friday we could hold the EGM on 22 December. Mailing on Friday means that the Notice of Meeting should be received by shareholders by next Monday and will therefore still be in good time as Rule 77(d) of the Constitution provides that any notice sent by post is considered to have been served at the expiration of 24 hours after the envelope containing the notice is posted.

Subject to your agreement I will arrange everything within the above suggested time frame.

DISCLAIMER

The comments in this memo reflect some commercial aspects and observations on the matter experienced or observed by the writer in practice as he understands them. The information is given as a guide only and does not represent a definitive or legal view of any of the issues raised, covered or referred to and the reader is urged to seek his own professional advice on all aspects of, or pertaining to, this and any related matter.