

9 July 2010

Ms Hendrike Koehler  
Advisor, Issuers (Perth)  
ASX Limited  
Level 8, Exchange Plaza 2  
The Esplanade  
PERTH WA 6000

**Energio Limited**

ABN: 28 001 894 033

21 TEDDINGTON ROAD,  
BURSWOOD WA 6100

PO BOX 6918  
EAST PERTH WA 6892

T: (08) 9468 2333

F: (08) 9355 4580

[www.energio.net.au](http://www.energio.net.au)

Dear Hendrike

**ENERGIO LIMITED - PRE-QUOTATION DISCLOSURE**

In relation to the request from ASX, Energio Limited (Company) encloses the following information as pre-quotations disclosure:

1. a statement of top 20 holders of shares;
2. a distribution schedule in the form contained in Appendix 1A;
3. an updated pro forma balance sheet based on actual funds raised under the prospectus;
4. a statement disclosing the extent to which the Company has followed the best practice recommendation set by the ASX corporate governance council.
5. a consolidated activities report setting out the proposed business strategy for the Company;
6. full terms and conditions of all options on issue;
7. no securities are subject to escrow.
8. the Company confirms that it is in compliance with the listing rules, and in particular listing rule 3.1.

Should you have any queries, please contact me.

SEAN HENBURY  
COMPANY SECRETARY  
ENERGIO LIMITED

Encl.



ASX Code: **EIO**

## STATEMENT OF TWENTY LARGEST SECURITY HOLDERS

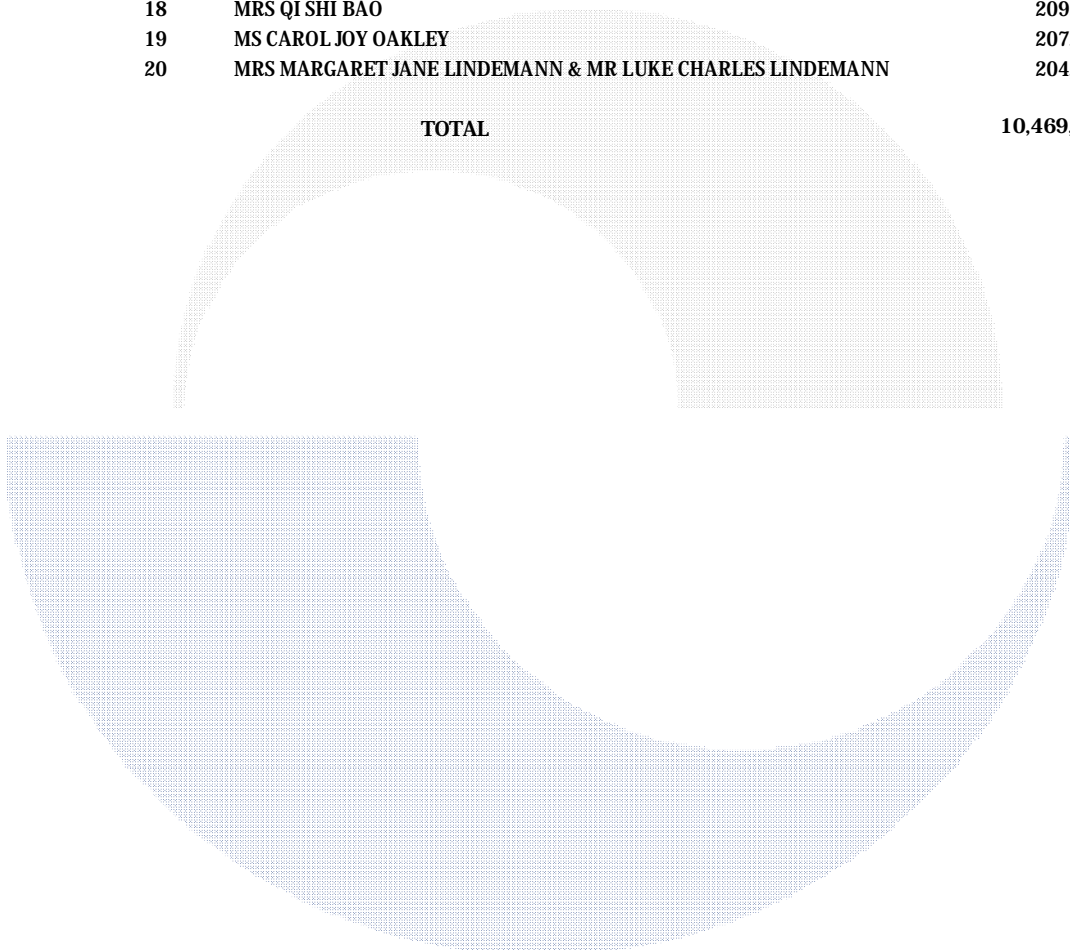
Shares

Rank	Name	Holding	% Issued Capital
1	ROMFAL SIFAT PTY LTD	35,000,000	5.62%
2	NOBLE INVESTMENTS PTY LTD	27,272,727	4.38%
3	DOMENAL ENTERPRISES PTY LTD	22,000,000	3.53%
3	LJM CAPITAL CORPORATION	22,000,000	3.53%
4	ATHANASIOS LEKKAS	20,000,000	3.21%
5	PHEAKES PTY LTD	18,696,000	3.00%
6	DIMOS CAPITAL PARTNERS PTY LTD	18,000,000	2.89%
6	BUZZ CAPITAL PTY LTD	18,000,000	2.89%
6	AEGEAN PAL PTY LTD	18,000,000	2.89%
7	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	13,887,840	2.23%
8	MR DAVID ARTHUR PAGANIN	11,826,000	1.90%
8	RANCLAND HOLDINGS PTY LTD	11,826,000	1.90%
9	NATHAN DAVID TAYLOR	10,000,000	1.60%
9	MR ARIF ELBERT MATTHEE & MRS HAMEEDAH MATTHEE	10,000,000	1.60%
9	GRACEVIEW PTY LTD	10,000,000	1.60%
10	DALEXT PTY LTD	8,000,000	1.28%
10	JUSTIN TREMAIN	8,000,000	1.28%
11	MRS MELEISHA FOSTER	6,826,000	1.10%
11	MRS ANDREA MURRAY	6,826,000	1.10%
12	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	6,208,218	1.00%
13	MR MARK SOMMERS HILL	6,000,000	0.96%
13	IMPRESSIVE RACING PTY LTD	6,000,000	0.96%
13	BRIJOHN NOMINEES PTY LTD	6,000,000	0.96%
14	LION SUPERANNUATION PTY LTD	5,450,000	0.87%
15	IMPACT NOMINEES PTY LTD	5,000,000	0.80%
15	LJM CAPITAL CORPORATION	5,000,000	0.80%
15	FILMRIM PTY LIMITED	5,000,000	0.80%
15	SGI PTY LTD	5,000,000	0.80%
15	RED APPLE SUPERANNUATION PTY LTD	5,000,000	0.80%
15	MR ANDREW ROACH & MS CARRIE JANETZKI	5,000,000	0.80%
16	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	4,905,125	0.79%
17	PARETO NOMINEES PTY LTD	4,500,000	0.72%
18	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	4,309,881	0.69%
19	FAR EAST CONSOLIDATED	4,000,000	0.64%
19	MRS ALOISIA LECHTHALER	4,000,000	0.64%
19	MR JOHN O'GORMAN	4,000,000	0.64%
19	BLU BONE PTY LTD	4,000,000	0.64%
19	MR DAVID JAMES WALL	4,000,000	0.64%
19	XIANCHU CAI	4,000,000	0.64%
19	TRISTIAN ALEXANDER HOPE	4,000,000	0.64%
19	SYRACUSE CAPITAL PTY LTD	4,000,000	0.64%
19	MRS JENNIFER RUTH WILDY	4,000,000	0.64%
19	MR MATTHEW DAVID BURFORD	4,000,000	0.64%
19	MR MATTHEW BURFORD	4,000,000	0.64%
19	RELEAF AUSTRALIA PTY LTD	4,000,000	0.64%
19	MR CLINT PETER JOSEPH	4,000,000	0.64%
19	MR CHRISTOPHER LANCASTER	4,000,000	0.64%
19	MR CHRISTIAN TANA	4,000,000	0.64%
19	MR IMRAN SIDDIQUI	4,000,000	0.64%
19	LISA ANGELA SIMMONS	4,000,000	0.64%
19	J & D ROBERTS NOMINEES PTY LTD	4,000,000	0.64%

19	GERARD DAMIEN HEALY	4,000,000	0.64%
20	MARSHMALLOW FUN COMPANY LLC	3,809,600	0.61%
	<b>TOTAL</b>	<b>449,343,391</b>	<b>72.10%</b>

**Options**

Rank	Name	Holding	% Issued Capital
1	MARSHMALLOW FUN COMPANY LLC	2,285,760	15.27%
2	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	739,658	4.94%
3	TADEA PTY LTD	704,000	4.70%
4	LOTHBURY PTY LTD	596,495	3.98%
5	CHRISTINE FRANCES LEBBON	564,706	3.77%
6	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	521,778	3.48%
7	SALTY NOMINEES PTY LTD	500,000	3.34%
7	MR CHUNG NAI JONES LEE	500,000	3.34%
8	ODGERS FAMILY SUPERANNUATION FUND PTY LTD	452,000	3.02%
9	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	440,282	2.94%
10	NOBLE INVESTMENTS SUPERANNUATION FUND PTY LTD	401,530	2.68%
11	BIZMARK PTY LTD	348,000	2.32%
12	BUPRESTID PTY LTD	300,000	2.00%
13	MR ALEX AGUERO	272,680	1.82%
14	MR JOHN PHILLIP CONSTANTINE	270,000	1.80%
15	MR JAMES MARION TROTTER & MRS RACHEL MARY TROTTER	260,000	1.74%
15	SLRV ENTERPRISE PTY LTD	260,000	1.74%
16	MR BENJAMIN ALEC ODGERS & MRS KARLI JEAN ODGERS	216,000	1.44%
17	MR RICHARD MORRISS	215,356	1.44%
18	MRS QI SHI BAO	209,600	1.40%
19	MS CAROL JOY OAKLEY	207,200	1.38%
20	MRS MARGARET JANE LINDEMANN & MR LUKE CHARLES LINDEMANN	204,000	1.36%
	<b>TOTAL</b>	<b>10,469,045</b>	<b>69.92%</b>



## DISTRIBUTION SCHEDULE

Category (size of holding)	Listed Securities	
	Shares	Options
1 – 1,000	74	31
1,001 – 5,000	304	80
5,001 – 10,000	96	35
10,001 – 100,000	186	93
100,001 – and over	166	34
	<hr/> 826	<hr/> 273



## PRO FORMA BALANCE SHEET

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 30 June 2010  
(unaudited)

	31-Dec-09 Actual \$	31-Dec-09 Pro-forma \$	Pro-forma After Issue \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	-	1,620,000	2,010,127
<b>TOTAL CURRENT ASSETS</b>	-	1,620,000	2,010,127
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10,000	10,000	10,000
<b>TOTAL NON-CURRENT ASSETS</b>	10,000	10,000	10,000
<b>TOTAL ASSETS</b>	10,000	1,630,000	2,020,127
<b>CURRENT LIABILITIES</b>			
Trade and other payables	777,384	-	42,770
Priority employee claims	53,062	-	-
Secured creditors	1,100,000	-	-
<b>TOTAL CURRENT LIABILITIES</b>	1,930,446	-	42,770
<b>TOTAL LIABILITIES</b>	1,930,446	-	42,770
<b>NET ASSETS</b>	-1,920,446	1,630,000	1,977,357
<b>EQUITY</b>			
Issued capital	16,965,663	18,935,663	19,435,663
Reserves	871,120	871,120	871,120
Accumulated Losses	-19,757,229	18,176,783	- 18,329,426
<b>TOTAL EQUITY</b>	-1,920,446	1,630,000	1,977,357

**ENERGIO LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations). The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in its future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

The Board of the Company currently has in place a corporate governance policy and are in the process of adopting a more comprehensive Corporate Governance Plan.

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>	
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	The Company's proposed Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director and Company Secretary. The Corporate Governance Plan will, in the near future, be posted on the Company's website.
<b>2.</b>	<b><i>Structure the board to add value</i></b>	
2.1	A majority of the board should be independent directors.	A majority of the directors are not currently independent. The Company intends to seek out and appoint independent directors in the future, however, due to the current limited size of the Company's operations it may not be appropriate to appoint a majority of independent directors for some time.
2.2	The chairperson should be an independent director.	The chairperson (Mr Faldi Wall) is not an independent director, but only by virtue of holding shares in the Company. As indicated above, the Company intends to identify and appoint independent directors (including an independent Chairman) in due course.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Company has not appointed a CEO as yet. This is anticipated to occur in the near future. The roles of chairperson and chief executive officer will be exercised by different people.
2.4	The board should establish a nomination committee.	The Board, as a whole, serves as a nomination committee. Where necessary, the nomination committee seeks advice of external advisers in connection with the suitability of applicants for Board membership.
2.5	Provide the information indicated in <i>Guide to Reporting on Principle 2</i> .	The Company will provide details of each director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in its future annual reports.

	BEST PRACTICE RECOMMENDATION	COMMENT
		The Corporate Governance Plan will, in the near future, be posted on the Company's website.
3.	<b><i>Promote ethical and responsible decision-making</i></b>	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; and  (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company's proposed Corporate Governance Plan includes a Corporate Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. The Corporate Governance Plan will, in the near future, be posted on the Company's website.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	The Company's current corporate governance policy includes guidelines for buying and selling securities in the Company. The Corporate Governance Plan, which deals more comprehensively with trading in Company securities, will in the near future be posted on the Company's website.
3.3	Provide the information indicated in <i>Guide to Reporting on Principle 3</i> .	The Company will explain any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 in its future annual reports. The Corporate Governance Plan will, in the near future, be posted on the Company's website.
4.	<b><i>Safeguard integrity in financial reporting</i></b>	
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	The Board will consider whether it is appropriate to require the Chief Executive Officer and Chief Financial Officer (or their equivalents) to make such a statement at the relevant time. The Company does not currently have a Chief Financial Officer.
4.2	The board should establish an audit committee.	The Board has an audit committee.
4.3	Structure the audit committee so that it consists of: (a) only non-executive directors;	The audit committee currently comprises the 3 existing directors. They are all non-executive directors (but not necessarily independent due to holding shares in the Company). The independent chairperson of the committee will not be the chairman

	BEST PRACTICE RECOMMENDATION	COMMENT
	<p>(b) a majority of independent directors;</p> <p>(c) an independent chairperson, who is not chairperson of the board; and</p> <p>(d) at least three members.</p>	of the Board.
4.4	The audit committee should have a formal charter.	The Company's proposed Corporate Governance Plan includes a formal charter for the audit committee.
4.5	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	The Company will provide details of the members of the audit committee, the number of meetings of the audit committee and the names of the attendees, together with an explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 and 4.5 (if any) in its future annual reports. The Corporate Governance Plan, including the audit committee charter, will, in the near future, be posted on the Company's website.
5.	<i>Make timely and balanced disclosure</i>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position.
5.2	Provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company will provide an explanation of any departures from best practice recommendations 5.1 and 5.2 (if any) in its future annual reports. The Corporate Governance Plan, including a more comprehensive continuous disclosure policy, will, in the near future, be posted on the Company's website.
6.	<i>Respect the rights of shareholders</i>	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	The Company's proposed Corporate Governance Plan includes a shareholder communications strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.
7.	<i>Recognise and manage risk</i>	



	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.  The Board anticipates that it will delegate to the audit committee responsibility for implementing the risk management system.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that: (a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and  (b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	The Board will consider whether it is appropriate to require the Chief Executive Officer and Chief Financial Officer (or their equivalents) to provide such a statement at the relevant time.
7.3	Provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company will provide an explanation of any departures from best practice recommendations 7.1, 7.2 and 7.3 (if any) in its future annual reports. The Corporate Governance Plan, including the charter of the audit committee will, in the near future, be posted on the Company's website.
8.	<i>Encourage enhanced performance</i>	
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	The Board has not developed a formal process for performance evaluation at this time. The performance of all executives will be reviewed at least annually.
9.	<i>Remunerate fairly and responsibly</i>	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	The Company has not developed such formal remuneration policies at this time. Given the current size of the Company, Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of individual Directors and would consider the implementation of one at this particular point as impractical. The Directors do consider, on an ongoing basis, the overall performance

	BEST PRACTICE RECOMMENDATION	COMMENT
		of the Board in context of the performance of the Company against its stated objectives and the trading price of its shares on the ASX on a regular basis.
9.2	The board should establish a remuneration committee.	The Board has not established a Remuneration committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the directors are responsible. Remuneration to the Directors is by way of Directors Fees only, with the level of such fees, having been set by the Board to an amount it considers to be commensurate for a company of its size and level of activity. There is currently no link between performance and remuneration. Further there are no schemes for retirement benefits in existence.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Non-executive directors are paid a set fee of \$36,000 per annum. The Chairman is paid a fee of \$48,000 per annum. Non-executive directors do not receive performance based bonuses and do not participate in equity schemes of the Company nor are they entitled to retirement allowances.  The Board is responsible for determining the remuneration of the Chief Executive Officer and senior executives.
9.4	Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	The Company has no intentions in relation to payment of additional equity based executive remuneration for directors at this time.
9.5	Provide the information indicated in <i>Guide to Reporting on Principle 9</i> .	The Board will consider what information to include in the corporate governance section of the Company's annual report in respect of remuneration policies at the relevant time. The Company does not currently have in existence any schemes for retirement benefits. The Company will explain any departures from best practice recommendations 9.1, 9.2, 9.3 and 9.4 in its future annual reports.



## CONSOLIDATED ACTIVITIES REPORT

### Company Background

Energio, formally Brainytoys Limited, prior to being placed into administration in December 2009, was a global toys and games development company.

The core business activities of Energio included:

- (a) research and development of toy and game products;
- (b) development of a distribution and marketing network for the Company's toy and game products; and
- (c) distribution and wholesales of toys, games and hobby products through wholly owned subsidiaries in Australia, the U.S., UK and Hong Kong.

Energio listed on ASX on 24 March 2005, and established an operational and business model as Australia's first ASX toy and game development company. Energio's portfolio of production and market ready products were predominantly based on innovative electronic and software technologies targeting age groups from 3 years and up. Product design and development occurred in Perth, and Chinese contract manufacturers produced the products.

In early 2008, Energio began acquiring and integrating a global platform of speciality and mass-market toy companies. On 1 January 2008, the Company acquired 100% interest in Enertec Enterprises Limited, a Hong Kong based company. On 4 January 2008, it acquired 100% interest in Toyway Limited through a newly formed United Kingdom subsidiary, Brainy UK Limited. On 6 January 2008, it acquired the business and selected assets of Reveal Entertainment, Inc through a newly formed United States corporation, Energio, Inc.

Through these acquisitions, strategic industry alliances were established in key operational centres (such as Hong Kong/China, USA, and Europe) to give Energio access to a worldwide sales and distribution network.

The combined Energio group had the ability to offer in excess of 250 products to the market in the areas of: remote control toys, low and high tech electronic toys, electronic games, board games, construction kits, collectables, and activity kits.

The acquisitions also gave Energio the ability to apply its technology expertise and know how to these new products, further develop its own designs and creations, and give it access to additional intellectual properties.

Brainytoys previously had five subsidiaries as part of its development and global distribution network:

1. Brainytoy.com Pty Ltd (Australia);
2. Enertec Enterprises Limited (Hong Kong);
3. Brainy UK Limited (UK);

4. Toyway Limited (UK); and
5. Brainytoys, Inc (US).

Enertec Enterprises Limited (Hong Kong) was sold in February 2009 (at the direction and request of the secured lender to the Company). The funds received from this sale were paid to the Secured Creditor. The Marshmallow Fun Company (which had been merged into Brainytoys, Inc) was likewise sold back to the original vendors in December 2008 (primarily as a result of the Company defaulting on deferred payment commitments under the material agreements with the vendors). The UK companies were placed into liquidation in the first half of 2009. It is likely that all foreign subsidiaries will be wound up or liquidated.

The Australian subsidiary remains the core operating entity of the Company.

#### Administration Overview

On 1 December 2009, Mr Bryan Hughes was appointed as administrator of the Company pursuant to Section 436C of the Corporations Act.

Romfal Corporate Pty Ltd (Romfal) subsequently put forward a proposal to the administrator to reconstruct and recapitalise the Company with a view to ensuring that the Company could continue to operate as a going concern and seek reinstatement to trading on ASX (Proposal).

On 14 January 2010, the Proposal was put to creditors and approved. The Company subsequently entered into a deed of company arrangement (DOCA) that provided for the payment of funds into the Company and settlement of creditors' claims (consistently with the terms of the Proposal).

The DOCA was terminated/effectuated in April 2010 following completion of certain capital raisings, payment to the creditor's trust of \$200,000 (being the amount to be distributed to unsecured creditors before paying administrator's fees), payment to a secured creditor of \$150,000 and the issue of Shares and Options to a secured creditor.

#### Summary of the Proposal

The Proposal put forward by Romfal in conjunction with an investment syndicate (Syndicate) can be summarised as follows:

- (a) Energio undertook to consolidate its existing shares on a one (1) for five (5) basis.
- (b) The Syndicate (or its nominee) provided:
  - (i) \$350,000 cash to the creditors of Energio (and its subsidiaries) to be allocated \$150,000 (Secured Cash Consideration) to the sole secured creditor (Noble Investments Pty Ltd (Noble)) and \$200,000 (Unsecured Cash Consideration) to unsecured creditors (inclusive of the administrator's costs); and
  - (ii) 50,000,000 Shares and 30,000,000 Options were issued in full and final satisfaction of the balance of the secured debt claim of Noble (Shares Consideration),

(the Secured and Unsecured Cash Consideration and Shares Consideration hereafter referred to as the "Creditor Consideration").

- (c) All of the previous directors of Energio were removed and replaced by nominees of the Syndicate.
- (d) Energio retained all of its assets (mainly consisting of computer hardware/software and intellectual property).
- (e) The Creditor Consideration was offered on the basis that following shareholder approval of the Proposal:
  - (i) the Syndicate pays to the Secured Creditor the Secured Cash Consideration;
  - (ii) Energio issues to the Secured Creditor the Shares Consideration;
  - (iii) the secured creditor, on receipt of the Secured Cash Consideration and the Shares Consideration, releases its security;
  - (iv) the DOCA terminates and a trust fund is established to hold the Unsecured Cash Consideration for unsecured creditors and claimants of Energio (Trust Fund); and
  - (v) Energio pays the Trustees of the Trust Fund (or they direct) the Unsecured Cash Consideration in full and final satisfaction of the Syndicate's offer in relation to the Proposal.

## Proposed Business Plan

### *(a) Further Development of Existing Concepts*

The new board of Energio (New Board) intends to further evaluate and develop the toy and gaming side of the business.

Energio's corporate aim is to position this new company as a prominent participant in the world's US\$100+ billion toy, games and entertainment market, with a broad range of products covering key segments of this very large world market.

The Energio business focus is aimed towards satisfying the large consumer demand for entertainment products and the requirements of the world's leading toys, games and media companies for the supply of creative, innovative, new generation products.

Energio intends to develop human resource and product innovation skills in the areas of: software development; product design; product virtualization; prototype development, mass manufacture and marketing systems in the toys and games industry. It is proposed that these skills will be systematically applied in concluding marketing, manufacturing, product licensing and distribution arrangements with the world's leading toys and games industry participants.

The New Board intends to re-focus the activities of Energio on a more medium term model that is primarily a product development model with view to a longer term outlook for earnings and cash flow.

It is intended that part of the funds raised pursuant to the Offers will be utilised to:

- (i) secure the services of corporate and technical personnel;

- (ii) establish management and technical infrastructure;
- (iii) purchase development tools;
- (iv) pre-manufacture development;
- (v) register patents;
- (vi) manufacture products;
- (vii) market products;
- (viii) develop distribution networks; and
- (ix) develop market opportunities.

Energio considers that there are a number of opportunities in the toys/games entertainment and educational markets, and intends to focus development on products for the following segments:

- (i) hand-held LCD electronic games;
- (ii) die cast vehicles;
- (iii) board games;
- (iv) novelty/collectables/characters;
- (v) construction kits;
- (vi) electronic toys;
- (vii) remote control/robotic toys;
- (viii) educational products and toys; and
- (ix) computer animation programs;
- (x) Plush and Dolls.

Energio's management philosophy is to adopt a prudent and risk averse approach to:

- (i) specific product development by containing product development costs to a maximum of \$100,000 for each product;
- (ii) manufacturing and inventory holdings through the use of contract manufacturing and by matching purchase and sales orders from distributors and licensees, thereby virtually eliminating company owned inventories; and
- (iii) its product development strategy, through the development of a considerable multi-segment product range ensuring that the company's success is not tied to the performance of any single product.

The operational matrix of the business is intended to be as follows:

- (i) Develop a product concept.
- (ii) Evaluate potential for further development.
- (iii) Develop a prototype.
- (iv) Present prototype to distributors and obtain feedback, or license product to major Toy Company.
- (v) Manufacture small production runs (up to 5,000 units) for test release in Australia and NZ.
- (vi) Distributor delivers the product to retail point.
- (vii) Launch advertising in primary markets to stimulate first-stage demand.
- (viii) Develop marketing profile for product.
- (ix) Sell the product to overseas distributors, which would take up the manufactured product directly, or toy companies that would take up manufacturing rights by way of licence and royalty agreements.

The development cycle can take from three to six months for products in development.

*(b) Industry Technology*

Powerful new computer tools can now be applied to many areas in the product development cycle, creating potentially profitable competitive advantages.

Specifically, these advanced tools may allow Energio to shorten the development cycle and give Energio the ability to develop multiple products quickly, effectively and at a relatively low cost. These tools include:

- (i) 3D visualisation software – For the creation of “virtual” models of the product so that the functional and cosmetic elements can be visualised and assessed before the product is actually built.
- (ii) Advanced software modelling and virtualization tools – For the modelling of the functional aspects of a product before the product is built.
- (iii) 3D printers – This technology is closely allied to the 3D visualisation software listed above, but goes one important step further in that these tools allow for the creation of actual physical product prototypes, derived from 3D designs in a matter of hours and by way of devices that are no bigger than a large photocopier.
- (iv) 3D animation tools – Broadcast-quality 3D animation tools are now widely available at very low cost. Combining these tools with the very low cost of computing power allows Energio to develop 3D animation dynamic displays of its products and also 3D animation cartoon programs to support the marketing of its products.

(c) *Global Markets*

The toy, games and entertainment industry is a very substantial world industry generating an estimated US\$100+ billion in annual sales, with the US market alone generating approximately US\$50+ billion in sales in 2003.

The Australian toy games and entertainment market is estimated to generate annual sales of approximately \$3 billion.

The toy, games and entertainment markets are in a constant search for innovative products, and are relatively resilient in economic terms, able to ride out most economic down cycles.

One of the most interesting features of these markets is that nearly every "blockbuster" toy or game launched over the last 50 years has been brought forward by independent inventors and small companies.

In order to remain competitive, most of the big toy and game companies licence products from other smaller companies and inventors.

Energio will seek to make its products available for licensing to major toy companies.

**Other Opportunities**

In addition to the above, the new management team will actively seek out complementary and non-complementary assets, investments and businesses that may have the potential to generate additional shareholder value.





## FULL TERMS AND CONDITIONS OF ALL OPTIONS ON ISSUE

At the date of this letter, the un-issued ordinary shares of Energio Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
9 May 2007	31 December 2011	\$1.625	1,100,000
17 October 2007	14 September 2012	\$1.00	15,000
12 February 2008	31 December 2012	\$1.25	200,000
19 May 2008	31 March 2013	\$1.00	14,972,599
27 April 2010	30 November 2013	\$0.01	100,000,000
			116,287,599

The terms and conditions attaching to the Options are set out below:

1. Each option (Option) entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (Share) at an exercise price of 1 cent (Exercise Price).
2. The Options are exercisable at any time on or before 5.00pm Western Standard Time on the date indicated in the table above (Expiry Date). Options may only be exercised in multiples of 1,000. Any Options not exercised by the Expiry Date shall lapse.
3. Options may not be exercised if the effect of such exercise and subsequent allotment of the Shares would be to create a holding of less than a marketable parcel of Shares unless the allottee is already a shareholder of The Company at the time of exercise.
4. Exercise of the Option is effected by completing a notice of exercise of option and delivering it to the registered office of the Company together with payment per Option exercised as indicated in the table above.
5. The Options are freely transferable, subject to any offer for sale of the Options complying with section 707 of the Corporations Act (if applicable).
6. All Shares issued upon exercise of the Options and payment of the Exercise Price will rank equally in all respects with The Company's then existing Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of the Options within three days of the issue of the Shares.
7. A certificate will not be issued for the Options and an uncertificated holding statement will be provided.
8. There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new entitlement issues of capital offered to shareholders during the

currency of the Options. However, The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the Issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

9. In the event of any reconstruction, including a consolidation, subdivision, reduction or return of the issued capital of the Company prior to the Expiry Date, the number of Options which each holder is entitled or the Exercise Price of the Options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules and will not result in any benefits being conferred on Optionholders which are not conferred on shareholders, subject to such provision with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the Options will remain unchanged. The rights of an Optionholder may be changed to comply with the Listing rules applying to a reorganisation of capital at the time of the reconstruction.
10. Shares allotted and issued pursuant to the exercise of an Option will be allotted and issued not more than 14 days after the receipt of a proper notice and payment of the exercise price in respect of the Options exercised.

