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Company Announcements Office
Australian Securities Exchange Limited
20 Bridge St
SYDNEY NSW 2000

Acquisition, Capital Raising and Change in Business Direction - Australasia to Acquire
Australia's Largest Issuer of Pre-Paid Financial Cards

The Directors of Australasia Consolidated Limited (Australasia or Company) are pleased to announce the Company has reached agreement to acquire all of the issued capital in Emerchants Limited (Emerchants). Emerchants is a financial services company and is Australia's largest issuer of pre-paid financial cards.

ACQUISITION AND CHANGE IN BUSINESS DIRECTION

As previously announced to the market, the Company has been seeking investment opportunities to enhance shareholder value and an advisory group was appointed in September 2010 to evaluate these opportunities.

Under the guidance of the advisory group and new management team the Company has made its first acquisition, subject to shareholder approval, in the financial services sector through the purchase of Emerchants.

Australasia is today announcing the following:

- The signing of an agreement to acquire 100% of the issued capital in Emerchants, subject to certain conditions precedent;
- A change in business direction to pursue this investment opportunity;
- Changes to the Board of Directors;
- A share capital consolidation;
- A capital raising to fund the acquisition of Emerchants.

HIGHLIGHTS

- Australasia to acquire Emerchants after evaluating a number of high quality investment opportunities;
- Emerchants is a financial services company and is the leading issuer of pre-paid financial cards in Australia with 28% market share*;
- Emerchants is poised for strong revenue growth;
- Early stage entry into growing market with market leader;
- Acquisition funded by 100% equity raising on broker firm commitments;
- Emerchants' key management team incentivised to remain with business.

Australasia will raise a minimum of \$10 million in equity through a placement to new and existing shareholders, to acquire and grow Emerchants' share of this growing market. Australasia has received broker firm commitments in respect of \$10 million of the raising.

Terms of the acquisition are set out below and include 75 million Australasia shares to the vendors, vesting in 3 years, and \$2.5M of cash. All key Emerchants staff are contracted to stay with the business on performance based incentives.

Australasia Managing Director, Bob Browning, said the acquisition delivered optimum value for both companies.

"Australasia's mission is to acquire and help grow enterprises which hold a leading edge in a strong growth market," Mr Browning said.

"Through ingenuity and design, Emerchants has built a commanding presence in the pre-paid card market in Australia. The acquisition is a win-win for our shareholders, with early stage entry with a market leader in a strong growth industry, and for Emerchants, which will benefit from the strategic management input and guidance Australasia can provide.

"This acquisition sets a strong platform for us to further pursue other opportunities in the financial services sector."

Mr Browning said Australasia had considered many other transactions before selecting the Emerchants acquisition.

"Based on its position in the market, a determined and incentivised team including the lead designer, and the potential upside of this industry, we determined this as being the best opportunity for our shareholders and sets a strong precedent for Australasia's future acquisition benchmarks," Mr Browning said.

Along with the purchase price and transaction costs, the equity capital raised will be used to invest in software development for new applications, an increased sales and marketing presence and administration and management support.

Emerchants' key management team and staff, led by GM-Operations John Battley (who will join the Australasia Board), and Chief Information Officer Tony Ferguson, who founded the company and obtained the necessary licensing and regulatory approvals to operate, are contracted to stay with the business with an incentive package which includes additional performance shares based on achieving profit before tax targets for the Emerchants business as outlined below.

Mr Ferguson has been the driving force behind the development of Emerchants' highly flexible and scalable software and systems, which allows clients to tailor the utilization of each card.

"The combination of Australasia's management and strategic experience with the technical and marketing strength of the Emerchants team, will position the company to accelerate its growth in the pre-paid card market and invest in new organic and inorganic growth opportunities," Mr Browning said.

ABOUT EMERCHANTS AND THE AUSTRALIAN PRE-PAID CARD MARKET

Emerchants is a one-stop shop for pre-paid financial cards, ranging from reloadable cards through to traditional, single-store gift cards.

Emerchants operates in a burgeoning market, with pre-paid and debit cards growing at a combined 19.9% over the past five years*. Furthermore, closed loop cards, such as gift cards and loyalty cards, grew by 68% in the same period*.

Usage of pre-paid financial cards in Australia has lagged behind comparable markets in the US and UK, indicating significant potential for rapid growth over the next five years.

Meanwhile, Emerchants has expanded to become the largest issuer of pre-paid financial cards in Australia, commanding a 28% share of the market*.

Emerchants has spent the past nine years developing and refining its technology to provide maximum flexibility and scalability, while it has been integrated to work with other systems, such as EFTPOS.

Emerchants has issued more than 2 million cards and settled transactions valued at over \$200 million. Its clients include NRMA, Cabcharge, Edge Loyalty, Tru Energy, Save the Children, Bayer, Sunbeam, Hyatt, Harley-Davidson Motor Cycles and New Balance.

Cashless mine sites, distributors of Government social payments and corporate expense management also utilise Emerchants' products.

THE TRANSACTION

The Company has executed a Share Purchase Deed pursuant to which Emerchants will become a wholly owned subsidiary of the Company.

The consideration payable by the Company to Emerchant shareholders (on a pre-consolidation basis) has been structured as follows:

Cash	\$2.5 million	Payable at settlement
Shares (at \$0.17)	57.5 million	Issued at settlement (an additional 2.5 million shares may be issued subject to a net assets tests being met)

Initial Purchase Price (if the additional 2.5 million shares referred to above are issued, the Initial Purchase Price will be \$12.7million)	\$12.3 million	
Deferred Consideration Shares (at \$0.17)	17.5 million	Issued if Sales for the year ending 30 June 2012 exceeds \$7 million
Performance Shares (at \$0.17)	Up to 75.0 million	The maximum performance incentive share grant is dependent on the Emerchants business achieving net profit before tax targets for the financial years 2012, 2013 and 2014 of \$7.7 million, \$21.2 million and \$33.5 million respectively
Total Potential Consideration	\$28.0 million	

Deferred Consideration Shares are subject to a post-completion adjustment should the audited 2011 Net Assets of Emerchants differ from \$1.5 million, adjusted in accordance with a pre-determined formula.

The share numbers above are on a pre-consolidation basis. All shares issued to the vendors pursuant to the transaction will be issued at \$0.85 per share on a post-consolidation basis and will be voluntarily escrowed for a period of up to 3 years from the date of issue. ASX may also impose escrow restrictions on some or all of the shares to be issued to the vendors pursuant to the transaction.

The Company has also agreed to loan \$500,000 to Emerchants on commercial terms which is secured by a fixed and floating charge over Emerchants' assets. The loan is to provide Emerchants with working capital pending completion of the acquisition.

In addition, Australasia will utilise the funds from the capital raising to fund Emerchants' working capital and provide funding for future growth.

The transaction is subject to and conditional upon a number of conditions precedent, including but not limited to all necessary shareholder approvals obtained in accordance with the ASX Listing Rules and the Corporations Act 2001, the grant of an Australian Financial Services Licence to Emerchants, and the Company raising at least \$10 million in capital by the issue of shares and/or other securities.

CHANGE OF ACTIVITIES

The proposed acquisition of Emerchants will result in a change in the nature and scale of the Company's activities. ASX Listing Rule 11.1 requires the Company to obtain shareholder approval for this type of transaction.

FINANCING AND RECAPITALISATION

In order to re-comply with ASX Listing Rules Chapters 1, 2 and 11, the Company will issue a prospectus later this month containing details of the new business structure and operations. Upon shareholder approval, the Company will undertake a 5:1 share capital consolidation.

The Company currently has insufficient cash reserves to complete the acquisition of Emerchants and subject to shareholder approval, will complete a capital raising to fund 100% of the acquisition. The capital raising will be completed by the issue of a minimum of 58.8 million shares at an issue price of \$0.85 per share on a post-consolidation basis. These shares will be issued pursuant to a prospectus. As mentioned above, Australasia has received broker firm commitments in respect of \$10 million to be raised.

Further details will be made available to shareholders in the Notice of Meeting, Explanatory Memorandum and Prospectus which are anticipated to be despatched later this month.

CHANGES TO THE BOARD OF DIRECTORS

Following the general meeting of shareholders to approve the acquisition of Emerchants and the change in business direction, the following individuals will be appointed as directors of the Company:

- Mr Mark Barnaba (Non-Executive Director);
- Mr John Battley (Executive Director);
- Mr John Toms (Non-Executive Director);
- Mr John Willinge (Non-Executive Director).

INDICATIVE TIMETABLE

Event	Anticipated date
Announce acquisition, capital raising & timetable	9 May
Lodge Prospectus with ASX and ASIC	Late May
Prospectus offer period	Late May to June
Company's securities placed into a trading halt prior to the general meeting of AAO shareholders	Late June – day of meeting
General meeting of AAO shareholders to approve transaction, capital raising and consolidation of capital	Late June
Notify ASX of results of general meeting	Late June
ASX suspends trading pending completion of acquisition, capital raising and consolidation of capital	Late June
Settlement of acquisition Allotment of shares to investors and under Prospectus	Early July
Dispatch holding statements for existing securities on a post-consolidation basis and the new shares issued under the transaction and capital raising	Early July

The Company will be required to comply with Chapters 1 and 2 of the ASX Listing Rules. In accordance with the ASX's requirements for compliance with Chapter 11 of the Listing Rules, the Company's securities will be suspended from quotation at the close of trading following the general meeting of shareholders to approve the acquisition and will remain suspended until the Company has complied with Chapters 1 and 2 of the Listing Rules.

The expected date for satisfaction of the re-listing criteria is likely to occur at the same time as completion of the acquisition of Emerchants and the offer under the Prospectus. Further details regarding transaction timing will be set out in the Notice of Meeting and Prospectus and will otherwise be advised to the market in accordance with the Company's continuous disclosure obligations.

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For further enquiries please contact:

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* Source: ©Euromonitor International 2011; financial cards include open loop and reloadable closed loop cards and exclude closed loop non-reloadable cards