



8 March 2011

Renounceable Rights Issue

OVERVIEW

- **Fundraising of approximately \$4 million**
 - 3 for 1 Rights Issue at \$0.002 per share
 - Rights price represents a substantial discount to the last closing price of Hyro Shares
 - Shortfall Offer to place any shares not subscribed for pursuant to the Rights Issue
- **Settlement proposal with the ATO for all outstanding historic debts**
 - Payment of outstanding debts to the ATO totalling approximately \$2.26m together with a Proposal, subject to approval by the ATO (and other creditors), of a further payment of approximately \$1.2 million.
- **Directors and their related parties to subscribe for \$285k pursuant to the Rights Issue and a further \$472k pursuant to the Shortfall Offer.**

Rob Clarke, Chairman of Hyro said "I am very pleased to announce today a fundraising of approximately \$4m to primarily fund the settlement of outstanding historical debts that Hyro has with the ATO. Subject to final approval of the ATO, this proposal will allow the Group to settle outstanding debt owed to the ATO. Whilst some of these debts are historic in nature, the proposed settlement will significantly strengthen the Group's balance sheet, leaving it with a positive net asset position.

This represents the final step in the restructuring and refocusing of the Group. In the quarter to 31 December 2010 the Group traded on a cash positive basis and we now look forward to a bright future with a considerable strengthened balance sheet."

INTRODUCTION

The directors of Hyro Limited (Hyro or the Company) (ASX: HYO) are pleased to announce a 3:1 renounceable entitlements issue at \$0.002 per share to eligible shareholders to raise up to \$3,978,911 before costs (**Rights Issue**).

The funds raised by the Rights Issue will primarily be used to:

- pay the debt owing by Hyro Australia Pty Ltd (**Hyro Australia Debt**) to the Australian Tax Office (**ATO**) (approx \$2.26 million); and



- fund (in whole or in part) the Proposal (described below) in regard to historic debts owing by the Relevant Companies, being Hyro Services Pty Ltd (Administrators Appointed), Fluoro Pty Ltd (Administrators Appointed) and One Planet Solutions Pty Ltd (Administrators Appointed) (approx \$1.2 million).

The balance of the funds raised will be used to pay for costs associated with the Rights Issue and the Proposal, and for general working capital.

The repayment of debt owing by Hyro Australia and the Relevant Companies to the ATO via the Rights Issue and the Proposal is anticipated to:

- significantly strengthen the Group's balance sheet leaving it with a positive net asset position;
- remove any perceived risk for existing and potential clients when engaging Hyro to deliver services; and
- improve Hyro's ability to access capital should it be required, via normal commercial channels.

The Rights Issue will be made pursuant to an Offer Document which will be released to the ASX shortly.

The Company also currently intends, separately and subsequent to the Rights Issue, to seek shareholder approval for the consolidation of the issued capital of the Company on the basis of one Share for every one hundred Shares held. Details of the proposed consolidation will be included in the Offer Document and a notice of meeting will follow in due course.

The Board and Management have worked diligently to establish a foundation for Hyro that is expected to, upon completion of the Rights Issue and the finalisation of the Hyro Australia Debt and the Proposal, allow the Group to achieve its full potential in one of the most dynamic industries in Australia.

PROPOSAL

The Group has outstanding historical debts to the ATO, built up prior to the restructuring of the Group and owed largely by dormant subsidiaries of the Group (Relevant Companies). Management have been in discussions with the ATO for a considerable period with a view to finding a solution to the settlement of the outstanding debts.

As per prior announcements, the Relevant Companies were placed into voluntary administration on 20 December 2010 and these companies have as a result been de-consolidated from the Hyro Group for the purposes of the Company's financial reporting for the year ending 31 December 2010. Hyro is currently considering various proposals to finalise the outstanding debts of the Relevant Companies, including the debts to the ATO.



In particular, the Company is in negotiations with the ATO in regard to a proposal under which the Relevant Companies would each enter into a Deed of Company Arrangement and Hyro would pay the remuneration and costs of the Administrators up to \$100,000 and procure the total sum of \$1,200,000 to be paid to the Deed Administrators for distribution to creditors, including the ATO (**DOCA Proposal**).

The DOCA Proposal is scheduled to be considered for approval at creditors' meetings to be held on 16 March 2011.

In the event the DOCA Proposal (or a varied DOCA proposal) is not approved, it is likely that other proposals or arrangements would need to be made with creditors or the Relevant Companies be placed into liquidation (these proposals, together with the DOCA Proposal are together referred to as the **Proposal**).

In addition to the repayment of the Hyro Australia Debt to the ATO, the Company currently intends to apply the funds raised by the Rights Issue to the Proposal (either in the terms of the DOCA Proposal or otherwise).

RIGHTS ISSUE

As noted above, the purpose of the Rights Issue is to raise funds which will be primarily used to pay the Hyro Australia Debt and fund the Proposal in relation to debts owing by the Relevant Companies. If the Rights Issue is fully subscribed, the Company will raise \$3,978,911 before costs.

Each eligible shareholder will be offered 3 new fully paid ordinary shares (**New Shares**) for every 1 fully paid ordinary shares held as at 5pm (AEDT) on 18 March 2011 (**Record Date**). The New Shares will be offered at \$0.002 per New Share, representing a substantial discount to the closing price of Hyro Shares on 4 March 2011.

Hyro will be making the Rights Issue available to eligible shareholders only. Eligible shareholders are those shareholders who are the registered holder of Hyro shares as at the Record Date, have a registered address in Australia or New Zealand and are eligible under all applicable laws to take up or sell their entitlements.

The entitlements will be renounceable. This means that eligible shareholders who do not wish to take up all or some of their entitlements may sell or transfer their excess entitlements. Trading of entitlements will commence on 11 March 2011 and will cease at close of trading on 30 March 2011.

Shareholders and other applicants may also subscribe for New Shares which are not taken up under the Rights Issue pursuant to a shortfall offer (Shortfall Offer). The issue price of the New Shares offered pursuant to the Shortfall Offer will be \$0.002, being the same price at which the Rights Issue is being offered. Allocation of the New Shares under the Shortfall Offer will be subject to there being a Shortfall under the Rights Issue and will otherwise take place at the discretion of the Directors.



Directors of the Company who are also shareholders in the Company, intend to take up their full entitlements under the Rights Issue. The Directors of the Company have also committed to participate in the Shortfall Offer to an aggregate amount of \$522,000. Any allotment of New Shares to Directors under the Shortfall Offer will be conditional upon receipt of shareholder approval. Shareholder approval will be sought at a general meeting currently anticipated to be held at the end of April 2011. A notice of meeting will follow in due course.

The Rights Issue, if fully subscribed, will result in the issue of up to 1,989,455,391 fully paid ordinary shares and a total of 2,652,607,188 Shares on issue.

RIGHTS ISSUE TIMETABLE

Event	Date
Announcement Date	8 March 2011
Offer document lodged with ASX	8 March 2011
Notice sent to security holders	9 March 2011
"Ex" Date and Entitlement trading commences	11 March 2011
Record Date (for determining entitlements to participate in the Rights Issue)	18 March 2011
Despatch of Offer Document and Entitlement and Acceptance Forms	22 March 2011
Rights Issue opens	22 March 2011
Entitlements trading ends	30 March 2011
Securities quoted on a deferred settlement basis	31 March 2011
Closing Date for Rights Issue	6 April 2011
Company to notify ASX of under-subscriptions	11 April 2011
Despatch of transaction confirmation statements	14 April 2011

This timetable is indicative only and may change subject to the requirements of the Corporations Act and the ASX Listing Rules.

RIGHTS ISSUE APPLICATIONS

The Rights Issue will be made pursuant to an Offer Document, which will be released to the ASX on 8 March 2011 and will be made available on the Company's website, www.hyro.com.

Eligible shareholders who wish to participate in the Rights Issue may only do so by completing the personalised Entitlement and Acceptance Form which will accompany their copy of the Offer Document (which will be despatched to eligible shareholders on 22 March 2011). Further details regarding the Rights Issue are contained in the Offer Document.



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About Hyro

Hyro is Australia's oldest and largest digital agency (ASX:HYO) and employs over 250 staff across Australia and Thailand.

By offering the functions of Strategy, Experience, Technology, and Operations within one company, Hyro helps clients turn their digital channel into a source of competitive advantage. For over 16 years, we've been helping iconic Australian and Asian enterprises, along with leading state and federal government departments to harness new technologies and ideas including online, mobile, IPTV, kiosks and emerging devices like the iPad. As a result, our clients have rewarded us with their ongoing trust, and helped us grow to be an industry leader.

To find out more, visit www.hyro.com.