ASX announcement

# UPCOMING EXTRAORDINARY GENERAL MEETING

The Board of Intermoco has been listening and responding to Shareholders queries in relation to the upcoming EGM. However given the amount of speculation in both the written form and the media concerning the reasons for the EGM the Directors believe it is important to address a number of specific issues arising in relation to these matters

The purpose of the EGM is to consider two resolutions, being a share consolidation, and approval for share issues that occurred in January 2011.

## 1. CONSOLIDATION

### Potential Share Price Movements

One view held is that there is an “enormous” risk that, post-consolidation, the share price of the Company will fall, thus further reducing shareholders’ share values. We acknowledge there is a possibility the share price may fall. There is also the possibility it may rise. Either of these alternatives is possible whether or not there is a share consolidation. Indeed, it may alternatively be argued that without a consolidation, there is greater potential for loss of share value.

At the time of writing, the Company’s share price was 0.4c. Even the minimum possible fall in the share price – by 0.1c – results in the loss of 25% of a share’s value and therefore the company’s value. A fall of 0.2c results in a 50% loss in share value. By contrast, a share price of 8c (ie. 0.4c subjected to a 1 for 20 consolidation) would have to fall to 4c in order to cause a 50% drop in value.

The important point to note is that there are arguments for both points of view, but the decision to recommend a share consolidation has not been taken in isolation from other factors considered relevant by the Board, as previously communicated.

### Shareholder ‘Mop-Up’

Another view held is that a share consolidation “leaves the door wide open for any unfriendly parties or large shareholders to manipulate the share price, causing it to fall further and for them to then pick up a large percentage of our company for very little dollars at an all-time low price”.

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The Board strongly disagree with this claim. Whether or not there is a share consolidation, the Company – like most small listed companies – could at any time be the subject of approaches from third parties. A consolidation, of itself, neither increases nor reduces this risk.

The market regulators (ASIC and ASX) are devoting ever-increasing scrutiny to possible market manipulation, and the penalties for such conduct are severe and should we become aware of such activities we would report this to the regulators. However, it could also be that manipulation of the Company's value (via its share price) is in fact much easier without a consolidation, than with one. As demonstrated earlier, at prices of less than 0.5c per share, massive percentage movements in share value are achieved even with the minimum possible movements in price.

## 2. INTERACTION BETWEEN THE TWO RESOLUTIONS

The Board has also become aware that there may be a view that the two proposed EGM resolutions are linked. That is, the only reason we are proposing the "freshening up" of past share issues (ie. allowing further raisings of up to 15% of issued capital each 12 months without shareholder approval) is so that some pre-determined third party can take a significant stake in the Company immediately post-consolidation.

We wish to emphatically reassure shareholders that this is not the case. The 15% "freshening up" process is being undertaken at this time for reasons of prudence, given that an EGM was already being scheduled to propose the share consolidation.

In January 2011, the company raised capital (for redemption of an expiring Convertible Note) equivalent to more than 13% of its then issued shares. This potentially leaves the Company in an exposed position, if it needed to raise further capital at short notice prior to January 2012. Such a need would only arise if, for example, the Company became aware of a valuable acquisition or business opportunity, or needed further short-term working capital.

We take this opportunity to reassure shareholders that the Board is extremely conscious of dilution of existing shareholders, and therefore that future capital raisings would only occur if absolutely necessary, and for the purposes of maintaining or increasing shareholder value. We also note that, again, it is arguable that further capital raisings in the absence of a share consolidation (ie. at prices below 0.5c) may well have to be undertaken at a larger discount (and hence more dilutive) than capital raisings following a consolidation.

3. **INTERMOCO'S BUSINESS**

The Directors are conscious that the most important factor on which to concentrate is the underlying performance of the Company and its business. On this point, we thank the shareholders for the positive comments in the media and on-line. As evidenced by our series of public announcements over the past 6 – 12 months, we are also increasingly confident that the Company's embedded networks business, *Intermoco Connect*, – our core focus – is gaining solid traction in the market.

We are also of the view that the Company's business and opportunities are not sufficiently well understood by the investment community, and because of this, the Company's new Board embarked on a strategy to more proactively communicate our message. This commenced with the release of Alpha Securities' research paper on the company last week, and is a strategy that will be vigorously pursued over coming months.

The timing of the share consolidation has deliberately been selected to line up with these developments in the progress of our business and communication strategy. We acknowledge the comments on the question of our Company's attractiveness to a wider range of investors. However, we maintain our view that, with almost 2.5 billion shares on issue at a price of less than 0.5c/share, the Company is not attracting as wide a level of interest from the investment community as it could be, and we believe this important issue needs to be addressed.

The Directors and management of the Company once again thank shareholders for their patience and support, and we emphasize that our sole focus is on the creation of a better business and Company for every shareholder. We look forward to providing further updates to the market over the next few weeks and months.

John Evans
CHAIRMAN

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**About Intermoco Limited**
Intermoco is an Australian public company listed on the Australian Stock Exchange (ASX: INT) based in Melbourne. The company is a leading provider of water, energy voice and data management solutions with a focus on the provision of embedded networks. Intermoco provides a world-class end-to-end internet-enabled energy metering and resource management solution to utilities, corporations, local councils and government departments to help them monitor, manage and minimise their consumption of electricity, gas and water.