



Mothercare Australia Limited
ABN 26 060 199 082

Registered Office: Level 1, Building 220/2A, The Entertainment Quarter
122 Lang Road, Moore Park NSW 2021

10 October 2012

Market Announcement
Security Code: MLC

Mothercare Australia Limited ("MLC") announces that it has signed a Term Sheet with the Myer Family Company Holdings Pty Ltd ("MFCoH") for MFCoH to acquire the business of MLC. The parties have agreed to progress towards the finalisation of an Implementation Agreement within 7 days. The Agreement will be subject to certain conditions including the appropriate approvals of the Company's bankers and securityholders. As part of the transaction, MFCoH will subscribe for a note of \$500,000 to provide MLC with short term working capital. MFCoH will have the option of converting up to \$50,000 of the face value of the note into ordinary shares of MLC at a nominal conversion price.

The directors of MLC have considered the Company's strategic options and believe that this represents the best outcome for all stakeholders. As foreshadowed in the Company's most recent Annual Report the transaction includes stringent conditions and will have a significant dilutionary impact on securityholders.

The agreement is endorsed by Mothercare plc and the business will enjoy its support going forward. MFCoH intends to continue to build Mothercare, the world's leading mother and baby retailer, into a major player in the Australian and New Zealand markets.

The transaction will be completed as soon as practicable having regard to regulatory requirements. The MLC shares will remain suspended from trade until the Implementation Agreement has been finalised. David Shelmerdine, a director of MLC who is associated with MFCoH, is not participating in the MLC directors' deliberations in relation to the transaction.

For and on behalf of the Board

Robert Gavshon
Chairman