



IFC Capital Limited

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IFC CAPITAL LIMITED MARKET ANNOUNCEMENT

AGREEMENT TO PURCHASE AIR CHANGE PTY LTD

IFC Capital Ltd (**IFC** or **Company**) has today entered into an agreement, subject to shareholder approval, to purchase all of the shares in Air Change Pty Ltd (**Air Change**) for \$7,300,000 which amount is subject to an adjustment for working capital as at completion and an earn-out of up to \$1,000,000.

Background to Air Change business

Air Change is the market leader in Australia for the manufacture of air-conditioners and air handling units used in commercial buildings which incorporate energy recovery. Using a unique patented air to air heat exchanger, Air Change's HVAC (heating, ventilation & air conditioning) equipment can recover up to 80% of the energy from the air that is being exhausted from a building thereby lowering the operating and capital costs of the building's air-conditioning system.

Since it commenced manufacturing operations in 2002, Air Change has only built HVAC equipment that incorporates its patented heat exchanger system. To date, Air Change products have been used in more than 1000 applications where energy recovery has been specified. The cost competitiveness and design efficiency of the Air Change system has seen it dominate the Australian energy recovery market with its products installed in such energy efficient "green" buildings as "The Gauge, the evolutionary workplace by Lend Lease at Victoria Harbour in Melbourne's Docklands, officially the country's greenest building, after it became the first building in Australia to receive a 6 Star Green Star from the Green Building Council of Australia."¹

Other buildings using Air Change equipment include;

- the new Commonwealth Bank building in Homebush, Sydney;
- Fitness First Gyms;
- Charles Sturt University;
- University of Tasmania;
- University of Wollongong;
- Auckland Airport;
- Hillsong Church;
- Adelaide Zoo for the Panda enclosure.

Air Change equipment is also installed in non-building applications such as its use in Incat Catamarans.

¹ www.bovislendlease.com/llweb/bll/main.nsf/.../news_20081222?

Air Change products are now sold and represented in all Australian states and New Zealand and have been exported for use in building developments in Fiji and Indonesia.

Air Change's sales grew each year until 2008, despite capital constraints, as the demand for greener more efficient HVAC products increased, but sales retracted in 2009 as the global financial crisis slowed capital spending on new and refurbished buildings. Figure 1 at the end of this announcement summarises Air Change's historical sales and gross margin performance.

Air Change has received numerous government and industry awards for its unique and energy efficient products.

In 2009, Air Change was awarded a grant of \$458,000 by the Australian Government under its Climate Ready Program for the purpose of Air Change developing and commercialising another highly efficient air-conditioning product.

Opportunities for growth

The Air Change acquisition provides the Company with an excellent base to expand further into energy efficient building services. The growth in the market for energy efficient air conditioning systems is expected to exceed 10% per annum as building owners adapt to the increase in energy costs and the increasing demand for more efficient buildings.

Air Change's dominant position in the Australian HVAC market for energy recovery provides it with a good platform for international expansion.

The northern hemisphere offers substantially better prospects for Air Change's products, beyond the relative population differences, because of the extreme climate conditions when compared with Australia. The European Union imposes mandatory energy recovery requirements on all commercial and residential buildings and this trend is increasing in North America.

The world energy recovery market is now estimated at over \$2.0 billion.

Following completion, IFC intends to pursue these overseas opportunities at the earliest convenient time.

The Vendors of Air Change also propose to grant Air Change an exclusive licence to further develop and commercialise another patented technology used for indirect evaporative cooling. This additional R&D and development is being partly funded by the Climate Ready Grant referred to above. Air Change also proposes to enter into a consulting agreement with the inventor of the technology, Mr John Urch, to complete this development program.

If successfully commercialised, this technology would offer significant additional opportunities for Air Change to expand both within Australia and overseas.

The acquisition will give IFC a technical and managerial capability in the design and manufacture of HVAC systems which will provide a solid platform for the acquisition of other companies in similar or related activities.

Funding for the acquisition and other transactions

The acquisition of Air Change is being funded from IFC's existing cash reserves and from a new equity placement.

IFC proposes to consolidate its shares on 1 for 5 basis prior to completion of the Air Change acquisition. Following this consolidation, IFC will, subject to shareholder approval, issue 5,152,941 new shares at \$0.425 to raise a total of \$2,190,000. One new shareholder, Mr Neil Fimeri, will be issued with, 4,800,000 new shares and the Vendors of Air Change have elected to subscribe for the other 352,941 shares.

In addition, the Company will grant 4,000,000 options to Mr Fimeri that can be exercised at \$0.80 per option within the next 4 years provided that the Company's share price has traded above \$1.50 for at least 7 days before the exercise date. Mr Fimeri will be appointed a director following this announcement and will act as the Company's Chief Executive Officer after completion of this transaction.

Shareholder resolutions and Listing Rule Compliance

As outlined above, the acquisition of Air Change by the Company is conditional on shareholder approval. At this stage, IFC proposes to seek shareholder approval in due course of the following resolutions:

1. the approval of any change in nature and scale of the Company's business as a result of the Air Change acquisition for the purposes of Listing Rule 11.1.2;
2. the approval for a consolidation of the Company's shares on a 1 for 5 basis;
3. for the purposes of Listing Rule 7.1, approval of the proposed issue and allotment of 235,294 Shares to each of the Vendors at a subscription price of \$0.425 per Share;
4. for the purposes of Listing Rule 10.11 and Sections 208 and 611, Item 7 of the Corporations Act 2001 (Cth) (**Corporations Act**), approval of the proposed issue and allotment of 4,800,000 Shares to Mr Fimeri at a subscription price of \$0.425 per Share;
5. for the purposes of Listing Rule 10.11 and Section 208 of the Corporations Act, approval of the proposed issue and allotment of 4,000,000 Options to Mr Fimeri for no additional cash consideration and with an exercise price of \$0.80 per Option;
6. if necessary, approval for the purposes of Listing Rule 7.1 of a capital raising on terms to be determined by the Directors in order to satisfy the spread requirements of the ASX (see comments below);
7. the approval of the terms of Mr Fimeri's appointment as the Chief Executive Officer of the Company;
8. changing the name of the Company to "Air Change International Limited".

Given that the Company is required to obtain approval from the Company's shareholders under Listing Rule 11.1.2, quotation of the Company's securities will be suspended on the passing of the above resolutions and the Company will be required, pursuant to Listing Rule 11.1.3, to satisfy the requirements of Chapters 1 & 2 of the Listing Rules in order for the ASX to lift the suspension. Compliance by the Company with Chapters 1 & 2 of the Listing Rules, will require, amongst other things, the Company to:

- satisfy the spread requirements of the ASX, being 400 holders each having a parcel of securities in the Company with a value of at least \$2,000, where unrelated parties hold at least 25% of the Company's securities;
- have a minimum share price of \$0.20.

As at the date of this announcement neither of these conditions would be fulfilled. The consolidation of the company's shares as proposed above is designed to satisfy the second of these conditions.

In order for the Company to satisfy the above spread requirements, it is possible that the Company will need to issue additional securities to those proposed above to existing or new shareholders such that it has 400 shareholders each having a parcel of securities in the Company with a value in excess of \$2000. This may require the Company to issue a Prospectus or Product Disclosure Statement or if the ASX agrees, an information memorandum.

For these reasons, it is possible that the Company's securities may continue to be suspended for some time after the shareholder's approval of the Air Change acquisition pending the satisfaction of these requirements.

The ASX has indicated that, in the event the Company's shareholders do not approve the Air Change acquisition, the ASX intends to suspend the quotation of the Company's securities anyway on the basis that the Company has been a listed cash-box for a period in excess of 6 months. Lifting of this suspension will be similarly subject to the stated conditions above.

Next steps

The Company intends to despatch to shareholders a Notice of an Extraordinary General Meeting and associated documentation as soon as reasonably practicable. At this stage, the Directors expect this to occur early in 2010.

Figure 1 – Sales and gross margin performance for Air Change

	FY07 A\$'000	FY08 A\$'000	FY09 A\$'000
Sales	4,563	7,924	7,322
COGS	2,557	4,575	4,352
GP	2,006	3,349	2,970

For further information please contact Mr Alan Jones on 0418 249 449 or Mr Neil Fimeri on 0430 571 280.

Alan Jones
Chairman



IFC Capital Limited

30 December 2009