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16 April 2009

To: Shareholders of Ventracor Limited (Administrators Appointed)

Dear Sir/Madam

**Re Ventracor Limited (Administrators Appointed)
("the Company") ACN 003 180 372**

Having received emails from in excess of 70 shareholders of the Company since our appointment as voluntary administrators on 19 March 2009 variously requesting that the Voluntary Administrators do certain things and/or the provision of documents or information, we took the unprecedented step of convening an informal information briefing for shareholders on 7 April 2009.

Notwithstanding the information briefing, it is apparent that a small minority of the Company's 17,000 shareholders have a fundamental misunderstanding of the voluntary administration process in general and the nature of our role as Voluntary Administrators. While it is a matter for shareholders to obtain independent advice in relation to the voluntary administration process and how it affects them, it is with a view to addressing the misunderstanding at a very basic and broad level that we have issued this notice.

1. Role of the Voluntary Administrators

Our role as joint and several Voluntary Administrators of the Company is, in view of the Company's insolvency, to administer the business, property and affairs of the Company in a way which results in a better return for the Company's creditors than would result from an immediate winding up of the Company.

The voluntary administration process is regulated by Part 5.3A of the *Corporations Act* 2001 (**Act**) and envisages:

a. the convening of two instrumental meetings of creditors of a company in voluntary administration;

b. the Voluntary Administrators' preliminary investigations and report to creditors; and

c. various other actions by the Voluntary Administrators,

be undertaken within a very short timeframe (within a period of approximately 33 business days from the start of the administration).

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2. Participation of Shareholders in the Voluntary Administration Process

There is no framework in the Act or under the law for shareholder involvement in the above process or for voluntary administrators to respond to shareholder demands. The focus of the Act (and the law relating thereto) on the rights of a company's creditors (rather than its shareholders) derives from the insolvency of the Company and the need for creditor protection which flows from that.

In this regard, it is important for shareholders of the Company to be mindful of the fact that the Company's available cash flow is limited and all actions undertaken by the Voluntary Administrators in performance of their duties pursuant to Part 5.3A of the Act are to be financed from that limited cash flow. The remaining funds, together with any assets realised will, after deduction of the payments accorded statutory priority under the Act, constitute the fund to be distributed to the Company's creditors.

Responding to each shareholder demand and request for information and/or documents, is as you will appreciate, is both inconsistent with that process and inconsistent with safeguarding the interests of the Company's creditors. Having regard to the above, shareholders must be cognisant that the Voluntary Administrators, while sympathetic to shareholders, cannot engage in ongoing correspondence with shareholders or accede to shareholders demands for documents and/or regular information updates. To do so at the level demanded by some shareholders would:

a. impinge upon the Voluntary Administrators' ability to carry out the tasks required of them pursuant to Part 5.3A of the Act; and

b. result in costs being incurred in the conduct of the administration which would diminish the pool of assets available for distribution to creditors of the Company.

It is purely for the above reasons that the Voluntary Administrators do not have the luxury of engaging any ongoing discussions or correspondence with the Company's 17,000 shareholders.

3. Avenues available for Shareholders

For avoidance of doubt, and in response to various shareholder demands, it is neither open to the Voluntary Administrators, nor is it possible within the statutory timeframe and limitations, for a further share purchase plan to be put to shareholders.

That is not to say that there are no avenues open to shareholders who wish to see the Company survive. Shareholders who wish to commit additional funds towards recapitalising or refinancing the Company have the option of

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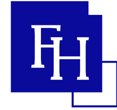

doing so in the form of a 'Deed of Company Arrangement' pursuant to Part 5.3A of the Act.

4. Deed of Company Arrangement proposals

The formulation of any proposed Deed of Company Arrangement must be undertaken by the parties proposing it (and not by the Voluntary Administrators) and, given the complexities involved, input and advice from an experienced insolvency practitioner will be required on any deed proposal.

Should shareholders wish to pursue this avenue, they will need to urgently communicate with each other directly and provide the Voluntary Administrators with a form of the proposed Deed of Company Arrangement which can be considered by the Voluntary Administrators and outlined in the Voluntary Administrators' report to creditors (which must be issued on or before **20 April 2009**).

5. Next step in the Administration - Second Meeting of Creditors

The second meeting of creditors of the Company to be convened in accordance with Part 5.3A of the Act will be convened on or around **30 April 2009**.
On that date the creditors of the Company will be given an opportunity to consider the following:

a. any proposed Deed of Company Arrangement;

b. the return of the Company to its directors; and/or

c. the liquidation of the Company.

6. Next update on the Administration

The Voluntary Administrators' report on the outcome of the second meeting of creditors, and the creditors' consideration of the matters outlined at 5 (a)-(c) above, will be posted on this site in due course.