



1 November 2013

Dear Option holder

**Issue of Piggy Back Options to encourage exercise of Loyalty Options**

On 12 March 2013 Pental Limited (**Pental** or **Company**, ASX code: **PTL**) made a pro rata issue of options under a prospectus (**Loyalty Options Prospectus**) dated 22 February 2013 (**Loyalty Options**).

To encourage Loyalty Option holders to exercise their Loyalty Options early, Pental will give one free option (**Piggy Back Option**) to acquire one fully paid ordinary share in Pental to all Loyalty Option holders with a registered address in Australia or New Zealand (**Participating Loyalty Option Holders**) and who have or will exercise their Loyalty Options on or before **5pm on 29 November 2013 (Exercise Date)**. The exercise price per Piggy Back Option will be \$0.03. The Piggy Back Options will expire 18 months after they are issued and Pental will seek quotation of the options on the Australian Securities Exchange.

Pental will use the funds received from the early exercise of the Loyalty Options to grow its business through a number of capital projects referred to below.

The Piggy Back Options will be issued under a prospectus to Participating Loyalty Option Holders. It is particularly important to note that you **must** first exercise or have exercised the Loyalty Options issued in March of this year on or before the Exercise Date. If you do not do so or have not done so, you will not receive any Piggy Back Options.

If you exercise your Loyalty Options before the Exercise Date and are a Participating Loyalty Option Holder you will not need to do anything further to receive your Piggy Back Options. They will be automatically issued to you on the Issue Date (see below).

The prospectus in respect of the Piggy Back Options will be lodged with ASIC in the first week of December 2013 and subsequently sent to Participating Loyalty Option Holders.

The indicative timetable for the Offer is set out below.

Announcement of the offer	1 November 2013
Exercise Date (5.00 pm Melbourne time)	29 November 2013
Issue Date - Appendix 3B and Prospectus lodged with ASIC and ASX and dispatch of Prospectus and holding statements	6 December 2013
Expiry Date	6 June 2015



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Note: The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Offer. The Offer does not require the approval of shareholders.

### **Use of proceeds from exercise of Loyalty Options**

The proceeds raised from the exercise of the Loyalty Options will be used for the following projects:

1. to improve the speed and capacity of Line B of the Company's bleach plant in Shepparton;
2. to acquire and install a high speed liquid filling line that will replace the two existing old and slow liquid lines; and
3. other capital expenditure projects that meet the Company's required investment return criteria.

The projects are designed to increase productivity and efficiency at the Shepparton plant, and enable the Company to produce products in house that are currently contracted to other parties.

As noted in the Loyalty Options Prospectus, the maximum amount that could be raised by the exercise of all Loyalty Options is approximately \$7.5m. Based on expressions of interest to date from certain shareholders, Pental expects that it will raise approximately \$4 million, which will enable it to complete the first two projects referred to above. Pental considers the projects to be important for its continuing organic growth and to maintain its competitive position. Therefore in the event that Pental does not raise sufficient funds from this process it will consider alternative forms of capital raising (including a placement to sophisticated investors) to complete the projects. If carried out, the alternative forms of capital raising may be more dilutive to shareholders. Alternatively Pental may not undertake, defer or stage any or all the proposed projects referred to above.

### **Potential tax consequences**

Provided that Participating Loyalty Option Holders continue to hold the Pental shares they receive(d) on exercise of their Loyalty Options at all times up to the date of issue of the Piggy Back Options, there should be no adverse tax consequences created by the issue of Piggy Back Options to them.

However if Participating Loyalty Option Holders dispose of the Pental shares they receive(d) from the exercise of their Loyalty Options before they are issued the Piggy Back Options, there may be adverse tax consequences for them.

Pental recommends that you obtain your own independent tax advice prior to exercising your Loyalty Options.



## **Directors' intentions and recommendation**

Directors who hold Loyalty Options have advised that they intend to exercise them to receive Piggy Back Options. In the case of Alan Johnstone this will be limited to the maximum he may acquire under the *Corporations Act 2001* (Cth) 3% creep rule.

Directors recommend the proposed Piggy Back Option offer to Loyalty Option holders as:

1. the Piggy Back Options will be issued for no consideration;
2. the early exercise of the Loyalty Options will provide the Company with funds to complete value added capital projects; and
3. if sufficient funds are raised through the early exercise of the Loyalty Options it will avoid the need for further potentially dilutive capital raisings or the need for further debt funding.

Yours faithfully

Peter Robinson  
Chairman

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