



10 June 2008

The Manager
Company Announcements
National Stock Exchange
Level 8, 410 Collins Street
MELBOURNE VIC 3000

Dear Sir/Madam

**RE: SODA Brands Limited acquisition of Hair FX Australia Pty Limited
And SODA Brands Limited proposed acquisition of Kistani Pty Ltd**

The Directors are pleased to announce that Soda Brands Limited (SODA or Company) has executed two separate acquisition agreements today. The first acquisition relates to the purchase of the business assets of Hair FX Australia Pty Limited (HairFX) and the second acquisition relates to the purchase of the entire issued share capital of Kistani Pty Limited (Kistani).

The HairFX acquisition completes today. The Kistani acquisition is subject to shareholder approval at an Extraordinary General Meeting (EGM) of shareholders expected to be held during the second week of July 2008.

Background on the HairFX Business

HairFX is the current exclusive distributor for the haircare brands Nexxus, Sexy Hair and Paul Brown throughout Australia and New Zealand. The initial terms of the distribution agreements are:-

| Soda Brands Ltd | |
|----------------------------------|--------------------------|
| Acquisition of HairFX | Distribution Term |
| Initial Distribution Term | Month / Year |
| Sexy Hair | 31-Mar-13 |
| Nexxus | 30-Sep-14 |
| Paul Brown | 30-Apr-18 |

The current HairFX business has annual sales of \$1,400,000 and achieves gross margin percentages of 55% based on current exchange rate levels. The current sales turnover is largely generated from the state of New South Wales (NSW) with 2 sales reps supporting the business.

Background on the Kistani Business

Kistani is the current exclusive distributor of the Matis skincare brand throughout Australia and New Zealand as well as the exclusive distributor for the haircare brands Thairapy and Biosense throughout Australia and New Zealand. The initial terms of the distribution agreements are: -

| Soda Brands Ltd | |
|----------------------------------|--------------------------|
| Acquisition of Kistani | Distribution Term |
| Initial Distribution Term | Month / Year |
| Matis | 31-Dec-16 |
| Thairapy | 01-Aug-13 |
| Biosense | 01-Aug-13 |

The current Kistani business had annual sales for the Matis brand of \$800,000 and achieves gross margin percentages of 50% based on the current exchange rate levels. The business currently operates with 2 sales reps. The Thairapy and Biosense brands will be launched in Australia during the 2009 financial year.

Rationale for the HairFX and Kistani Acquisitions

The reasons for your Board to execute the HairFX and Kistani acquisitions include: -

- The ability to market and sell the HairFX brands on a national basis utilising SODA's existing sales and administration infrastructure as opposed to the current NSW only focus of HairFX;
- The addition of the Nexxus range includes a high quality colour range that will be immediately launched into the market (including to SODA's current client base of 800 hair salons);
- The ability to extend current SODA relationships with the larger retailers due to the ability to represent several brands across a range of market price points;
- The ability to become a "one stop shop" to hair salons because we now represent multi-brands that cover the full spectrum of their clients' price ranges (high, mid and low) as well as now having a colour range which is the daily "bread and butter" consumable utilised within hair salons;
- Expanding SODA's client base from the current 800 doors to 1,500 doors and the associated sell-in of the multi-brands across the entire expanded client base;
- The ability to "defray" the administration costs, listed corporate costs and other infrastructure costs over a larger sales and gross margin contribution base;
- The savings associated with the consolidation of warehousing and freight costs to one supplier;

- Post the acquisitions, the combined business will boost the level of sales and gross margin contribution by 79% and 76% respectively when compared to the expected results for SODA for the current 31 July 2008 financial year (on a 'pre-acquisitions' basis). The table below summarises the expected increase in sales and gross margin contribution without including the operating efficiencies and sales growth initiatives that the expanded management team have planned; and

| Soda Brands Limited | SODA (as is) | SODA (as is) | SODA (as is) | Proforma |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------------|
| | Actual | Actual | Annualised | Post Acquisitions |
| Comparative Sales and | 2006FY | 2007FY | 2008FY | Annualised |
| Gross Margin Contribution | A\$ | A\$ | A\$ | 2008FY |
| Sales | 1,825,000 | 2,406,000 | 2,800,000 | 5,000,000 |
| Gross Margin (%) | 49% | 43% | 55% | 54% |
| Gross Margin Contribution (\$) | 890,000 | 1,040,000 | 1,540,000 | 2,710,000 |

- As part of the Kistani acquisition the Company will be gaining an additional supportive 'cornerstone' shareholder that is committed to the vision of 'organic' and 'acquisition' growth within the health, beauty and wellbeing segments.

Details of the HairFX Acquisition Transaction

The acquisition has a total purchase consideration of \$886,170 (including inventory) and is being settled by a mixture of cash, shares in SODA and vendor loans to be repaid by equal installments over an eight month period. The tables below summarise the timing and structure of the acquisition payments.

| Soda Brands Ltd | Financial Year | Financial Year | Total |
|-----------------------------------|-----------------------|-----------------------|----------------------|
| Acquisition of HairFX | Ended | Ended | Consideration |
| Consideration Type | 31-Jul-08 | 31-Jul-09 | A\$ |
| | A\$ | A\$ | |
| Cash | 250,000 | 100,000 | 350,000 |
| SODA Shares (at last trade value) | 36,170 | - | 36,170 |
| Vendor Loans Repaid | 62,500 | 437,500 | 500,000 |
| Total Consideration | 348,670 | 537,500 | 886,170 |

| Soda Brands Ltd | Total |
|------------------------------|----------------------|
| Acquisition of HairFX | Consideration |
| | A\$ |
| Goodwill & Intangibles | 386,170 |
| Inventory | 500,000 |
| Total Consideration | 886,170 |

Details of the Proposed Kistani Acquisition Transaction

The acquisition has been structured in four distinct parts.

The existing base Kistani business is being acquired for \$429,564 (including inventory) and is being settled via the issue of 8,591,282 shares in SODA plus 1,250,000 options exercisable at 25 cents per share with an exercise period between 1 August 2009 and 31 July 2012.

Secondly, the Kistani shareholders will be provide a \$500,000 capital injection to SODA via a placement at 18 cents per share (2,777,778 shares).

Thirdly, the current Kistani shareholders will have the option to provide an additional \$2,336,335 capital injection to SODA via a placement at 20 cents per share (11,831,673 shares) between the period 1 August 2008 and 31 January 2010.

Finally, the current Kistani shareholders who will be joining the senior management team of SODA will receive additional 'performance' shares based on achieving earnings targets per share during the 31 July 2011 and 31 July 2012 financial years. These targets are 'EBITDA per share' of greater than 5.1 cents per share for the 2011 financial year and 'EBITDA per share' of greater than 5.7 cents per share for the 2012 financial year.

Post the initial acquisition of Kistani and the first Kistani placement the estimated share register of SODA is per the table below.

| Soda Brands Limited | | |
|----------------------------|-------------------|---------------|
| Share Register | Shares | % |
| SPEL | 23,200,733 | 50.3% |
| Other IPO Shareholders | 10,799,267 | 23.4% |
| Vendors of HairFX | 723,405 | 1.6% |
| Vendors of Kistani | 11,369,060 | 24.7% |
| Totals | 46,092,465 | 100.0% |

Post the second Kistani placement the estimated share register of SODA is per the table below.

| Soda Brands Limited | | |
|----------------------------|-------------------|---------------|
| Share Register | Shares | % |
| SPEL | 23,200,733 | 40.1% |
| Other IPO Shareholders | 10,799,267 | 18.6% |
| Vendors of HairFX | 723,405 | 1.2% |
| Vendors of Kistani | 23,200,733 | 40.1% |
| Totals | 57,924,138 | 100.0% |

Post the issue of Kistani 'performance' shares for the 2011 financial year and the 2012 financial year the estimated share register of SODA is per the table below.

| Soda Brands Limited | | |
|----------------------------|-------------------|---------------|
| Share Register | Shares | % |
| SPEL | 23,200,733 | 34.9% |
| Other IPO Shareholders | 10,799,267 | 16.2% |
| Vendors of HairFX | 723,405 | 1.1% |
| Vendors of Kistani | 31,840,733 | 47.8% |
| Totals | 66,564,138 | 100.0% |

The acquisition has a total acquisition cost of \$429,564 being settled via the issue of SODA shares. The tables below summarise the acquisition.

| Soda Brands Ltd | |
|-----------------------------------|---------------------------------------|
| Acquisition of Kistani | Financial Year Ended 31-Jul-08 |
| Consideration Type | A\$ |
| SODA Shares (at last trade value) | 429,564 |
| Total Consideration | 429,564 |

| Soda Brands Ltd | |
|-------------------------------|--------------------------------|
| Acquisition of Kistani | Total Consideration A\$ |
| Goodwill & Intangibles | 265,564 |
| Plant & Equipment | 3,000 |
| Debtors | 140,000 |
| Inventory | 164,000 |
| Creditors | (125,000) |
| Total Consideration | 429,564 |

The abovementioned acquisitions are consistent with my Chairman's address in the SODA prospectus dated 15 November 2006 in which I stated –

"In addition to the 'Salon Only' and 'Robanda' brands the Board will be seeking to acquire other "hair and beauty" brands or alternatively their exclusive distribution rights. Any brand additions will need to be both synergistic with our current portfolio as well as have the ability to leverage the Company's core competencies."

As mentioned above the HairFX acquisition completes today while the Kistani acquisition is subject to receiving shareholders' approval at an EGM (expected to be held during the second week of July 2008). A notice of meeting and explanatory memorandum will be sent to all shareholders and will be lodged with the NSX in the near future.

I look forward to meeting you personally at the EGM.

A handwritten signature in black ink, appearing to read 'A. Fairfull', with a stylized horizontal line extending from the end.

Andrew Fairfull
Non-executive Chairman
Soda Brands Limited