

Hamilton Securities Limited
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20 June 2013

The Manager
Company Announcements Office
NSX
Level 2, 117 Scott Street
Newcastle NSW 2300

Dear Sir/Madam,

Hamilton Securities Limited (NSX: HSE)
Letter of Offer: Non Renounceable Rights Issue

We attach the final version of the entitlement offer document to be sent to shareholders on 21 June 2013. This replaces the draft document which was released to the market on 27 May 2013.

Should you require any further information please do not hesitate to contact us.

Yours faithfully



Melanie Holmes
Secretary

20 June 2013

Dear Eligible Shareholder

LETTER OF OFFER: NON RENOUNCEABLE RIGHTS ISSUE

The board of Hamilton Securities Limited ACN 138 270 201 (**the Company**) (NSX: HSE) is pleased to offer you the opportunity to participate in a 1 for 7 pro-rata non-renounceable rights issue, as set out in this letter of offer. The offer is available to all eligible shareholders as defined in Section 2.11 below (**Eligible Shareholders**).

1 Introduction

1.1 Key Details

On 28 March 2013 the Company announced its intention to conduct a capital raising of \$327,534 for new fully paid "A" Class Shares in the Company (each a **Share**) each together with two "B" Class 2019 Options at an issue price of \$1.00 per Share (**Issue Price**) to existing shareholders.

The Company now invites Eligible Shareholders to participate in a pro-rata non-renounceable fully underwritten rights issue on the basis of 1 fully paid "A" class non-voting share in the Company (**Share**) and two "B" Class 2019 Options for every 7 existing "A" and "B" class shares held. The rights issue will result in the issue of approximately 327,534 new Shares (**New Shares**) and 655,068 new options (**New Options**) to raise a total of approximately \$327,534 (**Rights Issue**).

The Issue Price of \$1.00 per New Share represents a premium of approximately 185% to the volume weighted average share price for the Shares on NSX over the 30 day VWAP for the period ending 28 February 2013 inclusive¹.

The Rights Issue is intended to be fully underwritten by Samuel Terry Asset Management Pty Ltd as trustee for The Samuel Terry Absolute Return Fund ACN 108 611 785 (**Underwriter**). The Underwriter is an associate of Fred Woollard who is a director of the Company. The Underwriter **will not** charge an underwriting fee to the Company. On 27 May 2013 the Company entered into an underwriting agreement with the Underwriter (**Underwriting Agreement**).

New Shares and New Options offered under the Rights Issue that are not taken up by Eligible Shareholders under their entitlement will form the shortfall (**Shortfall**) that will be dealt with by the Underwriter. See Section 2.7 for further details of the Underwriting Agreement.

The pro-forma consolidated balance sheet in Section 2.5 illustrates the effect of the Rights Issue on the Company.

¹ The last day on which the Company's securities actively traded before the date of this letter.

1.2 Rights Issue pursuant to section 708AA of the Corporations Act

The Rights Issue is made pursuant to section 708AA of the *Corporations Act 2001* (Cth) (**Act** or **Corporations Act**) without the issue of a prospectus or disclosure document under Chapter 6D of the Act. This letter of offer is not a prospectus.

The Company is a disclosing entity for the purpose of section 111AC of the Act and as such it is subject to regular reporting and disclosure obligations under section 674 of the Act and the NSX Listing Rules (**Listing Rules**). The obligations require the Company to notify NSX of information about specified events and matters as they arise for the purpose of NSX making that information available to the securities exchange conducted by NSX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions) to notify NSX immediately once it is, or becomes aware of, any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of Shares issued by the Company.

In accordance with section 708AA of the Act, the Company will provide NSX with a notice under section 708AA(2)(f). That notice is required to:

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

1.3 Timetable

The Rights Issue is being conducted in accordance with the following timetable:

Announcement of Rights Issue, lodgement of NSX application for quotation of additional securities and	27 May 2013
Letter to shareholders and "B" Class Option holders notifying issue	28 May 2013
"Ex" Date (date from which securities commence trading without the entitlement to participate in the Rights Issue)	11 June 2013
Record Date (date for determining entitlements to participate in the Rights Issue)	18 June 2013
Lodgement of section 708AA(2)(f) cleansing notice with NSX.	20 June 2013
Despatch of Rights Issue letter of offer and personalised Entitlement and Acceptance Form to Eligible Shareholders	21 June 2013
Closing Date for acceptances (5pm Australian Eastern Standard Time)	5 July 2013
Notification to NSX of under subscriptions (if any)	10 July 2013
Allotment of New Shares and New Options and despatch of holding statements	12 July 2013

This timetable is indicative only and subject to change. The Company reserves the right to change the dates, including the Closing Date without prior notice, subject to the Listing Rules. Any extension of the Closing Date will have a consequential effect on the anticipated date for the allotment and issue of the New Shares.

2 Details of Rights Issue

2.1 The Offer

The Company is making a fully underwritten pro-rata non-renounceable offer to Eligible Shareholders to subscribe for 1 New "A" Class non-voting Share and two "B" Class 2019 Options for every 7 "A" or "B" Class Shares held at the Record Date at the Issue Price of \$1.00 per New Share and two New Options (the **Offer**). Fractional entitlements to New Shares will be rounded down to the nearest whole New Share and whole two New Options.

Your entitlement to New Shares and New Options under the Rights Issue (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form. Details on how to accept the Offer are set out in section 3.

2.2 Size of the Offer

As at 27 May 2013 when the Offer was announced to the NSX, the Company had on issue 1,790,740 "A" Class Shares, 502,000 "B" Class Shares and 977,496 "B" Class 2019 Options².

Approximately 327,534 New Shares and 655,068 New Options will be offered to raise approximately \$327,534, before the expenses of the Rights Issue.

Upon completion of the Rights Issue, the Company will have approximately 2,118,274 "A" Class Shares, 502,000 "B" Class Shares and 1,632,564 "B" Class 2019 options on issue. The exact number of New Shares and New Options to be issued under the Rights Issue cannot be calculated until entitlements have been determined following the Record Date.

2.3 New Options

The New Options are of a class currently quoted on the NSX market and allow each holder to receive one "B" Class (i.e. voting) Share for the payment of \$1.00 per share at any time up to 30 November 2019.

Each "B" Class Share issued as the result of the exercise of an option will rank equally with other "B" Class Shares already on issue.

2.4 Use of funds of the Rights Issue

The purpose of the Rights Issue is to raise approximately \$327,534. The proceeds of the Rights Issue are planned to be used to:

- fund company acquisitions;
- provide working capital; and
- pay the costs of the Rights Issue.

Note 1: Costs of the Offer include legal fees, registry fees and printing fees.

2.5 Pro-Forma Balance Sheet

The following pro-forma consolidated balance sheet illustrates the effects of the Rights Issue on the Company. It has been prepared on the basis of the audited financial statements dated as at 31 September 2012 and unaudited management accounts to 24 April 2013. It is not intended to represent the financial position of the Company

² These figures have not changed since the announcement of the Offer.

upon completion of the Rights Issue. It is provided as an illustration of the effect of the Rights Issue. The actual impact on the Company is dependent on a range of factors, many of which are outside the control of the Company. In addition, as the management accounts to 24 April 2013 are not audited the numbers may be subject to change.

The unaudited pro-forma balance sheet below has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. It has been prepared on the assumptions that all New Shares and New Options pursuant to the Offer in this letter of offer are issued.

The pro-forma balance sheet has been prepared to provide Shareholders with information on the pro-forma assets and liabilities of the Company. The pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards for annual financial statements.

HAMILTON SECURITIES LTD	Half year	Adjusted	Effect of	Pro-forma
Pro-forma balance sheets	accounts	to	rights	balance
	31-Dec-12	24-Apr-13	issue	sheet
Cash & cash equivalents	90,988	14,773	327,534	342,307
Trade & other receivables	2,895	9,563		9,563
Financial assets (TOT debentures)	<u>2,209,534</u>	<u>2,209,534</u>		<u>2,209,534</u>
TOTAL ASSETS	2,303,417	2,233,870		2,561,404
Trade and other payables	<u>11,670</u>	<u>44,263</u>	15,000	<u>59,263</u>
TOTAL LIABILITIES	11,670	44,263		59,263
EQUITY	2,291,747	2,189,607	312,534	2,502,141

2.6 No rights trading

The Rights Issue is non-renounceable.

Accordingly, there will be no trading of rights to subscribe for the New Shares pursuant to this letter of offer (**Rights**) on NSX and Rights may not be sold or transferred.

Any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shortfall and will be dealt with by the Underwriter.

2.7 Underwriting Agreement

The Rights Issue is fully underwritten by the Underwriter.

On 27 May 2013, the Company and the Underwriter entered into an underwriting agreement (**Underwriting Agreement**) under which the Underwriter agreed to fully underwrite the Rights Issue offer to the amount of approximately \$327,534. (**Underwritten Amount**).

The arrangements in the Underwriting Agreement will be "a related party transaction" for the purposes of Chapter 2E of the Corporations Act. Pursuant to the Corporations Act, unless the Underwriting Agreement is on arm's length terms (or is less favourable to the related party than would be reasonable in the circumstances if the Company were dealing at arm's length terms) shareholder approval must be obtained.

Directors of the Company (who are not associated with the Underwriter) have determined that the Underwriting Agreement is on arm's length terms (or is less

favourable to the Underwriter than would be reasonable in the circumstances if the Company were dealing at arm's length terms). Accordingly, the Underwriting Agreement will not require shareholder approval under the Corporations Act.

In coming to this view, the non-associated directors have considered, amongst other things, that:

- the Underwriting Agreement contains reasonably standard terms for underwriting arrangements;
- the non-associated directors will determine at their sole discretion whether or not the Company will sign the Underwriting Agreement;
- no underwriting fee will be charged to the Company by the Underwriter; and
- it would be difficult in this economic environment for the Company to secure other underwriters on similar or more favourable terms.

The Underwriting Agreement contains certain indemnities, representations and warranties from the Company to the Underwriter.

Under the Underwriting Agreement, the Underwriter has agreed to underwrite the Rights Issue for no fee but the Company will pay all reasonable costs and expenses incurred by the Underwriter in connection with the Rights Issue.

The Underwriter may terminate its obligations under the Underwriting Agreement if any one or more of the following events occurs:

- (a) **Offer Documents defective** – the Underwriter becomes aware of any:
 - (i) information in the Offer Documents which is untrue, incorrect, misleading or deceptive in a material way; or
 - (ii) material omission from the Offer Documents, which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect and in respect of which the Underwriter was not aware at the date of this agreement;
- (b) **disclosure in Offer Documents** - the Underwriter becomes aware of any statement contained in the Offer Documents which are misleading or deceptive, or of the omission from the Offer Documents of any matter which is required to be disclosed under section 708AA of the Corporations Act or a matter required by the Corporations Act which is omitted from the Offer Documents (having regard to section 708AA of the Corporations Act);
- (c) **default** – the Company materially breaches this agreement and fails to remedy the breach to the reasonable satisfaction of the Underwriter or any warranty or representation by the Company under this agreement is or becomes materially false, misleading or deceptive;
- (d) **material change** – a change occurs after the date of this agreement affecting or relating to:
 - (i) the Company or a Subsidiary; or
 - (ii) the industry in which the Company or a Subsidiary operates, which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- (e) **contravention** – the Company contravenes:
 - (i) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency;
 - (ii) its constitution or another constituent document;

- (iii) the Listing Rules; or
- (iv) an Encumbrance or document which is binding on:
 - (A) the Company or a Subsidiary; or
 - (B) an asset of the Company or a Subsidiary,
 which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- (f) **Iodgement of Cleansing Notice** – the Cleansing Notice is not given to the NSX before commencement of trading on the Announcement Date or by such later date as the Underwriter may approve in writing;
- (g) **Iodgement of Cleansing Notice** - the Company lodges the Cleansing Notice and Offer Document with NSX in a form not agreed by the Underwriter;
- (h) **ASIC** – an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the making of the Offer by the Company or ASIC commences any investigation or hearing under Part 4 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the making of the Offer by the Company;
- (i) **Defective Cleansing Notice** – the Cleansing Notice is defective within the meaning of section 708AA(11) of the Corporations Act;
- (j) **Compliance Certificate** – the Compliance Certificate that is required to be given is not given or a statement in the Compliance Certificate is not true or the Compliance Certificate contains any qualification or exception not satisfactory to the Underwriter;
- (k) **NSX** – NSX approval for the quotation of the New Shares and New Options has not been given by the Closing Date or the date which is three months after the date of the Offer Documents (whichever is earlier) or NSX refuses to grant, other than subject to customary conditions, or withdraws NSX approval;
- (l) **Insolvency Event** – an Insolvency Event occurs in relation to the Company or a Subsidiary;
- (m) **Prescribed Event** – a Prescribed Event occurs in relation to the Company or a Subsidiary;
- (n) **market movement** – at any time after the date of this agreement for two consecutive trading days, the S&P/NSX 200 Index is 20% or more below its level as at the close of trading immediately preceding the date of this agreement;
- (o) **war** – an outbreak of new hostilities or a state of war, whether declared or not, or an act of terrorism occurs or arises after the date of this agreement, or an escalation of hostilities already in existence occurs, involving:
 - (i) Australia;
 - (ii) Japan;
 - (iii) any member country of the European Community;
 - (iv) the United States of America;
 - (v) Russia;
 - (vi) Indonesia;
 - (vii) Peoples' Republic of China;
 - (viii) New Zealand;

- (ix) Hong Kong;
- (x) Taiwan;
- (xi) Singapore;
- (xii) South Korea;
- (xiii) Malaysia; or
- (xiv) India,

which in the reasonable opinion of the Underwriter has, or is likely to have, a Material Adverse Effect;

- (p) **officers and senior managers** – after the date of this agreement, an officer or senior manager of the Company or a Subsidiary resigns or is removed from office, is charged with or convicted of a criminal offence or becomes a bankrupt, or steps are taken to achieve such an outcome;
- (q) **ASIC hearing or investigation** – ASIC gives notice of its intention to hold a hearing or examination, inspection, investigation, or it requires information to be disclosed, in connection with the Company, a Subsidiary or the Offer;
- (r) **Exemptions or orders** – an:
 - (i) exemption under section 111AS or section 111AT of the Corporations Act; or
 - (ii) order under section 340 or section 341 of the Corporations Act, (as modified by Class Order 07/571) is given or made in respect of the Company, or any person, as a director or auditor of the Company;
- (s) **determination** – ASIC makes a determination under section 708AA(3) or section 708A(2) of the Corporations Act;
- (t) **certificates** – the Company fails to deliver the opening or closing certificate in accordance with clause 5.4 or section 6.1 of the Underwriting Agreement;
- (u) **breach** - the Company is in breach of section 708AA(10) of the Corporations Act;
- (v) **withdrawal** – the Company withdraws or terminates the Offer;
- (w) **repayment** – any circumstance arises after lodgement of the Cleansing Notice that results in the Company either repaying the money received from Applicants or offering Applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application money; or
- (x) **timetable** – the Shortfall Notification Date is delayed for more than five Business Days other than as the direct result of actions taken by the Underwriter (unless those actions were requested by the Company) or the actions of the Company (where those actions were taken with the Underwriter’s prior written consent).

2.8 Potential effect on control

The following table sets out the number of Shares and approximate percentage of shareholding of the Underwriter (and its related bodies corporate) after completion of the Rights Issue, assuming different levels of acceptances by Eligible Shareholders and that no options are exercised prior to the Record Date.

100% of Rights Issue entitlements taken up i.e. no Shortfall (Scenario 1)	50% of Rights Issue entitlements taken up (Scenario 2)	0% of Rights Issue entitlements taken up (i.e. all New Shares are taken up by the Underwriter under the Underwriting Agreement) (Scenario 3)
<p>There will be no Shortfall and the Underwriter will not be required to take up any New Shares or New Options under the Rights Issue except the Underwriter's pro-rata entitlement as a shareholder.</p>	<p>The Underwriter will be required to take up 163,767 New Shares and 327,534 New Options on completion of the Rights Issue (being approximately 21.8% of the "A" Class non-voting Shares on issue after completion of the Rights Issue and 44.8% of the Company's "B" Class 2019 Options on issue after completion).</p> <p>Including its existing shares, the Underwriter will have the following total shares and options in this scenario:</p> <p>"A" Class non voting shares: 371,840</p> <p>"B" Class voting shares: 222,799</p> <p>Options: 731,426</p>	<p>The Underwriter will be required to take up 327,534 New Shares and 655,068 New Options on completion of the Rights Issue (being approximately 29.2% of the "A" Class non-voting Shares on issue after completion of the Rights Issue and 64.1% of the Company's "B" Class 2019 Options on issue after completion).</p> <p>Including its existing shares, the Underwriter will have the following total shares and options in this scenario:</p> <p>"A" Class non voting shares: 618,616</p> <p>"B" Class voting shares: 222,799</p> <p>Options: 1,046,103</p>

After the Rights Issue there will be 2,118,274 "A" Class non-voting shares and 1,632,565 "B" Class 2019 Options in existence.

If 0% of the rights are taken up and the underwriter takes up all of these and if the "A" Class non-voting shares are in the future converted to voting shares on a one for one basis and each of the "B" Class 2019 Options are exercised, the Underwriter will have 1,887,518 voting shares out of a total of 2,620,274 voting shares (or a 72% shareholding). The percentage could be greater if other option holders choose not to exercise their "B" Class 2019 Options.

We note that the Company would need to seek shareholder approval prior to converting "A" Class non-voting shares to voting shares.

2.9 NSX quotation of New Shares and New Options

The Company has made an application to NSX for the New Shares and New Options to be granted quotation on NSX. If that permission is not granted by NSX, the Company will not issue any New Shares or New Options and all application monies received (without interest) will be refunded in full to the applicants.

Trading of the New Shares or New Options will, subject to NSX approval, occur on or about the date specified in the timetable in section 1.3 above.

2.10 Allotment of New Shares and New Options

Subject to the New Shares and New Options being granted quotation on NSX, the New Shares and New Options will be allotted and issued, and holding statements despatched, in accordance with the timetable. It is expected that New Shares and New Options will be allotted and that shareholder statements for the New Shares and New Options will be issued on 1 July 2013.

2.11 Eligible Shareholders

The Company is making the Offer to Eligible Shareholders only.

Eligible Shareholders are those holders of Class "A" non-voting and Class "B" voting shares who are registered as a holder of Shares as at 5.00 pm (Sydney time) on the Record Date whose address (as registered with the Company's Share Registry) is in Australia or New Zealand.

2.12 Director Shareholders

All Directors of the Company who are also shareholders in the Company intend to subscribe for their full entitlements under the Rights Issue.

2.13 Foreign Shareholders

This letter of offer and Entitlement and Acceptance Form is only being sent to Shareholders with registered addresses in Australia and New Zealand on the Record Date.

The Company has considered the number of shareholders whose registered address is outside Australia or New Zealand, the number and value of Shares held by these foreign shareholders, the number and value of New Shares that these foreign shareholders would be offered under the Rights Issue and the costs of complying with legal and regulatory requirements of those jurisdictions outside of Australia and New Zealand, and believes it to be reasonable to not extend the Rights Issue to these shareholders. Accordingly, the Rights Issue offer is not being extended to shareholders with a registered address outside Australia or New Zealand as at the Record Date.

2.14 No overseas offering

This letter of offer does not, and is not intended to, constitute an offer or invitation in the United States, to any US person, to any person acting for the account or benefit of a person in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This distribution of this letter of offer in jurisdictions outside of Australia or New Zealand may be restricted by law and persons who come into possession of this offer should seek advice on and observe any restrictions.

Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken by the Company to register the New Shares or New Options or otherwise permit an offering of the New Shares or New Options in any jurisdiction other than Australia or New Zealand.

Eligible Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed.

2.15 U.S. Representations

If you submit an Entitlement and Acceptance Form or otherwise participate in respect of New Shares and New Options, you will be deemed to have represented, warranted and agreed, on behalf of yourself and each person or account for which you are acting, that:

- (a) you understand and acknowledge that neither the Rights Issue nor the New Shares or New Options have been, or will be, registered under the U.S. Securities Act or any US state or other securities laws in any jurisdiction, and may not be offered, sold or otherwise transferred except in a transaction exempt form, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws;
- (b) you are not in the United States of America and are not acting for the account or benefit of a person in the United States; and
- (c) you have not sent and will not send this letter of offer, the Entitlement and Acceptance Form or any other material relating to the Rights Issue to any person in the United States of America.

2.16 Rights and liability attaching to New Shares

The New Shares and New Options will, from allotment, rank equally with existing "A" Class non-voting shares and "B" Class 2019 options.

Full details of the rights and liabilities attaching to the New Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. Details of the "B" Class 2019 options can be found in a prospectus dated 5 May 2010 which can be found in the announcements section of the Company's website www.hamsec.com.au.

2.17 Costs of the Offer

It is expected that the costs of the Offer will be approximately \$15,000 (excluding GST). As there is no underwriting fee, the underwriting arrangements will not impact on costs save to the extent that the Company will pay legal fees for preparing the Underwriting Agreement.

3 Action required by Shareholders

3.1 Your choices

The accompanying Entitlement and Acceptance Form details the number of New Shares to which you are entitled. You may:

- (a) **take up all of your Entitlement in full** (refer to section 3.2);
- (b) **take up part of your Entitlement** and allow the balance to form part of the Shortfall (refer to section 3.3); or
- (c) **not take up any of your Entitlement** and allow all of your Entitlement to form part of the Shortfall (refer to section 3.4).

You cannot sell or transfer any of your Entitlement to another person.

Any part of your Entitlement not taken up will form part of the Shortfall that will be dealt with by the Underwriter.

The Issue Price of any New Shares offered pursuant to the Shortfall is \$1.00 per New Share and two New Options, being the Issue Price at which the Entitlement has been offered to Eligible Shareholders under this letter of offer.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

In such a case, any application monies (without interest) will be returned.

3.2 Take up all of your Entitlement

If you wish to take up your Entitlement in full, complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form and forward it, together with your application monies in accordance with section 3.5 for the amount shown on the form, to reach our share registry Newcastle Capital Markets Pty Ltd (the **Share Registry**) by the Closing Date.

3.3 Taking up part of your Entitlement

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares and New Options you wish to take up and forward it, together with your application monies in accordance with section 3.6, to reach the Share Registry by the Closing Date.

In this case, the New Shares and New Options not taken up by you will form part of the Shortfall and will be dealt with by the Underwriter.

3.4 Not take up any of your Entitlement

If you do not wish to accept any part of your Entitlement, you do not need to take any further action.

In this case, your whole Entitlement will form part of the Shortfall and will be dealt with by the Underwriter.

3.5 Payment for New Shares

The Issue Price for each New Share and New Options accepted under your Entitlement is payable on application.

All payments must be by cheque in Australian currency. Other currency will not be accepted. Cash payments will not be accepted.

Other currency or cash payments will be returned to the applicant and the acceptance will be deemed invalid.

The amount payable on application will be deemed not to have been received until the Company's receipt of cleared funds.

Receipts for payment will not be issued.

Application monies will be held on trust for applicants until allotment of the New Shares and New Options.

Any application monies received for more than your final allocation of New Shares and New Options may be accepted and the Company may allot and issue additional New Shares and New Options to you in its absolute discretion. The Company intends to only exercise this discretion in respect of nominal amounts of additional application monies received and for the issue of nominal numbers of New Shares and New Options.

No interest will be paid on any application monies received or refunded.

Interest earned on application monies will be for the benefit of the Company and will be retained by it whether or not allotment takes place.

3.6 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form constitutes a binding agreement to acquire New Shares and New Options on the terms and conditions set out in this letter of offer and, once lodged, cannot be withdrawn.

If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares and New Options. The Directors' decision

whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

3.7 Representations by Acceptance

By completing and returning your personalised Entitlement and Acceptance Form, you will be deemed to have represented to the Company that you are an Eligible Shareholder and that you:

- (a) acknowledge that you have read and understand this letter of offer and your Entitlement and Acceptance Form in its entirety;
- (b) agree to be bound by the terms of the Offer, the provisions of this letter of offer and the Company's constitution;
- (c) authorise the Company to register you as the holder of New Shares and New Options allotted to you;
- (d) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (e) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (f) acknowledge that once the Company receives your Entitlement and Acceptance Form, you may not withdraw your application or funds provided except as allowed by law;
- (g) agree to apply for and be issued up to the number of New Shares and New Options specified in the Entitlement and Acceptance Form at the Issue Price per New Share;
- (h) authorise the Company, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary to enable New Shares and New Options to be issued to you, including acting on instructions of the Share Registry for using the contact details set out in your Entitlement and Acceptance Form;
- (i) declare that you were the registered holder(s) at the Record Date of the Shares indicated on the Entitlement and Acceptance Form as being held by you on the Record Date;
- (j) acknowledge that the information contained in this letter of offer and your Entitlement and Acceptance Form is not investment advice nor a recommendation that New Shares and New Options are suitable for you, having regard to your investment objectives, financial situation or particular needs;
- (k) acknowledge that investments in the Company are speculative and involve risks;
- (l) acknowledge that neither the Company, the Underwriter, their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor the repayment of capital;
- (m) agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Offer and of your holding of Shares on the Record Date;
- (n) authorise the Company to correct any errors in your Entitlement and Acceptance Form or other form provided by you; and

- (o) represent and warrant that the law of any place does not prohibit you from being given this letter of offer and the Entitlement and Acceptance Form, nor prohibit you from making an application for New Shares and New Options and that you are otherwise eligible to participate in the Offer.

3.8 Brokerage

No brokerage is payable by the Shareholders who accept their Entitlement.

No stamp duty is payable for subscribing for an Entitlement.

3.9 Governing law

This letter of offer and the contracts which arise on the acceptance of applications are governed by the laws applicable in Victoria and each applicant submits to the non-exclusive jurisdiction of the courts of Victoria.

4 General information regarding the Rights Issue

4.1 Risks

An investment in New Shares should be regarded as speculative and involves many risks.

Eligible Shareholders intending to participate in the Rights Issue should refer to the announcements made by the Company to NSX. These announcements are available from the NSX website, www.nsx.com.au (NSX code: HSE), and the Company's website, www.hamsec.com.au.

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances.

Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the New Shares and New Options.

The New Shares and New Options carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

4.2 Tax consideration for investors

You should be aware that there may be taxation implications associated with participating in the Rights Issue. The Directors consider that it is not appropriate to give advice regarding the taxation consequences of subscribing for New Shares and New Options or the subsequent disposal of any New Shares and New Options. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to Shareholders. The Directors recommend that all Shareholders consult their own professional tax advisers in connection with subscribing for, or subsequent disposal of, New Shares and New Options.

4.3 Enquiries

If you have any questions regarding the Rights Issue, please do not hesitate to contact Giles Craig 0411 029 634 or Melanie Holmes 02 4920 2877 or contact your stockbroker or professional adviser.

Yours sincerely



Steven Pritchard
Director
Hamilton Securities Limited