

24 March 2011

Dear Shareholder

**Re: Share trading**

The Board of Directors has taken a decision to vary the way shares in Hervey Bay & District Financial Services Limited (the company) are able to be traded. The purpose of this letter is to advise you of the planned change.

At present the company is listed on the Bendigo Stock Exchange (BSX) and shares can be traded on the BSX through a BSX approved sharebroker with the associated brokers fees. Listing on the BSX currently costs \$5,500 + GST per annum. To date only a low volume of shares have been traded through the BSX. The Board believes that the annual listing expense can be better invested within our local community, potentially through grants, sponsorships and donations, or in providing a return for shareholders. The Board has therefore decided to delist from the BSX and then apply to ASIC for approval to operate a Low Volume Market (LVM) so that shares in the company are still able to be traded within a share trading framework. There is no cost to trade shares on the LVM, only an investment of your time.

Under the LVM, persons wishing to buy or sell shares can notify the company secretary of their desired sale or purchase, and can obtain details of shares for sale, or buyers wishing to purchase. These details will be available on the company website or by contacting the secretary. The parties are then put in touch with each other and negotiate the transaction directly. The Board does not involve itself in any negotiations, and does not arrange for the settlement, which is also attended to by both the seller and buyer direct. However, the Board will provide any necessary forms and any further information on the process. The Board is responsible for approving any pending share trade and will attend to/provide the relevant direction regarding share registry administration on each approved share trade.

The change will be effective from 30 June 2011. Should you wish to buy or sell shares under the existing scheme you will have the opportunity to do so until 30<sup>th</sup> June. Should you wish to purchase or sell shares after 1<sup>st</sup> July 2011, please make enquiries with David Skeels at the branch or await a further letter that outlines the LVM Share Trading process once ASIC have approved a LVM for the company.

Please do not hesitate to contact us should you have any further queries at this stage.

Yours sincerely

Christine Riordan  
Secretary

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