

13 February 2009

Announcement to the market

In April 2008, Evolution Finance Limited, a subsidiary of Cynotech Holdings Limited, purchased the receivables of Western Bay Finance Limited (in receivership) for consideration of \$1 million and the issue of 3,125,000 Cynotech Holdings shares at an issue price of 16 cents per share. The sale and purchase agreement also granted the vendors a put option whereby the shares could be sold to a nominee of Cynotech Holdings at a later date.

The shares that were issued to part fund the purchase of the receivables were subsequently put to CBD Solutions Limited, a company of which the directors are Mark Lowndes and Mike Whale, at an average price of 15.58 cents per share. CBD Solutions' acquisition was funded by a loan from Evolution Finance and Cynotech Corporation, a subsidiary of Cynotech Holdings. Mark Lowndes and Mike Whale are respectively a partner and consultant to law firm Lowndes Associates, the solicitors advising Cynotech Holdings on the purchase.

In November 2008, Cynotech Securities Limited, a company associated with Allan Hawkins, the Chairman of Cynotech Holdings, commenced steps to obtain shareholder approval to subsequently make an offer to acquire the 3,125,000 shares from CBD Solutions at 20 cents per share. The Hawkins' interests hold more than 20% of the total voting rights on issue in Cynotech Holdings.

The Panel has indicated that, in its view, CBD Solutions may have been and may be an associate (as defined in the Takeovers Code) of Mr Hawkins and his interests. Accordingly, in the Panel's view, CBD Solutions (and Mr Whale and Mr Lowndes) may not have acted in compliance with the Code because CBD Solutions, together with its associates (the Hawkins interests), held, after the acquisition of the 3,125,000 shares, more than 20% of the total voting rights on issue in Cynotech Holdings, and no Code mechanism was used to effect the acquisition.

The Panel has also indicated that, in its view, Allan Hawkins, and Brett Tawse, the Managing Director of Cynotech Holdings, may not have acted in compliance with the Code as they may have been knowingly concerned in the possible contravention of the Code by CBD Solutions.

After discussions with the Panel, CBD Solutions has given undertakings to the Panel that it will sell the 3,125,000 shares to non-associated third parties by 9 April 2009 and that it will not exercise the rights to vote attaching to those shares, pending the sale of all of the shares.

Brett Tawse
Managing Director