

## **SOLCO SHAREHOLDER PURCHASE PLAN**

The Board of Solco Ltd (ASX: SOO) ("**Company**" or "**Solco**") has approved a Shareholder Purchase Plan ("**SPP**") for all shareholders on the register of the Company as at 5pm (WST) Thursday 19 January 2005. The SPP will enable shareholders in the Company, irrespective of their shareholding, to purchase up to \$5,000 worth of fully paid ordinary shares in the Company ("**Shares**").

The SPP will reward shareholders for their ongoing support and is aimed at providing the Company with additional funds to:

(a) Establish a Franchise Network in Australia

- Solco are in a unique position to be the first to establish a franchise network of this kind nationally, to be launched June 2006.
- Provides an aggressive on the ground sales force with extended product range and finance support.

(b) Invest in expansion for our international Licensees (creates a global network for substantial future profits)

- Portugal Licensee includes Spain, the highest growth solar hot water market in the world.
- Malaysia - provides access to China and other countries.
- Malta - access to Italian and Middle Eastern market.
- Tunisia and other new licensees.

(c) Develop the new generation Genius Split Hot Water System

- Solco can significantly expand the markets available to its proprietary polymer based hot water system if it was re-designed to separate the water storage unit and the solar collector panels.
- The re-designed new generation Hot Water System will be lower cost, have new features and capacity to operate competitively on high pressure mains water.
- Solco has secured a Renewable Energy Development Initiative (REDI) Grant from the Commonwealth for \$197,263 for the research, development and commercialization of the new generation Split Hot Water System.
- Solco needs to provide at least \$197,263 in matching funding as a condition of the REDI Grant.

The SPP offers shareholders the opportunity to subscribe for Shares for a value of up to \$5,000 at the discounted offer price of 21.0 cents. The offer price is at a discount of approximately 11% based on 23.6 cents, which was the average market price calculated over the last 5 days on which sales of Shares were recorded on the ASX up to and including 18 January 2005 (no brokerage or other charges apply).

Applications for Shares may be made in lots of \$5,000, \$4,000, \$3,000, \$2,000 or \$1,000.

The Company plans to raise up to a maximum of approximately \$1,000,000 pursuant to the SPP. Accordingly, the Company reserves the right to scale back the number of Shares issued to shareholders under the SPP if demand is strong. Any scaling down will be pro-rata for all shareholders on the basis of the amount paid.

The requirements of ASX listing rule 7.1 are exempted provided the number of Shares to be issued under the SPP is limited to 30% of the issued capital in any 12 month period. The Directors do not anticipate that the number of Shares to be issued under this SPP will exceed this limit.

The closing date for the SPP is 5pm (WST) **Friday, 10<sup>th</sup> February 2006.**

The right to participate in the SPP is exclusively made to persons who are registered holders of Shares on the register of the Company as at 5pm (WST) Thursday 19<sup>th</sup> January 2006 and whose registered address is in Australia or in any other jurisdiction in which it is lawful for the Company to make the issue of Shares under the SPP. The offer is non-renounceable and the right to apply for Shares cannot be sold or otherwise disposed of.

Further details of the terms of the SPP and the Entitlement and Acceptance Form will be announced to the market within the next three business days.

Please do not hesitate to contact Ashley Arnott, the Company Secretary, if you have any further queries.

Yours faithfully,



Duncan Stone  
Managing Director  
Solco Ltd.