

**MEDIA RELEASE**

27 JANUARY 2009

**Patersons and Tolhurst to merge to create major new Australian stockbroking group**

Patersons Securities Limited is pleased to announce an in-principle agreement to merge with the stockbroking business of Tolhurst Group Limited (ASX: TNL).

On completion, the merger will create one of Australia's largest full service, retail stockbroking businesses.

The proposed merger will be effected through the sale of the Tolhurst broking business and brand names to Patersons. Subject to certain conditions being satisfied, Patersons will assume responsibility for property leases related to the Tolhurst stockbroking business.

Tolhurst will have the opportunity to subscribe for new shares in Patersons representing up to 31% of the merged group's expanded capital, which is representative of the share of revenue that Tolhurst is contributing.

The parties have agreed that the subscription price for new shares in Patersons will be determined by the net asset value of Patersons at the time of completion.

As part of the transaction, Patersons will also be granted options to acquire 15% of Tolhurst's total issued capital.

The transaction is subject to due diligence, regulatory approvals, formal legal documentation and, if required, shareholder approval. Major shareholders representing in excess of 50% of the issued capital of Tolhurst have indicated that they will support this transaction.

The key terms of the proposed transaction are set out in the appendix to this announcement.

Under the proposal, the new business will trade as Patersons Securities Limited (incorporating Tolhurst and William Noall Stockbrokers), acknowledging the strength and heritage of the Tolhurst and William Noall brands.

The new, merged organisation will have more than 400 employees, 370,000 clients and will rank in the top 20 of Australian stockbrokers by the measure of market turnover.

It will have one of the largest advisory networks in Australia, with a significant presence in all major capital city markets and a number of dynamic regional centres.

The expanded Patersons will continue to operate with a strong balance sheet, no debt and negligible intangibles.

Tolhurst Chairman David Browne said the proposed transaction was a positive outcome for Tolhurst shareholders, clients and staff.

"This is an exciting day for Tolhurst clients and will ensure they receive the best possible levels of service from a strong, expanded debt free firm going forward," said Mr Browne.

"For Tolhurst shareholders and advisers, the merger provides the opportunity to be part of an Australian broking success story."

“We look forward to the completion of the due diligence process and moving ahead with the proposal.”

Patersons Chairman Michael Manford said the merger was a win-win situation for both businesses.

“This merger will see the creation of an outstanding national retail stockbroking business that prides itself on delivering exceptional service to clients and is backed by a strong, robust organisation,” said Mr Manford.

“The two businesses have a long and proud history – their combination will create a dynamic new force in Australian stockbroking that provides clients with great service and an expanded range of investment opportunities.”

Further information on the transaction will be provided upon completion of due diligence and formal legal documentation.

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For further enquiries please contact:

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## Appendix – Key terms of proposed transaction

Shareholders should be aware that the key terms are yet to be formally documented and could change during the course of further negotiations or as a result of due diligence.

- Tolhurst agreeing to sell its broking and arbitrage business to Patersons in consideration for Patersons shares and, subject to certain conditions being satisfied, the assumption of property lease liabilities. The sale agreement will contain the customary warranties and limitation of liability provisions.
- The sale will be subject to a number of conditions including regulatory approvals and, if required, shareholder approvals.
- The purchase price for the Tolhurst broking business existing net assets is to be finalised during the course of due diligence but will be based on the value of the assets (principally plant and equipment and existing cash) and liabilities (principally property lease liabilities) being transferred and be satisfied by the issue of Patersons shares at a net asset value determined as at 28 February 2009. Tolhurst expects that the purchase price will be in the range of \$6 million to \$7 million.
- In addition to the shares issued by Patersons for the acquisition of the Tolhurst business, Tolhurst will have the opportunity to subscribe for new shares in Patersons to increase its shareholding to up to 31% of the merged groups' expanded capital. The actual proportion of Patersons shares to which Tolhurst will be entitled to subscribe will be dependent on the projected actual annualised revenue of Tolhurst up to 30 June 2009 which will be agreed during due diligence.
- Tolhurst expects that a shareholding of 31% in Patersons would require Tolhurst to contribute net assets of between \$10 million and \$12 million based on the current net assets of Patersons.
- The subscription price for new shares in Patersons will be determined by the net asset value of Patersons at the time of completion.
- Tolhurst will be prohibited from soliciting competing proposals or entering into negotiations or permitting due diligence subject to customary fiduciary carve-outs.
- Tolhurst will be required to pay Patersons a break fee of \$50,000 in the event that Tolhurst shareholders do not approve of the proposed transaction.
- Tolhurst will grant Patersons call options to acquire new shares equal to 15% of its total share capital. These options will have no issue price, an exercise price of \$0.075 and expire 18 months after Completion.
- Tolhurst will also agree not to be engaged in a competing business for a period of 12 months from Completion.

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For further enquiries please contact:

Michael Manford

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## About Patersons Securities Limited

Patersons is one of Australia's leading specialist stockbroking and financial services firms, providing a wide range of services from stockbroking and financial planning to investment banking and institutional dealing.

Patersons has built a true national presence with a powerful advisory team, a strong and growing institutional broking arm, award winning research and corporate finance teams and a new Patersons Asset Management team.

Patersons was established more than 100 years ago and in that time has had only five executives in the top management position, providing remarkable stability in a highly dynamic and volatile industry.

The firm now has more than 300 employees in ten offices throughout Australia including Perth, Sydney, Melbourne, Brisbane and Canberra, as well as five regional branches.

Patersons has raised more than \$4.6 billion in over 470 new equity issues since the year 2000 and has more than \$1 billion in funds under management or administration. The firm's Corporate Finance division won the Best Corporate Deal award at the 2007 Australian Stockbrokers Foundation Awards.

By number of new issues Patersons is, by reference to the Thomson Financial tables, one of the most active stockbrokers in Australia. Since 2003 Patersons has ranked # 1 by number of new equity issues in Australia and currently ranked # 10 by \$ value for 2007.

As one of the largest providers of capital for mid-cap and small companies in Australia, Patersons has for three of the past 4 years been ranked No. 1 by number of equity issues in Australia (Thomson Financial League Tables), highlighting its ability to source a significant number of investment opportunities. The Patersons 80:20 Equity Fund will give Investors unique access to the most attractive of these new issues.

Patersons award winning research team of 11 analysts in the two key locations of Perth and Sydney is one of the leading national mid-cap resource and industrial specialists, researching almost 150 companies and monitoring an additional 50, giving coverage of almost 200 companies, as well as having comprehensive access to Top 100 research. In addition, with its Head Office in Perth, Patersons offers an unparalleled expertise in screening for value amongst the more than 600 companies domiciled in Western Australia.

Patersons won the Best Research House of the Year award at the 2007 Australian Stockbrokers Foundation Awards.