



Solco Limited
(ABN 27 084 656 691)

Offer Document

Non-renounceable Rights Issue of 2 Shares for every 7 Shares held

At an issue price of \$0.07 per New Share to raise up to \$3,992,273

This Offer Document is for information purposes and is not a prospectus or other disclosure document for the purposes of the Corporations Act.

It does not contain all of the information that a prospective investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered under this Offer Document nor does it contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document.

This document is important and requires your immediate attention.

It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

This Offer opens on 1 December 2011 and closes at 5:00 pm AEDST on 15 December 2011.

Valid acceptances must be received before that time.

Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement.

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Important Information

This Offer Document is dated 21 November 2011. This Offer Document was prepared by Solco Limited (Solco).

In the event that all New Shares are not subscribed under this Offer, Solco reserves the right to place the Shortfall in accordance with the Shortfall Offer and subsequently to Investorfirst Securities Ltd.

Solco will apply for admission of the New Shares to quotation on ASX within 7 days after the date of this Offer Document. The fact that ASX may grant official quotation of the New Shares is not to be taken in any way as an indication of the merits of Solco or the New Shares.

This Offer Document is not a prospectus

The Offer to which this Offer Document relates complies with and is made in accordance with the requirements of Section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35 and accordingly, this Offer Document is without disclosure under Part 6D.2 of the Corporations Act. This Offer Document is provided for information purposes and is not, and does not purport to be, a prospectus (or other disclosure document) and it does not contain all of the information that an investor would find in a prospectus (or other disclosure document) or which may be required to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this Offer Document. It has not been and will not be lodged with ASIC. ASIC and its officers do not take any responsibility for the content of this Offer Document or for the merits of the investment to which this Offer relates.

As an Eligible Shareholder of Solco this Offer Document is important and requires your immediate attention.

You should read the entire Offer Document before deciding whether to invest in the New Shares. Please carefully read the instructions on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement under the Offer. If you have any questions regarding your Entitlement or the Offer, please contact your legal, investment or other professional adviser.

No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw the application once it has been accepted. Further, Entitlements cannot be traded on the ASX or any other exchange, nor can they be privately transferred or sold.

Professional advice

The information in this Offer Document is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Offer Document in its entirety before deciding whether to take up your Entitlement to New Shares. In particular, you should consider the risk factors that could affect the performance of Solco, some of which are outlined in Section 5. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional guidance before deciding whether to take up your Entitlement. If you have any questions you should seek professional advice from your legal, investment or other professional adviser.

Foreign jurisdictions

The distribution of this Offer (including an electronic copy) in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Offer outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Offer and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place outside Australia or New Zealand where, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or to otherwise permit an offering of the New Shares outside Australia.

Return of a duly completed Entitlement and Acceptance Form will be taken by Solco to constitute a representation that there have been no breach of laws in connection with your ability to participate in the Offer. Solco reserves the right to treat as invalid any Entitlement and Acceptance Form or application by the payment of funds which does not comply with the requirement of this Offer Document or the Entitlement and Acceptance Form or which Solco believes has been sent for or on the account of a person not entitled to participate in the Offer.

No Guarantee

Neither Solco nor any other party makes any representation or gives any guarantee or assurance:

- (a) as to the performance or success of Solco;
- (b) as to the rate of income or capital growth from Solco; or
- (c) that there will be no capital loss or particular taxation consequence of investing in Solco.

An investment in Solco does not represent a deposit or any other type of liability of the above parties. An investment in Solco is subject to investment risk. These risks are discussed in Section 5.

Investors should note that the past share price performance of Solco provides no guidance as to its future share price performance.

No representations other than in this Offer Document

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not contained in this Offer Document is not, and may not be relied on as having been authorised by Solco or any of its officers.

Future performance

This Offer Document contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of Solco and certain plans and objectives of the management of Solco. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements.

Except as required by law, and only to the extent so required, neither Solco nor any other person warrants, represents, assures or guarantees the future performance of Solco, that the occurrence of the events expressed or implied in any forward-looking statement will actually occur or any return on any investment made pursuant to this Offer Document. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of Solco.

Privacy

By filling out the Entitlement and Acceptance Form to apply for New Shares, you are providing information to Solco (directly and/or via the Share Registry) that may constitute personal information for the purposes of the Privacy Act 1988 (Cth). Solco (and the Share Registry on its behalf) collects, holds and uses personal information provided on an Entitlement and Acceptance Form in order to assess your application and administer your holding of Shares.

If you do not provide the information requested in the Entitlement and Acceptance Form, Solco and the Share Registry may not be able to process or accept the form.

Access to your personal information may be provided to other companies within the Solco group and to Solco's agents and service providers on the basis that they deal with such information in accordance with this privacy disclosure statement. You have a right to request access to the personal information that Solco holds about you subject to certain exemptions under law. A fee may be

charged for access. Access requests must be made in writing to Solco's registry:

Computershare Investor Services Pty Limited
Level 2, 45 St George Terrace
PERTH WA 6000

US disclaimer

None of the information in this Offer Document or the accompanying Entitlement and Acceptance Form constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this Offer Document (or any part of it), the accompanying ASX announcement nor the accompanying Entitlement and Acceptance Form may be released or distributed directly or indirectly, to persons in the United States.

The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlement may not be taken up by persons in the United States or by nominees or custodians who are acting for the account or benefit of a US person, and the

New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, a person in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction in the United States.

Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of the Applications are governed by the laws of Western Australia, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of Western Australia, Australia.

Defined terms and conditions

Certain terms and abbreviations used in this Offer Document are defined in the Glossary in Section 7.

References to **Australian dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Offer Document are due to rounding.

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Important dates

Event	Date
Announcement of Offer	21 November 2011
Lodgement Date – Offer Document, Appendix 3B and 708AA Cleansing Notice lodged with ASX	21 November 2011
Despatch of Appendix 3B to Shareholders	22 November 2011
Ex Date – The date on which Existing Shares commence trading without the entitlement to participate in the Offer	23 November 2011
Record Date – The date for determining Entitlements of Eligible Shareholders to participate in the Offer (7.00pm AEDST)	29 November 2011
Offer Document sent to Shareholders – Anticipated despatch of Offer Document and Entitlement and Acceptance Forms – Offer opens	1 December 2011
Closing Date – The last day for receipt of Entitlement and Acceptance Forms (5.00pm AEDST) and payment in full	15 December 2011
Allotment Date – Allotment of New Shares under the Offer	19 December 2011
Despatch Date – Anticipated despatch of holding statements for New Shares	20 December 2011
Expected commencement of normal trading in New Shares on ASX	21 December 2011

The above dates and times are indicative only and may be subject to change. All times and dates are a reference to Australian Eastern Daylight Saving Time. The Directors in consultation with the Underwriters reserve the right to vary any of the above dates and times, including closing the Offer early or extending it subject to the Corporations Act, ASX Listing Rules and other applicable laws. The Directors also reserve the right not to proceed with the whole or part of the Offer. In that event, the relevant Application Monies (without interest) will be returned in full to applicants.

Key Offer statistics

Issue Price per New Share	\$0.07 per New Share payable in full on application
Total number of New Shares available under the Offer	57,032,469
Maximum total Shares on issue following the Offer	256,646,109
Maximum total proceeds of the Offer (before expenses of the Offer)	\$3,992,273

Corporate directory

Issuer

Solco Limited
12 Brennan Way
Belmont WA 6104
Telephone: (08) 9334 8100
Facsimile: (08) 9334 8199
Email: info@solco.com.au
Website: www.solco.com

Directors

Mr David Richardson
Mr Mark Norman
Mr Ian Campbell

Company Secretary

Mr Darren Crawte

Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone: 1300 545 958 (within Australia)
+613 9415 4000 (outside Australia)
Facsimile: (08) 9323 2033
Website: www.computershare.com.au

Solicitors to the Offer

Camatta Lempens Pty Ltd
Level 1, 345 King William Street
Adelaide SA 5000
Telephone: (08) 8410 0211
Facsimile: (08) 8410 0566
Email: law@camattalempens.com.au
Website: www.camattalempens.com.au

Underwriter

Investorfirst Securities Ltd
Level 29, 55 Collins Street
Melbourne VIC 3000

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Letter to Shareholders



21 November 2011

Dear Shareholder

It is my pleasure to introduce this Offer Document and I am writing to invite and encourage you to participate in the continued growth of our Company by taking up your entitlement to New Shares in a Rights Issue. This offer will be open to Solco shareholders from 1 December for two weeks.

The Offer is a non-renounceable entitlement offer of 2 shares for every 7 shares held at the Record Date and will raise approximately \$4 million. The number of new shares you are entitled to subscribe for under this Offer is set out in your personalised Entitlement and Acceptance Form. Eligible Shareholders may apply for additional shares in excess of their Entitlement.

As the Entitlements being offered are non-renounceable, your Entitlement to subscribe for New Shares under this Offer Document are not transferable and there will be no trading of Entitlements. For details on how you can deal with your Entitlements, please refer to Section 2 of this Offer Document.

This capital raising strategy will enable the company to seize strategic opportunities that are becoming available in solar energy and renewables at the current time.

All the details of the Rights Issue are available in the Offer Document that accompanies this letter, but it is worth noting some key points:

- In 2011 Solco recorded record revenue and profits ensuring the company is in good financial health;
- Since the start of the 2012 financial year a number of changes in Federal and State Governments' support for the solar sector have meant tougher trading conditions for participants;
- In this environment a number of smaller or under-resourced solar suppliers have begun to struggle financially;
- There is likely to be continuing fall-out as supply and demand re-balances in the solar sector following the Government changes.

During this period, I believe Solco will be presented with a range of exciting opportunities for acquisitions or new business opportunities. It is important that the Directors of Solco can make decisions quickly by having a strong balance sheet, working capital, and minimal need to rely on costly, external funding sources.

Solco is ideally placed to make the most of the current conditions in the solar energy sector because of our long track record, established brand, national scale and profitable operations. We have built a strong and diverse solar business ranging from wholesale products to power generation, rather than focussing on a single activity or product type.

In these volatile times, the Board considers it prudent to have the Offer underwritten. This will be undertaken by Investor First and this represents an endorsement of our strategic direction and recognition that there are good opportunities for Solco at this time. As Chairman I will be taking up my full entitlement under the Rights Issue.

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Information about the offer and the key risks of investing in the Company are set out in the Offer Document. I encourage you read it in its entirety before making your investment decision and if you are in any doubt as to whether you should participate, you should consult your stockbroker, accountant or other independent financial adviser.

On behalf of the Board, I encourage you to take up this Offer and thank you for your continuing support of Solco and interest in the solar energy sector.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Richardson', written in a cursive style.

David Richardson
Chairman
Solco Limited

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Frequently asked questions

Question	Answer	Where to find more information
Who is the issuer?	Solco Limited.	Section 1.1
What is the Offer?	A non-renounceable rights issue and Shortfall Offer to raise approximately \$3,992,273 (before expenses of the Offer). Eligible Shareholders may apply for all or part of their Entitlement under the Rights Offer and may also apply for additional Shares under the Shortfall Offer.	Section 1.2
What are the terms of the Rights Offer?	2 New Shares for each 7 Existing Shares at an issue price of \$0.07 per New Share. As the issue is non-renounceable, Eligible Shareholders do not have the right to sell their Entitlements. Eligible Shareholders have the opportunity to subscribe for all, part or none of their Entitlement to New Shares.	Section 1.3
What are the terms of the Shortfall Offer?	Eligible Shareholders who take up their Entitlement in full also have the ability to apply for Shortfall Shares, by completing the Entitlement and Acceptance Form and paying the additional Application Monies. You may apply for additional New Shares (subject to a maximum application to take your voting power in Solco to 19.9%). The maximum amount to be allocated under the Shortfall Offer to any single Shareholder will be at the sole discretion of the Directors. Acceptance of Shortfall applications is at the sole discretion of the Directors. There can be no certainty that there will be a Shortfall or that Eligible Shareholders will receive the number of additional New Shares applied for under the Shortfall Offer.	Section 1.4
What are the rights of New Shares?	New Shares rank equally in all respects with Existing Shares from their date of issue.	Section 1.9
How will the proceeds be applied?	The Company will use the funds to enable it to fund future acquisitions as and when the opportunity arises. The Company may also use part of the funds for working capital purposes, should the need arise.	Section 4.2
Who can invest?	Eligible Shareholders of Solco as at 7:00 pm (AEDST) on the Record Date (29 November 2011).	Section 1.3
What are the potential significant risks?	Eligible Shareholders of Solco are exposed to a number of risks in acquiring and holding Shares. Key risks specific to Solco include: <ul style="list-style-type: none"> • Changing government policies • Industry downturn • Growth strategy • Prices • Competition • Costs • Overheads and carbon tax • Working capital • Operating risks • Production risks • Contractual arrangements • Key relationship breakdowns • Regulatory risk • Technology 	Section 5

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Question	Answer	Where to find more information
	<ul style="list-style-type: none"> • Research and development • Manufacturing and quality risk • Business contract risk • Government regulations • Tax losses • Potential acquisitions • No formal valuation of assets or shares 	
Is the Offer underwritten?	The Offer is underwritten by Investorfirst Securities Ltd who is not related to the Company.	Section 6.4
What are the expenses payable by Solco?	The total expenses of the Offer are expected to be approximately \$144,000 (exclusive of GST).	Sections 4.5 and 6.1
What are my alternatives?	<p>You may either:</p> <ul style="list-style-type: none"> • take up all of your Entitlements to New Shares; • take up part of your Entitlements to New Shares and allow the balance to lapse; or • do nothing and allow all of the New Shares representing your Entitlement to lapse. <p>You may also apply for New Shares in excess of your Entitlement under the Shortfall Offer.</p>	Section 2
How can further information be obtained?	If you require advice as to whether to accept your Entitlement, you should seek professional advice from your legal, investment or other professional adviser.	Section 1.17

1. Details of the Offer

1.1 Description of the issuer

Solco is the issuer of New Shares under this Offer Document.

1.2 Description of the Offer

The Offer consists of a total of 57,032,469 New Shares to be offered by Solco to Eligible Shareholders by way of a non-renounceable rights issue and the Shortfall Offer to raise up to approximately \$3,992,273 (before expenses of the Offer). This takes the form of a 2 for 7 rights offer together with a right to apply for additional New Shares to meet the shortfall in applications under the Rights Offer (if any).

The Offer is explained in more detail in this Section 1.

1.3 Rights Offer

If you are an Eligible Shareholder, you are being offered an Entitlement to acquire 2 New Shares for every 7 Existing Shares held as at the Record Date.

The Issue Price per New Share is \$0.07 which is payable in full on Application.

The Entitlements are non-renounceable, meaning you do not have the right to sell or transfer your Entitlement and there will be no trading of Entitlements on the ASX. You have the opportunity to subscribe for all, part or none of your Entitlement to New Shares.

Your Entitlement is set out on the accompanying personalised Entitlement and Acceptance Form. If you have more than one holding of Shares, you will be sent more than one personalised Entitlement and Acceptance Form and you will have separate Entitlements for each holding.

1.4 Shortfall Offer

In addition to applying for their Entitlement, Eligible Shareholders may apply for additional New Shares out of any Shortfall. Application may be made for these New Shares at the same time as applying for Entitlements under the Rights Offer by completing the relevant box in the Entitlement and Acceptance Form and including the appropriate Application Monies.

Each Eligible Shareholder may apply for New Shares out of the Shortfall, (provided that the voting power of the applicant in Solco will not exceed 19.9% as a result of the issue of those additional New Shares). If any Eligible Shareholder's voting power will exceed this limit, the number of New Shares to be issued under the Shortfall Offer to that Shareholder will be reduced.

If there is no Shortfall, the Application Monies relating to the Shortfall will be returned to Eligible Shareholders as soon as practicable following the Closing Date without interest.

Acceptance of Shortfall applications is at the discretion of the Directors.

Application Monies relating to New Shares applied for but not issued will be returned to Shareholders as soon as practicable following the Closing Date without any interest.

There can be no certainty that there will be a Shortfall or that Eligible Shareholders will receive the number of additional New Shares applied for under the Shortfall Offer.

The Directors reserve the right to issue any Shortfall Shares at their discretion.

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1.5 Closing Date

Solco will accept Entitlement and Acceptance Forms and payment of Application Monies until 5:00pm (AEDST) on 15 December 2011 or on such other date as the Directors may determine, subject to the requirements of the ASX Listing Rules and other applicable law.

1.6 Underwriting

The Offer is underwritten by Investorfirst Securities Ltd.

In consideration of underwriting the Offer and the Shortfall Offer, Solco will pay Investorfirst Securities Ltd an underwriting fee of 5% of the Issue Price for all New Shares the subject of the Offer other than those issued to David Richardson or any of his related parties, which will not be charged for under the Underwriting Agreement. The minimum amount payable to Investorfirst Securities Ltd is approximately \$110,433. Investorfirst Securities Ltd is also entitled to reimbursement of certain costs and expenses and the benefit of an indemnity provided by Solco. See Section 6.4 for details.

1.7 Intentions of Directors

Both Messrs David Richardson and Mark Norman have confirmed that they will take up their full Entitlement under the Offer and will procure that each other Shareholder in whose Shares the Director has a relevant interest will take up their full Entitlement. Mr Ian Campbell, being a Non Executive and Independent Director, does not own any shares in the Company and will not participate in the Offer.

The interests of David Richardson and Mark Norman represent approximately 25,548,793 Shares or 44.8% of the New Shares offered under this Offer Document.

1.8 Intentions of substantial Shareholder

David Richardson and his related parties, each having a substantial shareholding in Solco, has confirmed that they will take up their full Entitlement under the Offer and will procure that each other Shareholder in whose Shares the relevant substantial holder has a relevant interest will take up their full Entitlement.

This represents approximately 25,477,364 Shares or 44.67% of the New Shares offered under this Offer Document.

Together with the intentions of the Directors referred to in Section 1.7, Solco has received confirmation that at least 44.80% of the New Shares will be taken up by existing Shareholders.

1.9 Ranking of New Shares

The New Shares will be fully paid and rank equally in all respects with Existing Shares from their date of issue.

1.10 Allotment

Solco expects to allot all New Shares on 19 December 2011.

1.11 Application Monies

Until the time of allotment of New Shares, Solco will hold all Application Monies in relation to those New Shares in a purpose specific bank account. Interest earned on any Application Monies (whether or not allotment takes place) will remain the property of Solco. Application will be made to ASX for quotation of the New Shares to be issued under the Offer within 7 days of the date of this Offer Document. If application is not so made or if quotation of the New Shares is not granted by ASX within 3 months of the date of this Offer, any allotment of New Shares in response to an application made under this Offer will be void, and all Application Monies received will be returned without interest.

1.12 Minimum subscription

There is no minimum subscription for the Offer.

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1.13 Foreign Shareholders

This Offer is made only to Shareholders with a registered address in Australia or New Zealand or such other place in which, or to any person to whom, it would be lawful to make such an offer.

Solco is of the view that it is unreasonable to make the Offer to other overseas Shareholders (**Foreign Shareholders**) having regard to:

- the number of Foreign Shareholders;
- the number and value of New Shares that would be offered to Foreign Shareholders; and
- the cost of complying with overseas legal requirements.

This Offer does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Solco is not required to make offers under this Offer to Foreign Shareholders. Where this Offer has been despatched to Shareholders domiciled outside Australia or New Zealand and where the country's securities code and/or legislation prohibits or restricts in any way the making of the offers contemplated by this Offer, this Offer is provided for information purposes only.

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.

Return of a duly completed Entitlement and Acceptance Form will be taken by Solco to constitute a representation that there has been no breach of such regulations.

The offer contained in this Offer to Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not Shareholders on the Record Date are not entitled to apply for any New Shares.

1.14 Market price of Shares

The latest recorded price at which Shares traded on ASX on 18 November 2011 (being the last trading day before the announcement of the Offer) was \$0.09.

The highest and lowest prices at which Shares traded on ASX during the 3 months prior to the announcement of the Offer were \$0.105 and \$0.082 respectively. The volume-weighted average price at which Shares traded on ASX in this period was \$0.092.

1.15 Risks

An investment in Solco involves a number of risks. The risks associated with an investment in Solco are set out throughout this Offer Document and, in particular, in Section 5 of this Offer Document and you should consider these factors in light of your personal circumstances, including financial and taxation issues. Before making an investment decision, Eligible Shareholders should read the Offer Document in full and should consult with their professional advisers. You should conduct your own independent review, investigation and analysis of the Solco Shares the subject of the Offer. You should obtain any professional advice you require to evaluate the merits and risks of an investment in Solco before making any investment decision based on your investment objectives.

1.16 Taxation

Shareholders should be aware that there may be taxation implications associated with participating with the Offer. The taxation consequences of investing in the New Shares will depend on your particular circumstances. Solco considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Shares under this Offer or the subsequent disposal of any New Shares. It is your responsibility, as a potential investor, to make your own enquiries concerning the taxation consequences of an investment in Solco. See Section 6.7 for a general discussion of taxation issues. If you are in doubt as to the consequences of an investment, you should consult with your taxation or other professional adviser before investing.

1.17 Enquiries

If you require advice as to whether to accept your Entitlement, you should seek professional advice from your legal, investment or other professional adviser.

Enquiries concerning the Entitlement and Acceptance Form and the Offer can be directed to the Company's Share Registry at:

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone: 1300 545 958 (within Australia)
+613 9415 4000 (outside Australia)

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2. Action required by Eligible Shareholders

2.1 Your Entitlement

Your entitlement is shown on the accompanying Entitlement and Acceptance Form. Before taking any action in relation to the Offer, you should read this Offer Document in its entirety and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

You may:

- take up all of your Entitlements to New Shares (and you may apply for additional New Shares in excess of your Entitlement);
- take up part of your Entitlements to New Shares and allow the balance to lapse; or
- do nothing and allow all of the New Shares representing your Entitlement to lapse.

2.2 What happens if I accept my full Entitlement?

If you take up your full Entitlement under the Rights Offer, you will not have your shareholding in Solco diluted by the Offer.

2.3 What happens if I do not accept my full Entitlement?

If you do not take up your full Entitlement, your proportional shareholding in Solco will be diluted because the issue of New Shares will increase the total number of Shares on issue.

As the Entitlements are non-renounceable, if you decide not to take up all or part of your Entitlement, they will lapse on the Closing Date to the extent not taken up. If Entitlements lapse Solco has reserved the right to place lapsed Entitlements in accordance with the Shortfall Offer and to Investorfirst Securities Ltd as underwriter.

2.4 How do I accept all, or part, of my Entitlement?

You may accept your Entitlement following the despatch of this Offer Document (expected to be 1 December 2011). Solco will accept applications until the Closing Date.

If you decide to take up all or part of your Entitlement, or apply for additional New Shares, please complete and return the Entitlement and Acceptance Form with the requisite Application Monies or pay your Application Monies via BPAY® by following the instructions set out on the Entitlement and Acceptance Form. Solco will treat you as applying for as many New Shares as your payment will pay for in full.

The relevant Entitlement and Acceptance Form must be accompanied by cheque, bank draft or money order in Australian dollars drawn on an Australian branch of an Australian bank for the Issue Price of the New Shares for which application is made. All cheques must be made payable to "Solco – Rights Offer Account" and crossed "Not Negotiable". Do not forward cash. Receipts for Application Monies will not be issued.

If you are paying by BPAY®, please make sure to use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. If you receive more than one personalised Entitlement and Acceptance Form, please only use the CRN specific to the Entitlement on that Form. If you inadvertently use the same CRN for more than one of your Entitlements, you will be deemed to have applied only for additional New Shares on the Entitlement to which that CRN applies. If you are paying by BPAY® payment, you do not need to mail the personalised Entitlement and Acceptance Form.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 5.00pm (AEDST) on 15 December 2011 (subject to variation). You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment, and you should therefore take this into consideration when making payment.

Completed Entitlement and Acceptance Forms and accompanying cheques must be returned to the following address and received no later than 5.00 pm (AEDST) on 15 December 2011.

Solco Limited
Computershare Investor Services Pty Limited
GPO Box 505
Melbourne VIC 3001
Australia

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required.

You should read this Offer Document in its entirety before deciding to complete and lodge your Entitlement and Acceptance Form.

2.5 How do I accept the Shortfall Offer?

To participate in the Shortfall Offer, you must accept your full Entitlement in the manner outlined in Section 2.4. You must also mark on your Entitlement and Acceptance Form the number of additional New Shares for which you wish to apply under the Shortfall Offer and include Application Monies for those additional New Shares. You must then include the Application Monies and return the relevant Entitlement and Acceptance Forms in the manner outlined in Section 2.4.

There is no guarantee that you will receive any Shortfall Shares.

2.6 Acceptance of applications under the Offer

Completing and lodging an Entitlement and Acceptance Form for the Offer is an offer by you to Solco to subscribe for the number of New Shares specified in the Entitlement and Acceptance Form at the Issue Price on the terms and conditions set out in this Offer and the Entitlement and Acceptance Form. The Entitlement and Acceptance Form once lodged cannot be withdrawn and does not need to be signed to be binding. If the Entitlement and Acceptance Form is not completed correctly, Solco in its absolute discretion can reject it or treat it as invalid. Solco's decision as to whether to accept or reject an Entitlement and Acceptance Form or how to interpret an incorrectly completed Entitlement and Acceptance Form is final.

An application may be accepted in respect of the full amount, or any amount less than that specified in the Entitlement and Acceptance Form, without further notice to the relevant Eligible Shareholder. Acceptance of an application will give rise to a binding contract with acceptance to take place after the quotation of the New Shares on ASX.

No stamp duty, brokerage or commission is payable by applicants.

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3. Update on Solco

3.1 Solco overview

Solco has played a major role in the development of the industry over the past quarter century, continuing to offer new and innovative products to its customers. As a result, Solco has been rewarded through industry acknowledgment and company expansion.

Reaching this important milestone reinforces the success of our business strategy and our commitment to ensuring the sustainability of the industry.

Our strategy, devised in 2010, was to put in place the right foundations for further growth and market expansion.

At Solco, our vision is to be Australia's first choice in renewable energy solutions for residential, commercial and utility markets.

Solco's strategy is to continue to grow its wholesale division, selling solar power and pumping products across Australia and to increase our market share of grid-feed power generation through larger scale commercial installations and build own operate power generation projects using strategic joint venture partnerships

The industry is going through another period of significant change with the reductions in State feed-in tariffs. However, our expertise, strong financial position and diversified business strategy will give us the opportunity to take advantage of this and other shifts in the market.

3.2 Financial results to 30 June 2011

On 30 August 2011, the Solco Group released its audited financial statements for the financial year ended 30 June 2011. A copy of the Annual Report, which contains the financial statements, is available from the ASX website. In summary:

	Consolidated	
	2011	2010
	\$	\$
Continuing operations		
Revenue	53,725,807	34,532,511
Change in inventories of finished goods and work in progress	(1,899,416)	2,239,002
Raw materials and consumables used	(42,038,490)	(29,946,135)
Gross profit	9,787,901	6,825,378
Other income	132,040	330,613
Employee benefit expenses	(3,910,724)	(2,560,245)
Research and development expenses	(2,144)	(8,560)
Advertising expenses	(301,520)	(123,961)
Company overhead expenses	(1,846,296)	(1,049,435)
Allowance for bad and doubtful debts	1,000	8,625
Depreciation and amortisation expenses	(37,460)	(40,584)
Finance costs	(221,654)	(55,816)
Write off of assets	-	(33,786)
Profit before tax	3,601,143	3,292,229
Income tax (expense)/benefit	(1,139,512)	1,503,783
Profit for the year	2,461,631	4,796,012
Other comprehensive income/ (loss)		
Cash flow hedges:		
Loss taken to equity	(76,778)	-
Income tax benefit on items of other comprehensive income	23,033	-
Other comprehensive loss for the year, net of tax	(53,745)	-
Total comprehensive income for the year	2,407,886	4,796,012

(a) Financial Highlights

- Group profitability improved from \$3.29 million profit before tax in FY2010 to a \$3.60 million profit before tax in FY2011, an increase of 9%.
- Total revenue for the period increased from \$34.5 million in FY2010 to \$53.7 million, an increase of 56%.
- Trade and other receivables increased from \$4.2 million in FY2010 to \$4.4 million at 30 June 2011, and inventories increased during the same period from \$4.4 million to \$7.0 million.
- Cash flow from operations decreased 15% from FY2010 to \$1.6 million in FY2011.
- Cash at bank at 30 June 2010 increased to \$6.78 million as compared to \$6.06million for FY2010.

(b) Operational Highlights

The company achieved a number of strategic initiatives during FY 2011, strengthening the core through signing strategic supply agreements, in some cases securing exclusive representation in the Australian market; further expanding our National sales reach and distribution footprint; and enhancing our Commercial capabilities and I.P., in particular developing our SolcoShare® visual display systems.

Solar Products

During FY2011 we released new products into the Australian market following the development of strategic supply relationships, these include:

- Panels – Bosch premium panels
- Inverters –
 - Solar Edge Inverters – cutting edge technology optimising power capture
 - Motech Inverters – high quality Taiwanese inverters imported under an exclusive supply agreement
 - Eversolar Inverters – Low-cost high-quality Chinese manufactured inverters
- Morning Star 24v MPPT's for off grid and recreational applications.

Other significant highlights include:

- Continuing the expansion of our sales team expansion with the appointment of a second salesperson in NSW. We have placed business development managers in all mainland states supported by sales and customer service team members in our strategically located warehouses.
- We opened a 600 sq metre office and warehouse the south eastern Melbourne suburb of Mt Waverley. This has reduced our shipping times and improved customer service for south eastern Australia. The facility has also increased our despatch capacity and allowed us to achieve new levels of record monthly sales during the period.

Pumps

- In January this year we were pleased to announce the signing of an exclusive supply and distribution agreement with Lorentz pumps. This was a significant milestone for our pump division and augments our proprietary Sun Mill range and also our distribution of Shurflo pumps.
- In addition to existing staff in WA we established sales staff on the eastern seaboard of Australia in Q4 FY11 and have now developed a national sales and service team to support our pump customers. Our team has been actively calling on new dealers with a focus on expanding our national channel to secure growth for the pump division. Interestingly we are seeing some synergies with existing PV customers and have been able to offer a broader range or 'solar solutions' to our customers, enhancing their relationship with Solco as a 'one stop shop' for their requirements.

Projects

- We see our Projects division as having huge growth potential, which is being fuelled by current and future market issues. The growth of the Projects division is a vital part of our long-term strategy and we will continue to utilise our industry knowledge to gain exposure into this market. We have already

made a number of strategic alliances and will look for further acquisition opportunities to strengthen our position in this space.

- In the last financial period our Projects division demonstrated solid growth, having successfully tendered seven commercial and industrial projects during the past financial year. These comprised a diverse range of technologies including solar trackers, grid-connected roof top arrays, wireless data transmission, SolcoShare® visual display systems and remote, specialist applications.

3.3 Post 30 June 2011 financial performance

The unaudited results to 30 September 2011 is presented below:

	Consolidated 3 months to 30 September 2011 \$
Continuing operations	
Revenue	6,026,005
Cost of sales	<u>(5,568,338)</u>
Gross profit	457,667
Total company expenses	<u>(1,479,040)</u>
Loss before tax	<u><u>(1,021,373)</u></u>

Post June 30 we have realised a predicted change in the landscape for solar as the market transitions from a sector with demand stimulated by Government sponsored support to one where the normal influences of supply and demand have taken a preeminent role. This transition is not limited to Australia, but has been a global phenomenon.

A direct consequence has been a significant reduction in product costs, particularly on Solar panels, with Solar system costs now nearing (if not at) a point referred to as Grid Parity, the point where the levelised cost of energy generated by a solar system per kilowatt hour equates with the point-of-sale retail cost of traditionally generated electricity.

Per our guidance recently issued to the market, the shift in the sector has impacted Solco's first quarter revenues and will have the effect of reducing total year revenues to a forecast \$40 million. The first half of FY 12 has been characterised by reduced demand due to sales "pulled forward" into June 2011 ahead of rebate program closures, falling prices, and overseas suppliers endeavouring to "dump" surplus product into the Australian market. These factors have placed significant pressure on margins. Solco has implemented prudent reductions to our cost base during this period.

Solco has continued our strategy of hedging all overseas currency exposure. The volatility of the A\$ during the first quarter (high US\$1.1055:A\$1.00 – 28 July 2011; low US\$0.9672:A\$1.00 26 September 2011 source: RBA) has also resulted in accounting entries for exchange during the quarter totalling a \$700,000 loss. Payment of foreign currency accounts at hedged rates will reverse many of these entries.

Our projection remains for a strengthening second half, this view supported by:

- Scheduled reduction in REC multiplier by 30 June 2012
- Continued increases in retail electricity costs
- Expanding commercial opportunities driven by rising power costs
- Reduced cost of inventory stabilising margins.

4. Purpose and effect of the Offer

4.1 Overview

On completion of the Offer:

- the New Shares issued pursuant to the Offer will constitute 22% of the total number of issued Shares immediately after the allotment of the New Shares; and
- the total number of Shares on issue after the allotment will be 256,646,109.

The Offer will provide Solco with net proceeds of up to approximately \$3,848,273 after issue expenses of approximately \$144,000 (which issue expenses are being borne by Solco). Please refer to Section 4.3 for further information regarding the effect of the Offer on the capital structure.

4.2 Use of funds

The Company will use the funds raised to enable it to fund future acquisitions as and when the opportunity arises. The Company may also use part of the funds raised for working capital purposes, should the need arise.

4.3 Impact on capital structure

The following table shows the proposed capital structure of Solco on completion of the Offer:

	Number of Shares	Percentage of post Offer Shares
Opening balance (pre Offer)	199,613,640	78%
Rights Issue	57,032,469	22%
Estimated total Shares on issue immediately after Offer	256,646,109	100%

4.4 Impact on control

As at the date of this Offer Document, based on substantial holder notices received by Solco, Shareholders with a substantial holding in Solco comprise only Mr David Richardson and related entities, holding a combined 89,170,775 shares, or 44.67%, in the Company.

The effect on Mr Richardson's holding as a result of his participation in the Rights Issue is shown in the table below:

Substantial holder	Number of Shares	Percentage of total Shares on Issue
Mr David Richardson and related entities	89,170,775	44.67%
Rights Issue	25,477,364	44.67%
Total	114,648,139	44.67%

The Company has received notification that Mr Richardson and his related entities will take up their full entitlement under the Rights Offer. This will equate to a further 25,477,364 Shares being issued to Mr Richardson or his related entities and will take the combined number of Shares held by Mr Richardson and his related entities to 114,648,139 or 44.67% of total shares on issue.

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4.5 Pro forma balance sheet

Set out below is a pro forma balance sheet of Solco on successful completion of the Offer. It is based upon Solco's balance sheet as at 30 June 2011 contained in the Annual Report for Solco for the year ended 30 June 2011 as lodged with ASX on 30 August 2011, adjusted for trading to 30 September 2011 (as set out in Section 3.3).

The financial information has been prepared in accordance with the Corporations Act, the Corporations Regulations 2001, ASX Listing Rules, Accounting Standards and other mandatory financial reporting requirements in Australia. The pro forma balance sheet reflects the impact of:

- the issue of 57,032,469 Shares under the Offer at \$0.07 per Share to raise gross proceeds of \$3,992,273;
- estimated combined transaction costs of \$144,000 which have been deducted from the gross proceeds

as if they had occurred on 30 September 2011.

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Statement of financial position

	Audited 30 June 2011	Unaudited transaction to 30 September 2011	Unaudited 30 September 2011	Adjustment: New Shares under this Offer	Pro-forma 30 September 2011
	\$	\$	\$	\$	\$
Current assets					
Cash and cash equivalents	6,775,327	(4,621,916)	2,153,411	3,848,273	6,001,684
Trade and other receivables	4,370,360	(1,250,206)	3,120,154		3,120,154
Inventories	7,068,288	4,046,654	11,114,942		11,114,942
Derivative financial instruments	-	635,635	635,635		635,635
Other assets	369,937	24,330	394,267		394,267
Total current assets	18,583,912		17,418,409		21,266,682
Non-current assets					
Property, plant and equipment	250,491	60,607	311,098		311,098
Intangible assets	754,761	-	754,761		754,761
Other assets	57,510	-	57,510		57,510
Deferred tax asset	1,149,023	-	1,149,023		1,149,023
Total non-current assets	2,211,785		2,272,392		2,272,392
Total assets	20,795,697		19,690,801		23,539,074
Current liabilities					
Trade and other payables	5,409,264	(450,155)	4,959,109		4,959,109
Provisions	277,425	10,447	287,872		287,872
Income tax payable	758,507	-	758,507		758,507
Derivative financial instruments	145,211	(145,211)	-		-
Total current liabilities	6,590,407		6,005,488		6,005,488
Non-current liabilities					
Provisions	375,998	11,028	387,026		387,026
Total non-current liabilities	375,998		387,026		387,026
Total liabilities	6,966,405		6,392,514		6,392,514
Net assets	13,829,292		13,298,287		17,146,560
Equity					
Issued capital	19,815,044	-	19,815,044	3,848,273	23,663,317
Reserves	(53,745)	490,368	436,623		436,623
Accumulated losses	(5,932,007)	(1,021,373)	(6,953,380)		(6,953,380)
Total equity	13,829,292		13,298,287		17,146,560

Adjustments are as follows:

New Shares under this Offer:

- Gross proceeds of \$3,992,273 (57,032,469 shares at an issue price of \$0.07 per share);
- Less estimated underwriting fees of \$110,443, excluding GST; and
- Less estimated legal, share registry and other costs of \$33,557, excluding GST.

5. Risk factors

5.1 Overview

There are a number of factors, both specific to the Solco Group and of a general nature, which may affect the future operating and financial performance of the Group and the outcome of an investment in the Solco Group. There can be no guarantees that the Group will achieve its stated objectives, that forecasts will be met or that forward looking statements will be realised.

This Section 5 describes certain, but not all, risks associated with an investment in the Solco Group. Many are outside the control of the Solco Group and the Directors. Prior to making an investment decision, prospective investors should carefully consider the following risk factors, as well as the other information contained in this Offer or of which they are otherwise aware. Some of the risks may be mitigated by the Solco Group using safeguards and appropriate systems and taking certain actions. Some of the risks may be outside the control of the Solco Group and not capable of mitigation. There are also general risks associated with an investment in shares.

Additional risks

The risk factors listed below is not an exhaustive list of the risks faced by the Group and its Shareholders and investors. The risks, and others not specifically referred to below, may in the future materially affect the financial performance of the Group and the value of the Shares offered under this Offer Document. Therefore, no assurances or guarantees of future profitability, distributions, payment of dividend, return of capital or performance of the Group or its Shares can be, or is, provided by the Group. Eligible Shareholders should read this Offer document in its entirety and consult their professional advisers before deciding whether to accept the Offer for New Shares.

Eligible Shareholders should recognise that the price of the New Shares may fall as well as rise. It is possible that the market price of New Shares may not rise above, or remain above the Issue Price and that it may fall below the Issue Price.

5.2 Risks associated with your holding of Shares

The risks associated with your holding of Shares include the following:

(a) Changing government policies

Growth in the solar industry over the past years has in part been supported by favourable state and federal government incentives and support programs. As solar power generation moves toward being economic in its own right, governments have or are curtailing or reducing support at rates which do not necessarily match energy price increases or solar product cost reductions directly. For certain markets and locations this may dampen demand for Solco products for the period prior to reaching grid parity.

Australian political federal and state parties have differing opinions on the level of support that should be granted to the solar industry and carbon emission reduction in general. Future state and federal elections may return parties less favourable to support renewables industries.

When introduced, the carbon tax may precipitate further reductions, specific government support, for the solar industry as this support may be seen as a doubling up.

(b) Industry downturn

The Group's financial performance is sensitive to the level of activity within the residential, rural and commercial property sectors, which can be cyclical and sensitive to a number of factors beyond the control of the Group. The Group is unable to predict the timing, extent or duration of such cycles within the markets within which it operates.

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Solco primarily sells products business-to-business and therefore is dependent on those business customers maintaining and retaining their customers who are the final purchasers of Solco products and remaining economical viable and continue to operate.

(c) *Growth strategy*

Future growth of sales is dependent upon many factors. There is no assurance that the recent growth in sales is sustainable or is indicative of future growth, profitability or ability to pay dividends. Nor is there any assurance that revenue will increase in response to research and development, marketing or promotional activities undertaken by Solco.

(d) *Prices*

Demand for products provided by the Group (and thus its future revenues, operating results, profitability, future rate of growth and the carrying value of its assets) may fluctuate depending on prevailing market prices for electricity (being energy sources competing with the Group's technology). A decline in the price at which the Group may sell its products or a decline in the level of government rebate in cases where the government currently provides rebates or other concessions to encourage solar power usage and installations could have major implications for the Group. Additional factors beyond the control of the Group which may affect the prices of the Group's products include:

- Economic conditions;
- Consumer demand;
- The price, availability and acceptance of alternative/competitive products; and
- Actions of national, state or country, local and foreign authorities including reductions or withdrawals of rebates originally designed to encourage solar power usage and installation.

In addition, the price of parts, plant and other equipment required by the Group in order to produce its products may be adversely affected by the above and other factors (for example, higher prices for imported products caused by movements in exchange rates).

(e) *Competition*

The Group has many competitors in the industry sectors in which it operates, and therefore operates in a competitive market environment. Additionally, barriers to entry in Solco's market sector do not preclude the rapid entry of new competitors from within Australia and from overseas. The Group's ability to successfully compete with its competitors will depend upon a large number of factors, including the perceived quality of the Group's goods and services, success with the ongoing research and development of the Group's products, the performance of the Group's products and services in the marketplace, the success of the Group's market strategies and the general business practices and methods of the Group in its operations. The performance of existing competitors, or the entry of new competitors, in the water and power generation industries could result in reduced margins, price reductions, under utilisation of assets and loss of market share. Any of these factors could adversely affect the Group's operating and financial performance.

Recent rapid growth in the low-cost manufactures of the products Solco sell has seen an oversupply of these products in the world market and dramatic reductions in product prices. This may lead to dumping in the Australian market and further price reductions which may adversely affect Solco's revenue and capability to remain competitive.

(f) *Costs*

Factors that will determine Solco's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets Solco operates, competitive factors and regulatory developments.

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(g) Overheads and carbon tax

Australia is currently experiencing significant inflationary pressures in the area of wages, utilities and other overheads. The proposed carbon tax is also likely to contribute towards increased overheads in future financial years. There is a risk that overheads reach a level that Solco is unable to pass onto customers and may therefore not be able to generate operating profits from sales.

(h) Working capital

The Company is only raising sufficient funds pursuant to this Rights Offer to cover its present and proximate future capital requirements. Subject to revenue generated from its activities and the terms of any commercial arrangements which may have been or are entered into, the Company may have to raise further capital or borrow funds in the future to continue funding its operations and strategic growth. There is no guarantee that such additional funds will be available to the Company, and the Company may be adversely affected in a material way if, for any reason, access to such funds is not available.

(i) Operating risks

The operations of the Group may be affected by various factors, including:

- operational and technical difficulties;
- difficulties in commissioning and operating plant and equipment;
- mechanical or technical failures or plant breakdowns;
- unanticipated engineering, design or technical problems;
- plant and equipment unavailability or shortages (including delays in delivery);
- increases in the cost of consumables, spare parts, plant and equipment;
- industrial and environmental accidents and hazards (including, by way of example, fires and explosions);
- labour and industrial disputes; and
- extended interruptions due to inclement and hazardous weather conditions.

These hazards and risks could result in damage to or loss of life, damage to or the destruction of production facilities and property, environmental damage and possible legal liability for any and all damage. One or a combination of these events and impacts could have a material adverse effect on the financial position, financial performance, cash flows and growth prospects of the Group. Whilst the Group has implemented a number of systems to guard against errors and industrial accidents, a serious accident or error could have long-term material adverse implications for the Group.

(j) Production risks

Production may be impacted or shut down for periods of time due to any of the following factors:

- government regulation;
- equipment failure;
- equipment or manpower shortages;
- force majeure;
- explosions or fires; and
- environmental hazards and risks

all of which could have a material adverse effect on the Group's financial position, financial performance, cash flows and growth prospects.

(k) Contractual arrangements

The Group is a party to a number of contracts, particularly supply contracts with its major suppliers. Failure by any party to a contract with the Group to comply with their obligations could have a material adverse effect on the financial position, financial performance, cash flows and growth prospects of the Group.

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(l) Key relationship breakdowns

The Group relies upon its close and long-standing business relationships with a number of key suppliers, distributors and clients in order to maintain and grow its market share. The Group does not have in place formal written contracts with all of its key suppliers, distributors and clients. The deterioration of any such key relationships or a change in the circumstances or requirements of the key suppliers, distributors and/or clients, or market conditions generally, could therefore have significant operational and financial implications for the Group.

(m) Regulatory risk

The Group's operations are governed by national and local laws and regulations and guidelines that set standards regulating certain aspects of its products and their connectivity with utility grids and networks, and which provide for penalties and other liabilities for the violation of such standards. Many aspects of the Group's product sales will be subject to approvals by government authorities.

(n) Technology

Solco's future success will depend on its ability to enhance its existing products and develop new products so that it can compete in a global market place. This will require management to remain at the forefront of technological developments in the industries in which it operates. There can be no assurance that Solco will successfully source, develop and manufacture new products or that new products will be accepted in the market place. If Solco does not successfully introduce new products, the business, operating results and financial condition of Solco may be adversely affected.

Solco endeavours to keep itself abreast of major technological developments however, it is difficult to predict which developments will have a major impact on the market. Solco has to decide and direct its resources accordingly. Some decisions on the perceived significance of the technology and its relevance to the market may be incorrect. If Solco does not direct its resources accordingly, the ability of Solco to compete in the future will be adversely affected.

(o) Research and development

Solco can make no representation that any of its research into or development of new products will be successful, that the development milestones will be achieved, or that products that are commercially exploitable will be developed.

There are many risks inherent in the development of products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit or research may cease to be viable for a range of scientific and commercial reasons.

(p) Manufacturing and quality risk

There is a risk that Solco's products may not be manufactured in a timely fashion (particularly in response to elevated levels of customer demand) at an appropriate cost or to the required quality standards of customers and regulatory bodies. These risks have been mitigated by utilising either manufacturers with quality certification and the experience and capability to be able to produce each assembly to the relevant standard or by sourcing and using appropriate materials in the manufacturing process. Both elements are continually monitored to assist in achieving product standards.

(q) Business contract risk

Many of Solco's contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual vicissitudes of litigation, there may be regulatory or practical considerations that frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on Solco's ability to collect payments and otherwise to enforce its contracts and may have a significant adverse effect more generally on Solco's business and profitability.

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(r) Government regulations

Solco's facilities are subject to various regulations including relating to occupational health and safety, the storage and handling of dangerous goods, Department of Environment licensing and the disposal of effluent and waste. It is possible that current or future laws and regulations could require Solco to make substantial expenditures for preventative or remedial action, reduction of chemical exposure or waste treatment or disposal. There can be no assurance that Solco's operations, business, products or assets will not be materially and adversely affected by the interpretation and enforcement of current or future laws and regulations.

(s) Tax losses

Tax losses generated by Solco and its subsidiaries may be carried forward and offset against future taxable income provided certain tests are met. The tests that must be met to carry forward and utilise tax losses are the continuity of ownership test or the same business test. If Solco fails to meet the requirements of this testing, it will be unable to realise the benefit of accumulated tax losses.

(t) Potential acquisitions

As part of its business strategy, the Company has foreshadowed its intention to make acquisitions of complementary businesses. Any such future transactions would be accompanied by the risks commonly encountered in making new acquisitions of companies including assessment risk, execution risk and integration risk.

(u) No formal valuation of assets or shares

No contemporary formal valuations of the Shares, or the assets of the Group, have been carried out.

5.3 General risk factors*(a) Share market conditions*

There are risks associated with any share investment. The price of the Shares will be influenced by international and domestic factors affecting market conditions in equity, financial and commodity markets.

These factors may affect the share price for all listed companies, and the price of the Shares may fall or rise, and the price of the Shares may trade below or above the Issue Price, and any Eligible Shareholders or other Applicants who decide to sell their Shares may not receive the amount of their original investment.

The price at which the Shares can be sold may be affected by factors specific to the Company and by external factors over which the Directors and the Company have no control. Factors specific to the Company include actual or anticipated announcements in regards to the Group's operations, financial performance, financial position, growth prospects, contracts and agreements and production and service activity, announcement of new products or services by the Group or competitors, changes in financial estimates, valuations or opinions of securities analysts, conditions or trends in the industries in which the Group operates, changes in the market valuations of competitors, announcements by the Group or its competitors of acquisitions, strategic relationships, joint ventures or capital commitments and additions and departures of key personnel.

External factors include local and world economic conditions and outlook, general movements in local and international stock markets, investor sentiment, interest rates, the rate of inflation, exchange rates, levels of tax, taxation law and accounting practice, government legislation or intervention, changes in government, inflation or inflationary expectations, changes in taxation or other regulatory or policy changes, investor perceptions and sentiment, natural disasters, social disorder or war in Australia or overseas, international hostilities and acts of terrorism, as well as many other factors which are beyond the control of the Group.

These factors could have a material adverse effect on the financial position, financial performance, cash flows, growth prospects of the Group and therefore the ability of the Company to pay dividends and the performance of its Shares.

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(b) *Economic conditions*

The operating and financial performance of Solco is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates, government fiscal, monetary and regulatory policies and other factors peculiar to the utilities sector. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on Solco's business or financial situation.

(c) *Reliance on key management personnel*

Whilst every effort is made to retain key employees and contractors and to recruit new personnel as the need arises, loss of a number of key personnel may adversely affect the Group's financial performance. The Group's ability to retain the services of its key personnel or find timely replacements for the loss of such key personnel is critical to its success. In addition, demand for skilled personnel is presently high and growth and profitability may be limited by the scarcity of professional personnel or by potential increases in compensation costs associated with attracting or retaining such personnel.

(d) *Regulatory risk*

The Group's operations are governed by national and local laws and regulations and guidelines that set standards regulating certain aspects of its products and their connectivity with utility grids and networks, and which provide for penalties and other liabilities for the violation of such standards. Many aspects of the Group's product sales will be subject to approvals by government authorities.

(e) *Insurance*

Solco will have insurance in place considered appropriate for Solco's needs. Solco will not be insured against all possible losses, either because of the unavailability of cover or because the Directors believe the premiums are excessive relative to the benefits that would accrue. If Solco incurs uninsured losses or liabilities, this could have a material adverse effect on the financial performance and position of Solco. The Directors believe that the insurance Solco has in place is appropriate. The Directors will continue to review the insurance cover in place to ensure that it is adequate.

(f) *Unforeseen expenditure risk*

Expenditure may need to be incurred that has not been taken into account in the preparation of this Offer Document. Although Solco is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of Solco.

6. Additional information

6.1 Expenses of the Offer

Expenses connected with the Offer are being borne by Solco. The approximate expenses of the Offer including brokerage fees, legal fees, registry fees, printing fees and other general costs are estimated to be \$144,000, exclusive of GST.

6.2 Litigation

So far as Solco is aware, there are no legal or arbitration proceedings, active or threatened against, or being brought by Solco which may have a material effect on Solco's financial position.

6.3 Withdrawal of Entitlement Offer

The Directors reserve their right to withdraw all or part of the Offer at any time prior to the issue of New Shares, in which case Solco will refund Application Monies in accordance with the Corporations Act without payment of interest.

6.4 Underwriting

Solco has entered into an Underwriting Agreement dated 21 November 2011 with Investorfirst Securities Ltd under which Investorfirst Securities Ltd has agreed to manage the Offer and underwrite the issue of New Shares under the Offer.

In consideration for underwriting the Offer, Solco will pay Investorfirst Securities Ltd an underwriting fee of 5% of the Issue Price for all New Shares the subject of the Offer other than those issued to David Richardson or any of his related parties, which will not be charged for under the Underwriting Agreement. This underwriting fee is only payable if the Offer is completed. Solco must also pay all costs, professional fees and expenses of this Offer incurred by Investorfirst Securities Ltd (whether or not the Offer proceeds).

Customary with underwriting agreements, the Company has:

- (a) given certain representations and warranties to the Underwriter;
- (b) given the Underwriter a number of termination rights, including market related termination events in respect of a fall in certain market indices;
- (c) given undertakings to the Underwriter, including compliance with this Offer Document;
- (d) agreed to indemnify the Underwriter and others against their losses in connection with the Offer; and
- (e) agreed to promptly give to the Underwriter all information reasonably requested in relation to the Offer and the Underwriting Agreement.

6.5 Disclosure

This Offer Document contains an Offer to subscribe for continuously quoted securities (as defined in the Corporations Act) of Solco and has been prepared in accordance with Section 708AA(2)(f) of the Corporations Act. In broad terms, Section 708AA relates to rights issues by certain listed companies that do not require the provision of a prospectus or other disclosure document to investors under Part 6D.2 of the Corporations Act. Accordingly, the level of disclosure in this Offer Document is significantly less than that required in a prospectus. Eligible Shareholders should therefore rely upon their own knowledge of Solco, refer to disclosures already made by it to ASX and ASIC (which are available for inspection on the ASX website at www.asx.com.au and on Solco's website at www.solco.com.au), and refer to their professional adviser before deciding to accept the Offer.

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6.6 Continuous disclosure and documents available for inspection

Solco is a disclosing entity within the meaning of the Corporations Act 2001 and is, and has for the past twelve months been, subject to regular reporting and disclosure obligations.

Solco believes that it has fully complied with the general and specific requirements as set forth by the ASIC and ASX in relation to continuous disclosure, which includes the provisions of Chapter 2M of the Corporations Act as they apply to Solco and Section 674 of the Corporations Act.

Copies of documents lodged with ASIC in relation to Solco may be obtained from, or inspected at, an office of the ASIC.

6.7 Taxation

Set out below is a summary of the Australian tax implications of the Offer for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Shares as capital assets.

The summary below also does not take account of any individual circumstances of any particular Eligible Shareholder. **Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.**

The summary below does not necessarily apply to Eligible Shareholders who hold their Shares as assets used in carrying on a business or who may carry on the business of security trading, banking or investment. The summary below does not necessarily apply to Eligible Shareholders whose Shares are held as revenue assets or trading stock. The summary below is based on the law in effect as at the date of this Information.

(a) Issue of Entitlements

Subject to the qualifications noted above, the issue of the Entitlements will not itself result in any amount being included in the assessable income of an Eligible Shareholder.

(b) Exercise of Entitlements

Eligible Shareholders who exercise their Entitlements and subscribe for New Shares will acquire those shares with a cost base for capital gains tax (CGT) purposes equal to the Offer Price payable by them for those shares plus any non-deductible incidental costs they incur in acquiring those shares, but will not make any capital gain or loss, or assessable income, from exercising the Entitlements or subscribing for the New Shares.

(c) New Shares

Eligible Shareholders who exercise their Entitlements will acquire New Shares. Any future distributions made in respect of those New Shares will be subject to the same taxation treatment as distributions made on Shares held in the same circumstances.

On any future disposal of New Shares, Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base of those shares is described above.

New Shares will be treated for the purposes of the CGT discount as having been acquired when the Eligible Shareholder exercised the Entitlement to subscribe for them. Accordingly, in order to benefit from the CGT discount in respect of a disposal the New Shares must have been held for at least 12 months from the date the Entitlements are exercised.

(d) Other Australian taxes

No Australian Goods and Services Tax (GST) or stamp duty is payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares.

6.8 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this Offer Document.

Any information or representation in connection with the Offer that is not in this Offer Document is not, and may not be relied on as having been authorised by Solco or any of its officers or any of their related bodies corporate in connection with the Offer. Except as required by law, and only to the extent so required, none of Solco or any other person, warrants or guarantees the future performance of Solco or any return on any investment made pursuant to this Offer Document.

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7. Glossary

AEDST	Australian Eastern Daylight Saving Time
Application	a valid application by way of an Entitlement and Acceptance Form accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies through BPAY® made to subscribe for a specified number of New Shares under the Offer
Application Monies	the monies received from applicants for New Shares in accordance with this Offer Document
ASIC	the Australian Securities and Investments Commission
ASX	the ASX Limited (ABN 98 008 624 691)
ASX Listing Rules	the listing rules of ASX
Board	the board of directors of Solco
Business Day	a day on which ASX is open for trading
Closing Date	5.00pm (AEDST) on 15 December 2011 or such other date as may be determined by the Directors
Company	Solco Limited
Constitution	the constitution of Solco as amended from time to time
Corporations Act	the Corporations Act 2001 (Cth)
Directors	the directors of Solco
Eligible Shareholder	a person who is a Shareholder at 7.00pm (AEDST) on the Record Date who is not a Foreign Shareholder
Entitlement	the non-renounceable right of an Eligible Shareholder to subscribe for New Shares under the Rights Offer
Entitlement and Acceptance Form	the personalised form attached to or accompanying this Offer Document
Existing Shares	Shares on issue in Solco on the Record Date
Foreign Shareholder	a Shareholder described as a Foreign Shareholder in Section 1.13
Group	collectively the Company and any subsidiary
GST	goods and services tax
Issue Price	the issue price of \$0.07 per New Share
Investorfirst Securities Ltd	Investorfirst Securities Ltd (ABN 40 135 332 240)
New Shares	a new fully paid ordinary share in the capital of Solco to be issued under this Offer Document

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Offer	the Rights Offer and the Shortfall Offer
Offer Period	the period starting on the despatch of this Offer Document and ending at 5.00pm (AEDST) on the Closing Date
Offer Document	this document and any supplementary or replacement Offer Document in relation to this document
Record Date	the date for determining Entitlements under the Offer, being 7:00pm (AEDST) on 29 November 2011
Rights Issue	the issue of New Shares upon receipt of valid acceptances under the Rights Offer
Rights Offer	the offer of Entitlements to New Shares under this Offer Document
Shareholder	a holder of Shares
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shares	fully paid ordinary shares in the capital of Solco
Shortfall	the shortfall in applications for New Shares under the Rights Offer (if any)
Shortfall Offer	the offer to each Eligible Shareholder to subscribe for New Shares in excess of a Shareholder's Entitlement as described in Section 1.4
Shortfall Shares	the New Shares for which applications are not received under the Rights Offer prior to the Closing Date
Solco	Solco Limited (ABN 27 084 656 691)
Underwriter	Investorfirst Securities Ltd
Underwriting Agreement	the underwriting agreement dated 21 November 2011 between Solco and the Underwriter with respect to the Offer
US	the United States of America
US Securities Act	the US Securities Act of 1933, as amended