

Update to Creditors – 10 January 2008

**Merino Pty Ltd
(Administrators Appointed)
ACN 054 622 123
("Merino")**

We refer to the initial Circular to Creditors dated 18 December 2007 and provide this update regarding the voluntary administration of Merino.

First statutory meeting of creditors

The first statutory meeting of creditors of Merino was held on 27 December 2007. At that meeting, creditors resolved to appoint a Committee of Creditors. Minutes of the meeting were lodged with the Australian Securities and Investments Commission on 10 January 2008.

Extension of convening period for second statutory meeting of creditors

As set out in the Circular to Creditors dated 18 December 2007, a decision regarding the future of Merino is to be made at the second statutory meeting of creditors in the administration.

Pursuant to the Corporations Act, the second statutory meeting of creditors in the administration of Merino would have been required to be held on or before Monday, 21 January 2008.

As outlined at the first meeting of creditors, the administrators were of the view this may not allow sufficient time to conduct the detailed investigations into Merino's affairs required to enable proper reporting to creditors and formulation of the administrators' recommendations regarding the future of Merino. Accordingly, on 10 January 2008 an application was made to the Supreme Court of Queensland for an extension of the period within which that meeting is to be convened. The Court extended the convening period to 15 February 2008, with the second meeting of creditors to be held on or before 22 February 2008. Pursuant to the Court Order, the meeting may be convened for an earlier date, if that is appropriate.

Before the second statutory meeting of creditors is held, all creditors will receive a detailed report from the administrators regarding Merino's affairs and the administrators' recommendations.

Continued trading operations

The administrators continue to trade Merino's business for the time being and have received continued support from:

- + financiers;
- + suppliers;
- + customers; and
- + employees and management of Merino.

The administrators extend their appreciation to all parties who have continued to provide support to Merino since the administrators' appointment on 18 December 2007.

The administrators intend to continue trading Merino's business whilst a potential sale of Merino's business and assets as a going concern is progressed.

Sale as a going concern

Since the appointment of the administrators, a number of parties have registered their potential interest in acquiring the business and assets of Merino. At this time, it is not appropriate to disclose the identity of those parties.

Advertising commenced on 10 January 2008 seeking Expressions of Interest from interested parties. It is envisaged that an Information Memorandum will be made available to those parties shortly and that due diligence material will then be available for inspection, subject to execution of a Confidentiality Agreement.

At this stage, this process is intended to be completed by late January or early February 2008.

Other alternatives

Subject to the outcome of the sale of business process, the administrators will consider any alternative realisation strategies, in consultation with Merino's management, for the business and assets of Merino.

Further communication

The administrators intend to notify creditors of any other significant events in the administration by circulars similar to this one, where necessary. Further, the first Circular to Creditors and this circular are available on the website www.mcgrathnicol.com.

If creditors have not returned a Form 535 (Formal Proof of Debt or Claim), I would appreciate your assistance in completing and returning this form to enable confirmation of creditors' details and claims. A Form 535 is available on the website www.mcgrathnicol.com.

If creditors require any further information, please contact Mr Alex Warren on telephone number (07) 3333 9807.

Yours faithfully
Merino Pty Ltd (Administrators Appointed)



W J Harris & J P Cronin
Joint & Several Administrators