

27 February 2008

Sarah Donnelly  
Adviser, Issuers (Sydney)  
ASX Markets Supervision Pty Ltd  
Exchange Centre  
Level 1, 20 Bridge Street  
Sydney NSW 2000

**By email: sarah.donnelly@asx.com.au**

Dear Ms Donnelly

**Allco Finance Group Limited (ASX:AFG) – response to ASX query**

We refer to your letter dated 26 February 2008 and to the questions listed on page 3 of that letter. Set out below are our responses to those questions, adopting your numbering.

**1. When was the Company first aware that a Review Event had been triggered?**

The Facility Agreement for AFG's \$900 million senior debt facility sets out a number of circumstances which constitute a Review Event. These circumstances include where AFG's market capitalisation falls below \$2 billion.

If a Review Event occurs, AFG must notify the syndicate banks' agent. While the Review Event subsists, the Majority Lenders (those who have lent at least two-thirds of the aggregate borrowings) may notify AFG, within 20 business days, if the Review Event is unacceptable or, if acceptable subject to revised finance terms, those revised terms.

If the Majority Lenders notify AFG that the Review Event is unacceptable, AFG must repay the facility in full within 3 months.

If the Majority Lenders notify AFG that the Review Event is acceptable subject to specified revised finance terms, AFG must either implement those revised terms or, if the revised terms are not acceptable to AFG, AFG must repay the facility within 3 months.

If the Majority Lenders do not give the contemplated notice within 20 business days they cannot subsequently do so or take any other action.

The occurrence of a Review Event does not constitute an event of default under the loan facility.

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A market capitalisation Review Event occurred on 18 December 2007 but this did not subsist. However, following the occurrence of this Review Event, AFG commenced dialogue with the syndicate banks to restructure the terms and conditions of this facility.

A market capitalisation Review Event then occurred on 9 January 2008. This has subsisted since that time.

Following the occurrence of this Review Event AFG continued to engage in negotiations with the syndicate banks to restructure the terms and conditions of this facility. At no time prior to the expiry of the 20 business days from 9 January 2008 did the Majority Lenders notify AFG that the Review Event was unacceptable or acceptable subject to revised finance terms, or indicate that they would give such notice if the Review Event continued to subsist.

AFG's operations continued unimpeded during this time. AFG is in compliance with the financial covenants under the facility.

Just prior to the expiry of the 20 business day period following 9 January 2008, AFG at the syndicate banks' request agreed to an extension to that period until 31 March 2008.

As noted in AFG's Half Year Report, AFG remains in constructive discussions with its syndicate banks to restructure the terms and conditions of this facility and to seek approval of the Group's plans to reduce debt, and these negotiations continue. AFG has received no indication that it will not be able to achieve a successful outcome in these negotiations.

It was also noted in AFG's Half Year Report that, although AFG is taking all measures possible, there is a risk that if negotiations with the senior bank financiers which have provided the \$900 million senior debt facility are unsuccessful and/or if refinancing, repayment and/or extension of the \$250 million Syndicate Financing Facility due in May 2008 does not occur, repayment of all facilities may be required in advance of their current maturity dates. Whilst AFG believes that these facilities will be successfully renegotiated, refinanced or reduced there is a heightened risk of this not being satisfactorily achieved due to the current serious dislocation in global credit markets and the other issues outlined in the Half Year Report affecting the Group's business.

Subject to any changes that may arise from the above matters, the \$900m senior debt facility remains scheduled to mature in September 2009.

**2. Does the Company consider the triggering of the Review Event to be material to the price or value of the Company's securities?**

The occurrence of the Review Event cannot be considered in isolation from other information relevant to it. Other relevant information was set out in response to question 1. Please refer also to the response to question 5.

**3. If the Company does not consider the triggering of the Review Event to be material, please advise the basis on which the Company does not consider the triggering of the Review Event to be material.**

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As noted in response to question 2, the occurrence of the Review Event cannot be considered in isolation from other information relevant to it. Other relevant information was set out in response to question 1. Please refer also to the response to question 5.

4. **If the answer to question 2 is “yes”, please identify an announcement from the Company earlier than the release of the Company’s Half-Year Report which disclosed this information.**

This question does not arise. Please refer also to the response to question 5.

5. **If there was no earlier announcement, and the Company became aware of the triggering of the Review Event prior to the release of the Half-Year Report, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.**

Listing Rule 3.1A sets out an exception to the requirement in Listing Rule 3.1 to make immediate disclosure if certain conditions are satisfied. To the extent (if any) that the totality of the information relevant to the Review Event constituted information within Listing Rule 3.1, the conditions in Listing Rule 3.1A were satisfied. Those conditions are, relevantly:

*That the information is confidential.*

AFG believes that its negotiations with the syndicate banks concerning the Review Event remained confidential until the release of AFG's Half Year Report.

*That the information concerns an incomplete proposal or negotiation; or comprises matters of supposition or is insufficiently definite to warrant disclosure.*

AFG considers that in the circumstances described in the response to question 1 above, this condition was satisfied.

*That a reasonable person would not expect disclosure.*

ASX Guidance Note 8 states at paragraph 31:

“A reasonable person would not expect information to be disclosed if the result would be unreasonably prejudicial to the entity”.

and at paragraph 33:

“ASX will balance the needs of the market and the interests of the entity, bearing in mind the principle on which the listing rule is based, when considering if this requirement is satisfied.”

AFG considers that the premature disclosure of AFG’s negotiations with its lenders in relation to the Review Event and its assessment of the prospective outcome of those negotiations would have been unreasonably prejudicial to the outcome of those negotiations. Disclosure merely that a Review Event had occurred, without reference to AFG’s negotiations with its lenders and its assessment of the prospective outcome of those negotiations, would have been inadequate and

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would have led to uninformed negative speculation unreasonably prejudicial to the interests of AFG and its shareholders.

6. **Please confirm that the Company is in compliance with listing rule 3.1.**

AFG confirms that it is in compliance with Listing Rule 3.1.

Yours sincerely,

A handwritten signature in black ink that reads "T. Lennox". The signature is written in a cursive, slightly slanted style.

Tom Lennox  
Company Secretary



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26 February 2008

Mr Tom Lennox  
Company Secretary  
Allco Finance Group Limited  
Level 24 Gateway  
1 Macquarie Place  
Sydney NSW 2000

By Email

Dear Tom

**Allco Finance Group Limited (the "Company")**

ASX Limited ("ASX") refers to the following;

1. The Company's Appendix 4D and Half-Year Report for the period ended 31 December 2007 ("Half-Year Report") released to ASX on 25 February 2008, in which the Company confirmed that it is currently "in compliance with the financial covenants in respect of its borrowing facilities and that there has been no breach of these covenants" (Note 8(b) to the Half-Year Report). The Company also confirmed in the Half-Year Report that following the decline in its market capitalisation, a review event had occurred resulting in the potential requirement for the Company to repay \$900 million in senior debt within 90 days of receiving notice (the "Review Event").
2. Note 8(b) to the Half-Year Report indicates that whilst the Company "believes that these facilities will be successfully renegotiated, refinanced or reduced there is a heightened risk of this not being satisfactorily achieved due to the current serious dislocation in global credit markets and the other issues outlined in this report... This would have implications for the ability of the Group [Company] to continue as a going concern".
3. The ASX Price Query letter dated 21 January 2008 which noted a decrease in the price of the Company's securities from the close of \$4.80 on 18 January 2008 to a low of \$3.40 on 21 January 2008.

4. The Company's response to the ASX Price Query dated 21 January 2008 which the Company stated that there were no developments with regard to the Company's business which required market announcement and that the Company did not believe there to be any other explanation for the price change.

As you are aware, listing rule 3.1 requires an entity, once it becomes *aware* of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

*"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."*

Furthermore, paragraph 17 of Guidance Note 8 states:

*"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
  - The information concerns an incomplete proposal or negotiation.*
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
  - The information is generated for the internal management purposes of the entity.*
  - The information is a trade secret."*

Finally, I would like to draw your attention to ASX's policy position on the concept of "*confidentiality*" which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

*“Confidential’ in this context has the sense of ‘secret’...” and “Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity’s securities, or by reference to the information in the media or analysts reports”.*

Having regard to the above definition, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. When was the Company first aware that a Review Event had been triggered?
2. Does the Company consider the triggering of the Review Event to be material to the price or value of the Company’s securities?
3. If the Company does not consider the triggering of the Review Event to be material, please advise the basis on which the Company does not consider the triggering of the Review Event to be material.
4. If the answer to question 2 is “yes”, please identify an announcement from the Company earlier than the release of the Company’s Half-Year Report which disclosed this information.
5. If there was no earlier announcement, and the Company became aware of the triggering of the Review Event prior the release of the Half-Year Report, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
7. Please confirm that the Company is in compliance with listing rule 3.1.

Your response should be sent to me by e-mail at [sarah.donnelly@asx.com.au](mailto:sarah.donnelly@asx.com.au) or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **9.00 a.m. AEDT on Thursday, 28 February 2008**.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company’s securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you

have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. Donnelly', with a stylized flourish at the end.

Sarah Donnelly  
**Adviser, Issuers (Sydney)**

Direct Line: (02) 9227 0361