

5 April 2004

The Manager  
Australian Stock Exchange Ltd  
Level 4  
20 Bridge Street  
Sydney, NSW 2000

Dear Sir

### **PROPOSED BONUS ISSUE OF OPTIONS**

The Directors of AdultShop.com Limited are pleased to announce a bonus issue of options.

Bonus options will be issued to all shareholders on the basis of one new option for every two shares held as at the record date of Friday, 14 May 2004. The options, which will form a new class of securities, will be issued free of charge and will be exercisable (each option having the right to subscribe for one ordinary share) at 10 cents each on or before 30 June 2006.

Key dates are as follows:

- |  |                        |
|--|------------------------|
| ➤ Lodgement of prospectus with ASIC and ASX                      | Wednesday, 5 May 2004  |
| ➤ Shares are quoted on an "ex" basis                             | Monday, 10 May 2004    |
| ➤ Record Date  | Friday, 14 May 2004    |
| ➤ Despatch date and<br>last date for deferred settlement trading | Wednesday, 26 May 2004 |

Yours faithfully



K J Heitman  
Chairman

**Appendix 3B**

**New issue announcement,  
application for quotation of additional securities  
and agreement**

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

ADULTSHOP.COM LIMITED

ABN

92 009 147 924

We (the entity) give ASX the following information.

**Part 1 - All issues**

*You must complete the relevant sections (attach sheets if there is not enough space).*

- |   |  |   |
|---|--|---|
| 1 | +Class of +securities issued or to be issued   | Options to acquire ordinary fully paid shares.                          |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued  | 152,660,430 options (approximately)                                     |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options will be exercisable at 10 cents each on or before 30 June 2006. |

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+ See chapter 19 for defined terms.

Appendix 3B  
New issue announcement

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<p>4 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"><li>• the date from which they do</li><li>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</li><li>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</li></ul>	<p>Any shares issued upon exercise of the options will rank pari passu in all respects with the Company's existing fully paid ordinary shares.</p> <p>The options comprise a new class of security.</p>
<p>5 Issue price or consideration</p>	<p>Nil – bonus issue</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>The (proposed) issue of bonus options to all shareholders is to reward shareholders of the Company.</p>
<p>7 Dates of entering <sup>+</sup>securities into uncertificated holdings or despatch of certificates</p>	<p>To be advised</p>

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<sup>+</sup> See chapter 19 for defined terms.

	Number	+Class
8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	305,321,384	Ordinary fully paid shares.
	14,838,060	Options exercisable at \$0.20 each on or before 30 June 2004
	152,660,430	Options exercisable at \$0.10 each on or before 30 June 2006

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	39,336,000	Options exercisable at various prices ranging from \$0.16 to \$1.55 over the period up to 4 December 2006.

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	There are no plans to pay dividends at this stage.
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## Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	No
12 Is the issue renounceable or non-renounceable?	Non-renounceable
13 Ratio in which the +securities will be offered	One new option for every two shares
14 +Class of +securities to which the offer relates	Ordinary shares
15 +Record date to determine entitlements	14 May 2004
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Yes
17 Policy for deciding entitlements in relation to fractions	Rounding down

+ See chapter 19 for defined terms.

Appendix 3B  
New issue announcement

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18	Names of countries in which the entity has <sup>+</sup> security holders who will not be sent new issue documents  <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of <sup>+</sup> security holders	N/A
25	If the issue is contingent on <sup>+</sup> security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	26 May 2004
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	16 April 2004
28	Date rights trading will begin (if applicable)	N/A

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<sup>+</sup> See chapter 19 for defined terms.

- |    |  |             |
|----|--|-------------|
| 29 | Date rights trading will end (if applicable)   | N/A         |
| 30 | How do +security holders sell their entitlements <i>in full</i> through a broker?                            | N/A         |
| 31 | How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/A         |
| 32 | How do +security holders dispose of their entitlements (except by sale through a broker)?                    | N/A         |
| 33 | +Despatch date   | 26 May 2004 |

### Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

- 34 Type of securities  
(tick one)
- (a)  Securities described in Part 1.
- (b)  All other securities  
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

#### Entities that have ticked box 34(a)

##### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

- 35  If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders – **To be Advised**
- 36  If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- |                  |                      |
|------------------|----------------------|
| 1 - 1,000        |                      |
| 1,001 - 5,000    | <b>To be Advised</b> |
| 5,001 - 10,000   |                      |
| 10,001 - 100,000 |                      |
| 100,001 and over |                      |

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+ See chapter 19 for defined terms.

37  A copy of any trust deed for the additional <sup>+</sup>securities

**Entities that have ticked box 34(b)**

38 Number of securities for which <sup>+</sup>quotation is sought

39 Class of <sup>+</sup>securities for which quotation is sought

40 Do the <sup>+</sup>securities rank equally in all respects from the date of allotment with an existing <sup>+</sup>class of quoted <sup>+</sup>securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	<sup>+</sup> Class
42 Number and <sup>+</sup> class of all <sup>+</sup> securities quoted on ASX ( <i>including</i> the securities in clause 38)	<input type="text"/>	<input type="text"/>

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<sup>+</sup> See chapter 19 for defined terms.

## Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:  
(Chairman)

Date: 5 April 2004

Print name: K J Heitman

## Detailed Option Terms and Conditions

1. Each option entitles the holder to subscribe for and be allotted one ordinary share in the capital of the Company. The exercise price is 10 cents per option.
2. The options expire at 5.00p.m. (WST) on 30 June 2006 (the "Expiry Date"). The options are exercisable by notice in writing to the Directors accompanied by payment of the exercise price.
3. The options are transferable, and an application will be made to the ASX for Official Quotation of the options.
4. Shares will be allotted and issued pursuant to the exercise of options not more than 10 business days after receipt of a properly executed notice of exercise and payment of the requisite application moneys.
5. Shares issued upon exercise of the options will rank pari passu in all respects with the Company's fully paid ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon the exercise of options within 3 business days after the date of allotment of those shares.
6. There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered or made to the shareholders during the currency of the options. However, the Company will send a notice to each optionholder at least 9 business days before the record date for any proposed issue of capital. This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
7. There are no rights to a change in the exercise price, or in the number of shares over which the options can be exercised, in the event of a bonus issue by the Company prior to the exercise of any options.
8. In the event of any reorganisation of the issued capital of the Company on or prior to the Expiry Date, the rights of an option holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of the reorganisation.
9. The Company will, at least 20 business days before the Expiry Date, send notices to the optionholders stating the name of the optionholder, the number of options held, the number of shares to be issued on exercise of the options, the exercise price, the due date for payment of the exercise price, and the consequences of non-payment.