

DELECTA LIMITED

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24 December 2010

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

Dear Sir

DELECTA LIMITED – STILETTO MERGER

The Board of Delecta Limited (DLC) is pleased to announce that yesterday evening DLC executed a share sale agreement (Agreement) for DLC to acquire the Stiletto group of companies (Stiletto Group) from Mr Edward Hayson and others (Vendors). The Stiletto Group operates the well known Sydney based bordello known as "Stiletto".

The Agreement provides for the formal implementation of the merger set out in the memorandum of understanding between DLC and Blackfeather Limited, as was announced by DLC on 9 August 2010.

The terms of the acquisition of the Stiletto Group include:

- (a) a 1:8 consolidation of the share capital of DLC;
- (b) the acquisition by DLC of 100% of the Stiletto Group from the Vendors, for \$20 million, to be paid by DLC in the form of new fully paid ordinary DLC shares at \$0.21 per share (such issue price calculated after taking into account the proposed DLC share consolidation, subject to rounding);
- (c) a capital raising by DLC of \$10 million; and
- (d) a share buy back offer by DLC for all DLC shares on issue (not including the DLC shares to be issued to the Vendors) at \$0.21 per share (such issue price calculated after taking into account the proposed DLC share consolidation, subject to rounding).

The acquisition of the Stiletto Group is subject to certain conditions precedent including:

- (a) DLC shareholder approval;

- (b) execution of fundraising documentation by DLC and receipt of funding by DLC; and
- (c) completion of the acquisition of the company that is the registered holder of the property on which the Stiletto business is conducted from the Hayson family, at market value in consideration for cash and the issue of DLC fully paid ordinary shares.

Details of the final arrangements will be forthcoming in a Notice of Extraordinary General Meeting to be provided to shareholders of DLC next year.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'J A Burness', with a horizontal line extending to the right.

J A Burness
COMPANY SECRETARY