ASX ANNOUNCEMENT

ESPREON LIMITED (EON)

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To: Company Announcements
Australian Stock Exchange
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Subject: **ESPREON AND VECTIS ANNOUNCE MERGER PROPOSAL**

ESPREON AND VECTIS ANNOUNCE MERGER PROPOSAL

On 10 June 2008 Espreon Limited (“**Espreon**” or the “**Company**”) advised that it had received a proposal from Vectis Group Pty Limited (“**Vectis**”) whereby Vectis offered to pay $0.65 cash per share to acquire all of the shares in the Company in which it does not already have a relevant interest (the “**Proposal**”). Vectis currently holds a relevant interest in 19.81% of Espreon shares.

The Board of Espreon is pleased to announce that following subsequent discussions between the parties and their advisers, Vectis has agreed to improve the terms of the Proposal. Accordingly Espreon and Vectis have entered a Due Diligence Agreement (“**Agreement**”) as a step towards effecting the Proposal.

Under the terms of the Agreement, Vectis will be permitted to conduct due diligence for a limited period. Vectis has entered into a Confidentiality Agreement with Espreon in this regard. Should Vectis decide to proceed with the Proposal at the completion of due diligence, the Board of Espreon intends to recommend the Proposal to Espreon shareholders in the absence of a superior proposal and subject to an Independent Expert opining that the Proposal is in the best interests of shareholders.

Espreon has granted Vectis a limited period of exclusivity under the Agreement. The terms of the exclusivity arrangement are set out in the Annexure to this announcement.

It is intended that the Proposal will be implemented via a Scheme of Arrangement ("**Scheme**") between Espreon and its shareholders. Assuming a Scheme Implementation Agreement is executed around the end of July following completion of due diligence, the Company expects that the Proposal will be put to shareholders for their consideration at a General Meeting to be held in late September or early October 2008.

The Proposal

The Proposal involves consideration of **$0.705** cash per share and values Espreon at approximately $87m on an enterprise value basis. Subject to Espreon’s ability to pay a fully franked dividend, the Proposal may be varied so that the amount received by shareholders comprises a consideration of at least $0.65 cash per share plus a fully franked dividend of up to $0.045 cash per share, which would represent a grossed-up total value to most Australian resident shareholders of up to $0.714 per share.

The consideration of **$0.705** represents an attractive premium to recent market prices of Espreon shares, being:

- a premium of 114% over the closing price of Espreon’s shares on the last trading day immediately prior to the announcement of Vectis’ initial proposal (6 June 2008) of $0.33;

- a premium of 106% over the volume weighted average share price of Espreon's shares in the one month period prior to the announcement of Vectis' initial proposal of $0.34; and

- a premium of 74% over the volume weighted average share price of Espreon's shares in the three month period prior to the announcement of Vectis' initial proposal of $0.41.

The Proposal is conditional upon the satisfaction of certain conditions, in particular:

- completion of due diligence to the satisfaction of Vectis;

- final approval of a Scheme Implementation Agreement by the Boards of Directors of Espreon and Vectis;

- an independent expert's report opining that the Proposal is in the best interests of Espreon shareholders;

- the Board of Espreon unanimously recommending that Espreon shareholders vote in favour of the Scheme and declarations that the Directors of Espreon intend to vote all of their Espreon shares in favour of the Scheme, in the absence of a superior proposal; and

- the appropriate treatment of Espreon options and performance rights.

As part of the Proposal, Vectis has entered into a Cooperation Agreement with Reckon Limited ("**Reckon**") in respect of Vectis procuring the sale of the corporate services and cost recovery businesses of Espreon to Reckon ("**Secondary Transaction**") following the completion of the Scheme. Reckon has entered into a Confidentiality Agreement with Espreon and will be granted access alongside Vectis to conduct due diligence in accordance with the Due Diligence Agreement.

Due diligence is expected to be completed towards the end of July 2008 with the execution of a Scheme Implementation Agreement to follow shortly thereafter.

In making this announcement, the Board of Espreon once again cautions that there is no assurance that the entering into the Due Diligence Agreement will result in any specific transaction.

The Board of Espreon is being advised by TC Corporate as its financial adviser and Baker & McKenzie as its legal adviser in relation to the Proposal.

For further information please contact:

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About Espreon Limited

Espreon partners with leading organisations in the financial services, legal and accounting professions, to free them from transactional processes and allow them to focus on their core business.

Espreon's offerings include Cost Recovery solutions, Corporate Services, Property Services, and Information Brokerage.

For more information about Espreon, please visit the Espreon website at www.espreon.com

Annexure – Exclusivity terms

1.1 **(No-shop)** During the Relevant Period, Espreon must ensure that neither it nor any of its Related Bodies Corporate or Representatives directly or indirectly:

(a) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions; or

(b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

Nothing in this paragraph 1.1 prevents Espreon from continuing to make normal presentations to, and to respond to enquiries from, brokers, shareholders, portfolio investors and analysts in the ordinary course in relation to the Proposed Transaction or its business generally.

1.2 **(No-talk)** Subject to paragraph 1.4, during the Relevant Period, Espreon must ensure that neither it nor any of its Related Bodies Corporate or Representatives:

(a) negotiates or enters into; or

(b) continues or participates in negotiations or discussions with any other person regarding,

a Competing Transaction, even if that Competing Transaction was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by Espreon or any of its Related Bodies Corporate or Representatives or the person has publicly announced the Competing Transaction.

1.3 **(Notice of unsolicited approach)** Subject to paragraph 1.4, Espreon must promptly inform Vectis if it, or any of its Related Bodies Corporate or Representatives, receives any unsolicited approach with respect to any Competing Transaction and must disclose to Vectis the fact that such an approach has been made, the identity of the person making the approach and details of material terms of the proposed Competing Transaction.

1.4 **(Exceptions)** Paragraphs 1.2 and 1.3 do not apply to the extent that they restrict Espreon or the Espreon Board from taking or refusing to take any action with respect to a bona fide Competing Transaction (which was not solicited, invited, facilitated, encouraged or initiated by Espreon in contravention of paragraph 1.1) or to the extent that they require Espreon to provide the notification referred to in clause 1.3, provided that the Espreon Board has determined, in good faith and acting reasonably that:

(a) after consultation with its financial advisors, such a bona fide Competing Transaction could reasonably be considered to become a Superior Proposal; and

(b) after receiving written advice from external legal advisers, taking or refusing or failing to take the action would be likely to constitute a breach of the Espreon Board's fiduciary or statutory duties or is necessary to avoid a contravention of the law.

Definitions

Competing Transaction means a transaction, or proposed transaction, which, if completed, would mean a person (other than Vectis, Reckon (only in respect of the Secondary Transaction) or their respective Related Bodies Corporate or Representatives) would:

(a) directly or indirectly, acquire an interest or relevant interest in or become the holder of:

Annexure – Exclusivity terms (continued)

(i) 20% or more of the ordinary shares of Espreon or 20% or more of the ordinary shares in any of Espreon's material subsidiaries; or

(ii) all or a substantial part or a material part of the business or property of Espreon or any of its subsidiaries,

including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee;

(b) acquire control of Espreon, within the meaning of section 50AA of the Corporations Act; or

(c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Espreon or a material subsidiary or business of Espreon.

For the purposes of paragraph (a)(i), a subsidiary of Espreon will be a material subsidiary if:

(1) the business or property of the subsidiary contributes 20% or more of the consolidated net profit after tax of Espreon; or

(2) the business or property of the subsidiary represents 20% or more of the total consolidated assets of Espreon.

For the purposes of paragraph (a)(ii), the acquisition of an interest in the business or property of Espreon or any of its subsidiaries will be material if:

(1) the relevant business or property contributes 20% or more of the consolidated net profit after tax of Espreon; or

(2) the business or property represents 20% or more of the total consolidated assets of Espreon.

Relevant Period means the period commencing on the date of the Due Diligence Agreement and ending on the earlier of 31 July 2008 (or such later date as may be agreed by the Parties) and the date the Parties enter into the Scheme Implementation Agreement.

Representative means any person acting for or on behalf of a party, including any director, officer, employee, agent, contractor or professional advisor of a party.

Superior Proposal means a bona fide Competing Transaction which the Board, acting in good faith, and after taking advice from its legal and financial advisors, determines is:

(a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction; and

(b) superior to the Proposed Transaction, taking into account all terms and conditions of the Competing Transaction, in particular:

(i) the consideration offered, or proposed to be offered;

(ii) the conditions attached to the Competing Transaction; and

(iii) the likelihood of the Competing Transaction being successfully completed.

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