

Intellect announces debt restructure and underwritten renounceable rights issue

Melbourne, 24 November 2004 - Intellect (ASX: IHG) today announced it has reached in principle agreement to restructure its existing debt, subject to shareholder approval, and details of a proposed fully underwritten renounceable rights issue to raise \$18.14 million, as foreshadowed by the Company on 1 October 2004.

The Notice of Meeting for the Company's Extraordinary General Meeting (EGM), which is to be held on 23 December 2004, will seek shareholder approval to the issue of shares to creditors and convertible notes to replace short-term debt. A copy of the notice has been lodged with ASX separately today.

Immediately following the EGM, and subject to shareholder approval to the share and convertible note issues, the Company intends to proceed with a renounceable rights issue to all shareholders (excluding the shares to be issued to the banks and major creditors) and the convertible noteholders offering 14 new shares for every 10 shares (or share equivalents) held at the record date at an issue price of 2.5 cents per share to raise \$18.14 million. Patersons Securities Limited intends to fully underwrite the issue.

Proceeds from the rights issue will be used to settle the bank and other creditor debt and provide working capital to allow the Company to meet its substantial order book from major customers globally.

Following completion of the rights issue, the debt restructure and the recent TAFMO spin off, the Company will have a significantly improved balance sheet.

The pro forma balance sheet immediately following the rights issue is expected to show net assets increasing to approximately \$24.367 million or 1.95 cents per share. The Company will have cash reserves estimated at \$17.2 million and the ability to fulfil its order backlog.

Dr Jos Haag, the Chairman of Intellect, said that the restructure and rights issue would see Intellect emerge as a vastly stronger company.

"Over the past months we have set about restructuring Intellect and ensuring that it had the ability to survive. Management changes were made and we had to address the debt burden of the Company. Through the sale of TAFMO, the proposed convertible note issue and settlement with the banks and creditors, and the proposed rights issue we expect to complete this process. Importantly, we have retained a 22% interest (which can increase to 28%) in TAFMO, for which we hold great prospects, and have built a firm order book," Dr Haag said.

Following the restructure and rights issue, the Company intends further strengthening management and the Board.

"Intellect retains a strong position in the electronic payments market which is experiencing a growth in demand that is expected to continue over the coming years. Our customers have continued to support us through what has been a very difficult period for the Company. We are also grateful to our bankers and major creditors for continuing to stand by the Company.

"Following the rights issue, the Company will have a strengthened shareholder base and hopes to be able to return to operating profitability in the second half of the current year. The TAFMO transaction will provide a boost to revenue and profitability in 2005 and our aim is to deliver a strong second half operating performance. We will continue to look to improve profitability and cash flow and continue to look at opportunities for further cost savings," Dr Haag said.

Details of renounceable rights issue to raise \$18.14 million

The Company proposes issuing 730 million shares at an issue price of 2.5 cents, on a 14 for 10 basis. The rights issue will be open to existing shareholders and the noteholders.

The prospectus is expected to be lodged on 24 December 2004 following the EGM scheduled for 23 December 2004.

The expected record date is 6 January 2005, with rights expected to commence trading on 30 December 2004.

Applications are expected to close on 24 January 2005.

Details of resolutions to be put to the EGM for the share, note and option issues are:

- (a) The issue of up to 7,500,000 convertible notes that entitle the holders to convert into ordinary fully paid shares in Intellect. The conversion price will be 3.125 cents per share. The convertible notes will be for a term of five years and have a coupon of 4% above the ANZ 90-day Bank Bill Reference Rate.
- (b) The issue of up to 75 million options to acquire shares at 4 cents per share to the noteholders.
- (c) Following the rights issue, the issue of 78 million shares at 5 cents per share to the Company's bankers in part settlement of the bank debt (a total debt of \$13 million). An amount of \$6.5 million of the bank debt will be repaid out of proceeds from the proposed rights

issue and the remaining balance of \$0.9 million will be deferred to 31 December 2006.

(d) Following the rights issue, the issue of up to 75.5 million shares at 5 cents per share to major creditors of the Company, in part satisfaction of amounts owing. The remaining balance to be paid will be satisfied out of the rights issue proceeds.

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About Intellect

Intellect, a leader in electronic payments since 1988, has customers in 35 countries worldwide. It is listed on the ASX with corporate headquarters in Brussels, Belgium and offices around the globe.

The company offers a broad range of POS devices for attended, unattended and mobile environments, which are all built using the latest technology; based on a single development platform allowing easy portability of applications; screened for performance and security by respected organisations; and certified to the latest international requirements such as EMV 2000 level 1 & 2 and Visa PED. More information about the company can be found at <www.intellect.com.au>.

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