

MARKET RELEASE

18TH DECEMBER 2009

Snowball Group Limited (ASX: SNO) to acquire Officium Capital Limited, a portfolio construction and fund-of-funds management business

Snowball Group Limited (Snowball) has entered into a binding agreement to acquire 100% of the issued share capital of Officium Capital Limited (Officium Capital) for a total maximum consideration of \$6.5 million, to be paid in cash (the Transaction). Of that amount, a maximum potential "claw-back" payment of \$2.5 million is payable to Snowball if certain conditions are not met.

Overview

Officium Capital is a portfolio construction and fund-of-funds manager, and acts as the responsible entity (RE) of 14 funds, with approximately \$440m in funds under management (FUM) as at 31 October 2009.

The Transaction is consistent with Snowball's stated strategic intention to enhance its in-house capability in portfolio construction and fund-of-funds management.

The Transaction meets this strategic objective and also delivers a number of additional benefits including further diversifying Snowball's revenue streams, various synergy benefits, alleviating issues caused by its current ownership structure and positioning Snowball to manage potential regulatory reform.

Background to the Transaction

Snowball is acquiring Officium Capital from Officium Group Pty Limited (OGPL). OGPL and its subsidiaries own approximately 62% of Snowball.

In 2007, Snowball acquired the Western Pacific Financial Group (Western Pacific) financial advice business from OGPL. The majority of the acquisition price for Western Pacific was funded through the issue of Snowball shares to OGPL, resulting in OGPL becoming Snowball's largest shareholder and the Western Pacific vendor advisers indirectly having an interest in Snowball by virtue of their shareholding in OGPL. Snowball did not acquire the Officium Capital portfolio construction and fund-of-funds business at the time, but now seeks to do so.

Following completion of the Transaction, OGPL has indicated that it intends to distribute the 62% of Snowball it owns to the OGPL shareholders as an in-specie distribution. Accordingly, following the in-specie distribution, the 62% will be spread into smaller, directly held parcels among the OGPL shareholders. The majority of the OGPL shareholders are senior Western Pacific advisers who will, therefore, control their proportionate entitlement to Snowball shares, subject to certain agreements in relation to the disposal and voting of their shares following completion of the Transaction.

Further, following completion of the Transaction, and on the basis that the subsequent distribution of the Snowball shares to the Western Pacific advisers takes place, they will no longer directly hold shares in the Officium Capital portfolio construction and fund-of-funds business into which they place some of their client funds.

The in-specie distribution of the Snowball shares to OGPL shareholders should facilitate liquidity in Snowball shares (subject to an escrow agreement and voting restrictions set out below), thereby alleviating the issues created by having 62% of the Group held by a single shareholder, and which was subject to various prior restrictions on dealings.

Benefits of the Transaction

The Transaction has a number of benefits. They include:

- Snowball will derive revenue in the form of management fees from the portfolio construction and fund-of-funds business, further diversifying Snowball's revenue streams
- The proposed transaction is expected to be earnings per share accretive in the 2011 financial year
- Snowball will acquire the RE capability operated within the Officium Capital business. Having the RE capability will provide Snowball with better control over the pricing of portfolio management and over the prices charged by the underlying fund managers that make up a client's total investment portfolio. The management fees received by Snowball could over time also replace rebates that Snowball receives from fund managers, better positioning Snowball in the new regulatory environment
- Snowball expects to be able to extract revenue synergies from the Transaction over time through the utilisation of the portfolio construction and fund-of-funds capability within Outlook Financial Solutions (OFS), its other advice business, and potentially through distribution to other external or acquired advice businesses
- While Snowball will own both the Western Pacific advice business and the portfolio construction and fund-of-funds business following the Transaction, this represents a common vertically integrated business model and alleviates the conflict of interest

currently managed by Snowball under the existing structure whereby the Western Pacific advisers have a more direct and concentrated interest in the portfolio construction business into which some of their client funds are placed

- As the level of FUM grows within the Officium Capital business, the business is likely to have greater bargaining power over the supply of underlying fund management services to the portfolios, resulting in scale benefits and lower aggregate management fees for clients.

Consideration

Under the terms of the Transaction, Snowball will pay OGPL \$6.5 million in cash on completion, with a claw-back of up to \$2.5 million based on agreed net FUM inflow hurdles. The \$6.5 million will be funded through an existing debt facility.

The amount of any claw-back is determined by reference to the hurdles over the period from 1 October 2009 and ending between 12 and 18 months from then. The claw-back operates to protect Snowball in the event that the Officium Capital business does not achieve the FUM levels, and hence earnings profile, that supports the \$6.5 million valuation.

If the maximum hurdle is achieved within the prescribed timeframe, no part of the claw-back is payable. If the minimum hurdle is not achieved, the full \$2.5 million claw-back is payable. If the hurdle is achieved within this range, the claw-back is calculated on a pro rata basis. Snowball has put in place appropriate arrangements with the OGPL vendors to secure any potential future claw-back payment if the distribution of Snowball shares is made by OGPL.

If the distribution of Snowball shares to the OGPL shareholders occurs, the shares will be subject to an escrow period of up to 2 years from the effective date. Within this escrow period, Snowball has undertaken to provide the opportunity for OGPL shareholders to sell a proportion of their shares into periodic sales processes (occurring at least every 6 months) facilitated by Snowball, which will provide both liquidity to the OGPL shareholders and assist in increasing the liquidity of Snowball shares overall. In addition, all the distributed shares will be subject to voting restrictions for 18 months from the effective date of the Transaction.

Key personnel

The senior personnel in the Officium Capital business have agreed to execute employment agreements with Snowball before completion of the Transaction. These senior personnel will be offered incentives to align their interests with Snowball as part of a proposed long term incentive scheme for senior Snowball personnel.

Process and timetable

The Transaction is subject to Snowball and OGPL shareholder approval. Snowball shareholders will receive an Explanatory Memorandum detailing the proposed transaction in January 2010. The approvals sought relate to the fact that it is between related parties (OGPL and Snowball) and certain other matters arising from the structure of the Transaction and the structure proposed to secure the ongoing financial obligations of OGPL if the in-specie distribution is implemented. To assist Snowball shareholders in making an informed decision, the non-associated directors of Snowball have commissioned an Independent Expert Report from KPMG Corporate Finance (Aust) Pty Ltd. The report will be provided as a part of the Explanatory Memorandum.

The directors believe that the Transaction holistically achieves important strategic initiatives for the benefit of clients and all Snowball shareholders, and provides Snowball with a solid foundation for future growth.

Snowball's Managing Director, Tony McDonald, said: "This transaction positions Snowball to enhance its portfolio construction and fund-of-funds services to clients and to bolster organic growth in a relatively uncertain regulatory environment. It gives us greater control over pricing and the management of economies of scale for clients and shareholders alike. It also has the potential to create more liquidity in Snowball's stock and, through a more flexible register, the opportunity to fully participate in the next phase of industry consolidation".

The expected Transaction timetable is as follows:

Announcement to shareholders	18 December 2009
Explanatory Memorandum distributed to Snowball shareholders (post review by ASIC)	January 2010
Extraordinary General Meeting	Mid-February 2010
Completion of the Transaction	End of February 2010
Effective date	1 February 2010
Potential distribution of the Snowball shares to the shareholders of OGPL	End of February – end of May

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