



ACQUISITION OF WEST SURFING PRODUCTS BUSINESS

ANNOUNCEMENT

29 NOVEMBER 2004

The Board of Optima Corporation Limited (**Optima or the Company**) is very pleased to advise that the Company has executed an agreement with West Suits Pty Ltd (**West Suits**), to acquire the entire Australian operations of West Surfing Products (**WSP Business**) for \$5 million subject to certain conditions including completion of due diligence.

The WSP Business is the original owner of the WEST surfing brand, and is also the licensor to Optima of a licence to market and distribute the WEST brand in the United States. The WSP Business has a 22-year trading history with average annual revenue over the past five years of approximately \$4.5m. The acquisition of the WSP Business also secures control of the global intellectual property rights associated with the WEST brand, together with an effective buyback of the future royalty obligation payable by Optima for the USA operations. Blair Sergeant, Managing Director of Optima said "The acquisition of the WSP Business is an exciting opportunity for Optima. The acquisition brings immediate revenues and profitability to the Optima group, provides additional growth opportunities for the overall business and will enable Optima to enjoy the benefits of the expected increase in the WSP Business performance as a result of Optima's activities in the US."

Background to the Acquisition

In December 2003, Optima acquired an exclusive 10-year licence to manufacture, market, sell and distribute products bearing the WEST brand, in the United States. In April 2004, the Company completed a capital raising of \$1.8m and commenced the development of marketing program, to market the West Surfing brands in the United States.

Since acquiring the licence to market the WEST brand in the United States, the Company has assembled a highly experienced management and marketing team based in the United States and has also commenced a number of successful marketing initiatives in the United States.

The Board of Optima regards the acquisition of the WSP Business as integral to its overall strategy of consolidating its interests in the WEST brand and expand its influence in the surfwear retail markets to include Australia, Europe and Asia.

History and background to the WSP Business

WEST was founded in Perth, Western Australia in 1982, and has evolved from its humble origins to be a key competitor in the Australian surf market. Its reputation has been extended worldwide as a surf company responsible for the manufacture and distribution of lifetime guarantee wetsuits and quality surf clothing and accessories. The WSP Business has



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licensees in the US, Japan, Europe, New Zealand and Indonesia, and distributorships in Singapore, Malaysia and Taiwan.

Consideration for the Acquisition

The consideration for the acquisition of the Business is \$5,050,000, to be satisfied by:

- (a) the payment of \$2,500,000 at settlement, followed by \$2,350,000 12 months after the date of settlement;
- (b) the issue of 1,000,000 fully paid ordinary shares in the capital of Optima at an issue price of 20 cents per share; and
- (c) the issue of 5,000,000 unlisted options with an exercise price of 40 cents each before 31 January 2007 at nil consideration.

Business and assets being acquired

The business being acquired is the business of manufacture, sale and licensing of surfwear apparel, wetsuits and accessories carried on and conducted under the name "West Surfing Products" and "WEST" throughout Australia and the world. The acquisition, in effect, includes the buyback of any future royalty obligations due by Optima to the WSP Business in respect of the licence granted to Optima to market the brand in the United States thereby resulting in significant cost savings to Optima.

The WSP Business has generated average annual revenue of approximately \$4.5m over the past five years. It achieved an EBITDA of over \$300,000 for the year ended 30 June 2004. The principal market for its products is Western Australia, which accounts for approximately 70% of its revenue. The Business has a distribution facility located near Fremantle, Western. The WSP Business also has a presence in eastern Australia, where there is significant potential for the Business to expand its revenue and profitability. The Board of the Company believes that as part of the Optima group, the WSP Business will have the capital resources and structure to pursue significant growth opportunities within the Australian market.

The acquisition includes stock on hand of at least \$1,000,000, plant and equipment, intellectual property, trademarks and licence rights and goodwill.

Conditions Precedent

The agreement is subject to certain conditions including:

- (a) Completion of a due diligence review of the operations and assets of the WSP Business by Optima,
- (b) Optima raising not less than \$10,000,000 by the issue of fully paid shares in the capital of Optima at an issue price of no less than 20 cents per share;
- (c) The employees of the WSP Business entering into employment arrangements with Optima on reasonable terms and conditions;
- (d) if required, shareholder approval of Optima for the issue of the shares and options included in the consideration to West Suits.

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Management

Mr Patrick Leahy, the current Managing Director of West Surfing Products in Australia will join Optima to lead the continuing development of the business. Mr Leahy was one of the founding partners of the WSP business over 22 years ago, and has over 25 years management, logistics and operational experience in the surf wear, manufacturing and retail business. Over this long period, Mr Leahy has developed extensive contacts within the international surfing and surf wear fraternity.

All other current employees of the WSP Business will join Optima and are considered an important element of the proposed acquisition.

Due Diligence and further information

The Company is in the process of completing a Due Diligence process on the WSP Business and will provide further details, including the financial background of its business and assets, upon completion of this process.

Underwriting of the Options

The Company is currently negotiating the underwriting of its listed options expiring on 31 December 2004. Optima currently have on issue over 51m listed options exercisable at 20 cents each before 31 December 2004. Optima has already banked a little under \$1 million in the previous 6 weeks from the exercising of listed options.

Conclusion

In addition to the revenue expected to be generated by the Australian WSP Business, the acquisition will also add key strategic strengths to Optima in its objective of joining the other Australian surf wear icons, Billabong, Quiksilver and Rip Curl, in the fast expanding international surf wear markets. The acquisition will also provide immediate manufacturing and management resources to Optima. Optima intends to further develop the business in Australia, in particular, in the eastern states where there is significant potential for future growth.

AUTHORISED BY:

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