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Intermoco Limited (ASX: INT) is a provider of leading technologies in remote metering of power, water and gas. What is the technology and who are your customers?

CEO and Exec Chairman Bob Gestro

We use a combination of technologies to gather data from various meters, including Power Line Carrier, PSTN and Wireless both GSM/GPRS, 433 MHz and Zigbee. The technologies we offer provide our customers with the means of overcoming traditional meter reading problems in an efficient and cost effective way. Our customers include major utilities such as Jemena, Origin Energy, Western Power and Sydney Water plus property developers and owners, such as Colonial First State, Lend Lease and GPT to name a few.

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You have been CEO of Intermoco since February 2009. What is your background and what expertise do you bring to the role? What have you achieved in the 6 months since your appointment?

CEO and Exec Chairman Bob Gestro

I have a mechanical engineering background which I supplemented with studies in accounting and marketing and have been involved in metering for approximately 35 years. I have held positions with AGL, Email Metering and Schlumberger, then the world's largest metering manufacturer where I was General Manager for some 10 years.

The task when I became CEO of Intermoco was to stabilise the business and refocus it on its core expertise which is metering. In February the cost to run the business was out of proportion to its level of sales, it had limited customer orders and limited funds. I am glad to say that 6 months later the costs are under control, we have record sales and with the recent placement sufficient funds to cope with our growth now and into the future.

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Intermoco has experienced record sales and orders over the past few months. What has been the catalyst of this significant increase in new sales and how sustainable is this?

CEO and Exec Chairman Bob Gestro

Restructuring the company and refocusing the business around metering and reconnecting with our customers has restored our customer's faith in Intermoco. Our management team all have extensive and very creditable experience in the utility, voice and data markets and coupled with our products and services we offer a complete end to end solution.

The great news in the current environment is that we provide our customers with cost savings and enable them to collect revenues rather than add to their cost base which means we are not experiencing the downturn, in fact it's the complete opposite.

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Intermoco is targeting to double its FY09 revenue of \$4.1 million in FY10 and then double it again in FY11. This implies projected revenues to be in the order of \$8 million and \$16 million in FY10 and FY11. What underpins your confidence in achieving these targets?

CEO and Exec Chairman Bob Gestro

The current demand for our products has exceeded our expectations and at present shows no sign of slowing down. When utilities can make cost savings and improve efficiencies by deploying our products, I expect the strong demand to continue.

In addition we are working on a number of projects that we expect to come to fruition that will significantly increase our revenues. We have not included these in our \$8 million revenue projection, because the timing of these projects is outside of our control.

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To what extent can your strong revenue momentum mature into an annual annuity stream? How will your revenue targets translate in to bottom line earnings?

CEO and Exec Chairman Bob Gestro

As each of our embedded network contracts are renewed or new ones written we are adding additional annuity income through maintenance agreements, data provisioning and billing. As these contracts typically run for between 5 and 10 years they deliver significant annuity income over the life of the contract.

The business, as it is currently structured, reaches break even with around \$6 million in revenue, so if we make the targeted revenue of \$8 million this year the company will make a profit. To achieve the targeted revenue of \$16 million revenue next year little or no additional resources are required therefore the bulk of the additional gross profit after inventory costs falls straight through to the bottom line.

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You have announced a new equity raising of \$2.73 million via a share placement to private investors together with a Share Purchase Plan (SPP) enabling eligible shareholders to purchase up to \$15,000 worth of Intermoco shares at \$0.015 per share. How will the funds be used to address working capital needs? Will you need to raise more equity in the near future to fund additional growth opportunities that you are currently pursuing?

CEO and Exec Chairman Bob Gestro

The rate of growth has exceeded our own expectations and therefore created a shortfall in our cash reserves. Our supply lines from overseas mean it can take 3 to 4 months for product to arrive, then in some cases we need to add another month or two to allow for installation and commissioning and then 45 to 60 days to get paid. We need to fund this full cycle and given the growth in customer orders, this is putting extra pressure on our cash reserves. The share placement and SPP proceeds will be used to fulfill our immediate customer orders and fund future customer commitments.

We don't anticipate needing to raise more equity but if we did it would be to fund growth beyond current expectations. We are conscious of EPS dilution and want to maximize shareholder returns. When the terms of the SPP are finalised and the offer is made we will have a provision to scale back applications if necessary.

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You previously stated that Intermoco would be operating cash flow positively by June 2009. You are now saying that this won't be until December 2009. What has changed?

CEO and Exec Chairman Bob Gestro

We currently have some \$7 million of customer orders that we need to fund, and as I already noted, this bulging of the order book has created some cash flow issues. In the current economic climate where many order books are empty, this is a great problem to have. When the current management team took over in February, the order book was almost empty, so this is a great result and a reflection of the focused efforts of the new senior management team.

In terms of cash flow, the objective set in May was to be cash flow positive within 6 months. While this objective is still achievable, the growth in customer orders has put additional strain on our existing cash reserves and without additional funds it may compromise our ability to provide an acceptable level of customer service. If that were to happen it may inhibit our ability to reach the financial targets we have set for next year and beyond. We are confident that by allowing all our

shareholders to participate through the SPP, they will be willing to support the growth opportunity we are presenting to them.

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You have given guidance that you anticipate write downs in asset values of \$5 to \$8 million to clean up your balance sheet. What are the details of these write downs? Will there be any more in the future?

CEO and Exec Chairman Bob Gestro

These write downs reflect past management and could broadly be described as “cleaning up the business”. The investments the company made in Energy Mad (Eco Bulb), Advanced Energy Limited and Powersave have not proven to be as successful as previously thought despite the company investing considerable resources in promoting these products. With the company now refocused on its core expertise of metering, the Intermoco board, with advice from the company auditors, felt it is necessary to review these investments in light of current activity. The amount to which these assets will be written down will ultimately depend on the final advice of the company’s auditors.

In addition to the above assets being written down, the Board plans to write down obsolete stock and review the current provision for bad debts.

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What are your strategic priorities over the next 6 months? What other additional growth opportunities do you see for Intermoco longer term?

CEO and Exec Chairman Bob Gestro

The long term growth opportunities for Intermoco are exceptional. As previously stated I have been involved in the metering industry for over 35 years and I have never before seen the depth of opportunities that are now presenting themselves to us. The National Broadband Network (NBN) offers Intermoco through our Utiligy brand an amazing opportunity. Therefore our main strategic priorities are naturally based around this opportunity. Given our considerable experience and expertise in the water and gas environments, we will be focusing on smart metering for these utilities. We have a range of solutions in our imeter product range that are ideal for deployment in this arena and are working towards significant product rollouts with the NBN.

In addition we are the largest embedded network provider in Australia and see some significant up-selling opportunities to our existing customer base. Through our partnership with NEC we will be offering voice and data to our embedded network customers and will shortly announce that we have signed a Wholesale Agreement for the supply of voice and data products. Both of these initiatives will see the revenues and returns from the embedded networks significantly increase.

In the short term, our strategic priority is to be appointed as the Australian distributor for a number of overseas product offerings. These distributorships will add immediate revenues and contribute to our bottom line and have the potential to increase our revenues by between \$2 million to \$5 million per annum. I should add that the only cost for these distributorships are the stock and staff training costs.

Our overall aim is to double of our revenues for the next two years, maintain a tight control of costs, be cash flow positive and create sustainable long term shareholder wealth. We have achieved a great deal in the past 6 months and I am very confident on the outlook for Intermoco in the future.

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Thank you Bob

For further information on Intermoco Limited visit www.intermoco.com.au or contact Bob Gestro on 03 8699 8799

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