

21 January 2011

Dear shareholder

As announced to the market on 20 January 2011 Intermoco Limited (**Intermoco**) will carry out a non renounceable underwritten rights issue of 231,893,538 ordinary shares to raise \$1,159,468. Eligible shareholders will be entitled to acquire 1 new ordinary share for every 9 existing ordinary shares held. Fractional entitlements will be rounded up.

The purpose of the rights issue is to redeem the balance of Convertible Notes issued to Belgravia Strategic Equities Pty Ltd (**Belgravia**) of \$1m. The balance of funds raised following redemption of the Convertible Notes will be used for working capital, to pay for the costs associated with the capital raisings and interest on the Convertible Notes.

Intermoco decided to carry out a rights issue to raise funds in order to give eligible shareholders the opportunity to apply for shares in the Company with no brokerage fees and at the same price offered to sophisticated investors under Intermoco's recent placement. That price, being \$0.005 per ordinary share, is a 16.7% discount to the Intermoco share price at the date of this letter.

The rights issue is fully underwritten by Bell Potter Securities Limited (**Bell Potter**), meaning the full amount offered for subscription will be raised as any shortfall will be placed by Bell Potter. Directors take this opportunity to thank Bell Potter for its support of Intermoco.

Because of complication in extending the offer to overseas jurisdictions, eligible shareholders will only be those shareholders on the Intermoco register on the record date that are located in Australia or New Zealand. Intermoco considers the costs associated in complying with the legal and regulatory requirements of other jurisdictions outweigh the benefit of the small amount of funds likely to be raised from those jurisdictions under the rights issue.

Intermoco will carry out the rights issue without a prospectus or other disclosure document, but will issue an Offer Document and personalised Application Form to eligible shareholders. A copy of the Offer Document will be available on the ASX website – asx.com.au, and on the Company's website – intermoco.com.

Directors of Intermoco have advised that they will take up their entitlements in full and recommend to shareholders that they should do so given the discount to the current share price being offered, and the business prospects of Intermoco as previously disclosed to the market, most recently on 10 January 2011.

Intermoco Limited

ABN 15 006 908 701

19 Shierlaw Avenue, Canterbury, VIC 3126

p +61 3 9914 7600 f +61 3 9914 7699

e sales@intermoco.com

w intermoco.com

A large, bold, grey graphic of the letters "INT" in a sans-serif font, positioned in the bottom right corner of the page.

The timetable for the rights issue was set out in the announcement to ASX dated 20 January 2011. Key dates are as follows:

- The record date for determining entitlements is 1 February 2011;
- The rights issue will open on 3 February 2011;
- The closing date for receipt of applications is 18 February 2011;
- Holding statements are expected to be dispatched by 28 February 2011.

Shares issued under the rights issue will rank equally in all respects with other ordinary shares on issue.

The effect of the rights issue on issued capital of Intermoco is as follows:

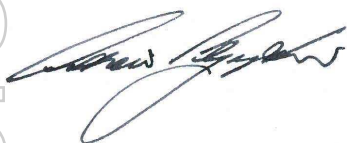
Current issued capital	2,244,835,922
No of shares to be issued	231,893,538
Issued capital on completion of the rights issue	2,476,729,460

Intermoco does not have any options on issue.

No shareholder approval is required to carry out the rights issue. The Company does not anticipate paying dividends in the short to medium term.

If you need further information concerning the rights issue, please call the company secretary Oliver Carton on 03 9804 3475.

Yours faithfully



Andrew Plympton
Chairman