



CADENCE CAPITAL LIMITED (ASX: CDM)

COVERED SHORT SELLING

The Australian Securities and Investments Commission (ASIC), along with other global regulators, is concerned that the recent market global conditions, coupled with extensive short selling of stocks, particularly financial stocks, may be causing unwarranted price fluctuations. ASIC has therefore made the following decisions to apply from the opening of the market on Monday, 22 September 2008 until the End Date:

- naked short selling banned
- covered short selling banned (subject to limited authorised market-maker exemption)
- ASIC will reassess and advise the market in 30 days, whether or not it will at that time, or at a later date, reopen covered short sales for non-financial stocks.

ASIC has emphasised that it sees a legitimate place for short selling in markets (eg to assist with price discovery). Mr D'Aloisio went on to say: 'However, in the current climate and, in light of the actions taken by other regulators, we need a circuit breaker to assist in maintaining and restoring confidence. Our measures do that as they will operate for a limited time and in the case of non-financial stocks, will be reviewed in 30 days. In the case of financial stocks, the review will be in line with the time limits imposed by other international regulators such as the US and UK'.

Cadence Capital Limited investment strategy allows it to partake in covered short selling. This is the process whereby the Company first borrows the stock from its Prime Broker and then short sells this stock into the market. This is called a covered short sale. Cadence Capital Limited does not partake in naked short selling.

These new rules do not apply to existing covered short sold positions that the Company has already entered into before the 22 September 2008. Over the past month the Company's covered short exposure has been significantly reduced. Currently Cadence Capital Limited has only five covered short sold positions that make up approximately 13.5% of its portfolio exposure. Four of these positions (13% of exposure) are very liquid and can be liquidated in less than a day in normal market conditions.

Regards
Karl

A handwritten signature in black ink, appearing to read 'K. Siegling', with a stylized, cursive script.

Karl Siegling
Cadence Capital Limited