

# e-Business Systems Ltd

ACN 107 353 695

## Information memorandum

**in connection with the company's application for listing on the NSX**

20 December 2007

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## IMPORTANT NOTICES

### Defined terms

Defined terms used below and elsewhere in this document (indicated with initial capital letters) are explained in the glossary on pages 7 and 8 of this document.

### Issue of this document

This document has been prepared by EBS in connection with its application to the NSX for admission of its ordinary shares to listing. EBS does not seek to raise capital in connection with its proposed NSX listing, and is therefore proposing a compliance listing only, but expects to raise capital in due course as mentioned in this document.

This document is dated 20 December 2007. A copy of this document was lodged with the NSX on 20 December 2007. Neither the NSX nor any of its officers takes any responsibility for the content of this document.

### Purpose of this document

This document has been prepared solely for information purposes and to assist investors in evaluating EBS. Neither EBS nor any other person (not limited to any person named in this document) has independently verified any of the information or data contained in this document.

This document is not a prospectus or a disclosure document within chapter 6D of the Corporations Act.

### Investment decisions

This document is not, and should not be construed as, a recommendation or advice by EBS or by any other person (not limited to any person named in this document) to invest in EBS now or at any time in the future. Any prospective investor should conduct his or her own investigations and analysis of EBS, its financial condition, the assets and liabilities of the business and its affairs generally including without limitation the contents of this document.

This document does not take into consideration the individual investment objectives, financial situation or particular needs of any particular person. Any prospective investor should take into account his or her own situation and consider seeking independent advice from suitably qualified professional sources before deciding whether or not to invest in EBS.

### No liability for costs

Neither EBS nor any other person (not limited to any person named in this document) accepts any responsibility for any costs incurred by any person in relation to that person's evaluation of EBS pursuant to this document or otherwise.

### Forward-looking statements

This document contains forward-looking statements. Those forward-looking statements reflect views held only as at the date of this document. Any such statement is subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement, and such deviations are both normal and to be expected.

Neither EBS, nor any of its officers or any person named in this document with their consent or any person involved in the preparation of this document, makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement or any events or results expressed or implied in any forward-looking statement. Any intending investor in EBS is cautioned not to place undue reliance on any such statement.

## Exclusion of Liability

Nothing in this document is a promise or representation as to the future. Any prospective investor must make his or her own investigations and enquiries about the assumptions, uncertainties and contingencies which may affect EBS. Neither EBS nor any other person (not limited to persons named in this document) has authorised the making of any statement not expressly contained in this document.

## Currency of information

All information in this document is, unless otherwise specifically stated, current only as at the date of issue of this document and then only to the extent that relevant information is available at the time of compilation of this document.

The publication of this document does not create any implication that there will be, or has been, no change in the business or affairs of EBS the date of issue of this document. EBS may in its absolute discretion update or supplement this document but is under no obligation to do so.

## CORPORATE DIRECTORY

e-Business Systems Ltd	
<b>Directors</b> Ray Soper Russell Krause David Glavonjic Jeremy Martineau	<b>Subsidiaries</b> Spheritec Ltd SafeWorld Australia & New Zealand Pty Ltd
<b>Company secretary</b> Jeremy Martineau	
<b>Registered office</b> suite 22 36 Agnes Street Fortitude Valley Queensland 4006	
<b>Auditor</b> PKF level 6 10 Eagle Street Brisbane Queensland 4000	
<b>Nominated adviser</b> McCullough Robertson - lawyers level 11 Central Plaza Two 66 Eagle Street Brisbane Queensland 4000	

LETTER FROM THE CHAIRMAN

suite 22  
36 Agnes Street  
Fortitude Valley  
Queensland 4006

20 December 2007

Dear Investor,

On behalf of EBS I am happy to present this information memorandum in connection with our application for listing of this company's ordinary shares on the NSX.

Please refer to the appropriate sections of this document for information on our company including an explanation of our present position and our future plans.

Those plans can perhaps best be understood against the background of EBS' corporate motto '*e-business for all*' which provides both a strategic direction for, and a basic operational description of, our business.

We believe the benefits of e-business are compelling for businesses of all kinds and that they are increasingly available to businesses of all sizes – including the SMB sector that is so important to the Australian economy. Our objective is to establish this company as a leading player in the delivery of value-adding e-business services to Australian businesses but with a particular focus on the SMB community – ie '*e-business for all*'.

We see three potential opportunities for meeting this objective. Those opportunities are described more fully in the pages that follow but, in summary, can be presented as the following:

- The opportunity to act as a 'consolidator' of privately-held businesses within the e-business space;
- The opportunity to develop our initial business, Spheritec (which has initial revenue and an initial reseller base) beyond cashflow breakeven and then expand through the addition of additional e-business services; and
- The opportunity in due course, when it becomes commercially available, to market Safe Worlds through existing and new channels.

The present application to the NSX for listing of our ordinary shares is an important and exciting step for us. It enables us to meet an existing commitment to our shareholders but also provides us with a platform for progressively developing market profile and in due course for raising investment to fund our business both organically and by acquisition.

My colleagues and I encourage you to read this document and hope you will consider investing in EBS in the future.

Yours sincerely

Ray Soper  
Chairman  
e-Business Systems Ltd

## 1. GLOSSARY OF TERMS

Terms with specific defined meanings used in this document are shown below.

Term	Meaning
AIFRS	Australian equivalents to the International Financial Reporting Standards
ASIC	Australian Securities and Investments Commission
Bidder's Statement	bidder's statement issued by EBS (then known as SafeWorld Australia Ltd) on dated 28 September 2007 (and lodged with the ASIC that same day) for the acquisition of Spheritec
Board	board of directors of the Company
Channel Partner	a third party through which a company can generate revenue under an agreement for the resale or licensing by the third party of e-Business products or services owned by or otherwise available to the company
Company	e-Business Systems Ltd ACN 107 353 695 incorporated in Victoria
Corporations Act	Corporations Act 2001 (C'th)
Director	director of the Company
EBS	e-Business Systems Ltd ACN 107 353 695 incorporated in Victoria
e-Business	business (including transactions with suppliers, customers, partners and others) performed by electronic means
IBS	Internet Business Systems Inc, incorporated in the state of Pennsylvania in the USA, the commercialisation & operational manager of Safe Worlds
IBS-BVI	IBS-(BVI) Limited, incorporated in the British Virgin Islands as an international business company, the entity with the right to exploit the Safe Worlds intellectual property
IPTV	internet protocol television
IT	information technology
NSX	National Stock Exchange
Offer	offer by EBS dated 1 October 2007 addressed to shareholders in Spheritec for the acquisition of their shares in Spheritec on the terms specified in the Bidder's Statement
Product	product or service relating to e-Business
Safe Worlds	the Safe Worlds e-business platform described in section 5 of, and appendix 4 to, this document
Safe Worlds Agreement	master distribution agreement dated 14 September 2005 between IBS-BVI & SANZ summarised in appendix 6 to this document
SANZ	SafeWorld Australia & New Zealand Pty Ltd ABN 64 106 813 932 incorporated in Victoria
Spheritec	Spheritec Ltd ABN 49 115 851 477 incorporated in New South Wales

SMB	small to medium-sized business
Target's Statement	target's statement issued by Spheritec on dated 28 September 2007 (and lodged with the ASIC that same day) in response to the Bidder's Statement
VoIP	voice over Internet protocol
Web	world wide web

**Note concerning percentages and dollar amounts**

Percentages and dollar amounts appearing in this document are, for convenience, shown only to two places of decimals even where this is only an approximation

In this document, the following rules of interpretation apply except to the extent the context otherwise requires:

- o Headings are for convenience only and do not affect interpretation;
- o The singular includes the plural and conversely;
- o Any appendix or attachment to this document forms part of it;
- o The terms '\$' and 'cents' refer in each case to Australian currency;
- o A reference to a person includes a body corporate, an unincorporated body or other entity, and conversely;
- o A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including without limitation persons taking by novation) and assigns;
- o A reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it, and all regulations and statutory instruments issued under it;
- o A reference to any instrument or document includes any variation or replacement of it; and
- o A term not specifically defined in this document has the meaning given to it (if any) in the Corporations Act.



## 2. COMPANY OVERVIEW

### Status

EBS was incorporated on 12 December 2003 as a public company registered in Victoria. It has not conducted any trading activity or entered into any other transaction apart from the acquisition of SANZ and Spheritec. Both acquisitions were made in consideration of the issue of ordinary shares credited as fully paid.

Details of EBS' capital structure, and of the group structure (including Spheritec and SANZ) generally, are shown in section 5 below.

EBS was formed to act as a holding company operating through subsidiaries with the right to appoint, oversee and (if necessary) remove management. It is envisaged that subsidiaries will normally, as a matter of policy, be wholly-owned. In certain cases, however, and subject to appropriate contractual safeguards, the Company may consider joint ventures or minority equity interests. EBS does not intend, however, to operate as an investment company.

### Activity to date

All trading activities to date have been conducted through Spheritec. Neither EBS nor SANZ has traded; activity to date in both these companies has been limited to preparations for the eventual commercial release of Safe Worlds (including payment – now satisfied - of the development contribution required under the terms of the Safe Worlds Agreement) and, in the case of EBS, the acquisition of Spheritec on the terms of the Offer.

EBS itself is a holding company with no present intention of trading. It currently intends to act purely as a holding company. At present it has two subsidiaries – Spheritec and SANZ – and holds no securities or rights to subscribe for or otherwise acquire any security in any other company.

A controlling interest in Spheritec was acquired pursuant to the Offer which closed on 7 November 2007. Acceptances were received in respect of 91.66% of ordinary shares in Spheritec. On 8 November 2007 the Company issued notices for the compulsory acquisition of outstanding minority interests to those shareholders in Spheritec who had not accepted the Offer. It is expected that the acquisition of these interests will be completed in due course and that Spheritec will become a wholly-owned subsidiary.

Trading to date by Spheritec has involved the marketing of Datagard and Mailmaster (and, latterly, MailRevive) to achieve initial revenue flow. Spheritec has not yet, however, reached cashflow breakeven. It has established an initial network of Channel Partners currently numbering more than 100.

SANZ has, in accordance with the Safe Worlds Agreement, contributed funding towards the development of Safe Worlds and undertaken certain activities with a view to the launch of its business in Australia and New Zealand following full commercial release of Safe Worlds. Under the Safe Worlds Agreement SANZ holds rights as master distributor for Safe Worlds in Australia and New Zealand; neither SANZ nor EBS, nor Spheritec, owns any intellectual property rights associated with Safe Worlds.

### Capital raising to date

Capital raising has taken place over an extended period since the Company's formation in late 2004. Total capital raised by EBS (or, before its acquisition by EBS in July 2004, by Spheritec) amounts to \$7.14m; Spheritec has raised a further \$1.18m before being acquired by EBS. This has been funded through the issue of ordinary shares and options as shown in the table under 'General information' in section 5 below. Shares representing a significant portion of funds raised to date have been issued at \$0.20. Funds raised have been applied towards the Safe Worlds development contribution (approximately \$4.0m) and other activity outlined under 'Activity to date' above. As regards the Safe Worlds development contribution, the carrying value in the balance sheet is approximately \$2.3m, while the balance has been written off as

incurred through the profit and loss account. It is expected that this will be written back in due course subject to successful commercialisation of Safe Worlds.

## Personnel

EBS has an experienced professional board and is led by David Glavonjic (who has significant e-Business experience and who is profiled in section 6 below) as managing director. Profiles of the other Directors are also included in section 6 below.

## Business objective

The Company's business objective is to become:

- o An established provider of Products for commercial use; and
- o Ultimately, a market leader in Australia and New Zealand;

in order to generate superior returns (a combination of capital growth and dividends) for its shareholders over time while at the same time providing fulfilling work and a workplace of choice for its staff.

## Business strategy

The Company's business strategy for achieving this objective is outlined below in section 3 below. That strategy has three elements and can be summarised as follows:

- o Growth by acquisition – acquisition opportunities and possible 'consolidator' role;
- o Development of the Spheritec business – marketing of value-adding user-friendly Products principally to SMBs primarily via Channel Partners; and
- o Launch of Safe Worlds in Australia and New Zealand following full commercial release – scheduled by IBS for April 2008 although this timing is not certain.

## Plans for future capital raising

EBS intends to undertake further capital raising in due course. Capital raising is envisaged for acquisition opportunities as they may arise and in due course also to fund increased operational activity associated with full commercial release of Safe Worlds. This is currently scheduled by IBS for April 2008 and is in any event controlled by IBS and not by the Company or SANZ. The actual timing of commercial release is not certain.

In recent months EBS and SANZ have been engaged in preliminary work for business start-up to coincide with the full commercial release of Safe Worlds. This work is still far from complete and will continue in collaboration with IBS. Business planning will take account of Safe Worlds' final 'go-to-market' functionality.

It is not possible at this stage to identify the investment requirement either for the purpose of any acquisition or in relation to Safe Worlds. The Board intends to monitor matters closely and assess them regularly in light of developments on both fronts.

In the meantime EBS will fund current operational activity on a low level through the proceeds of exercise of existing options as explained under '*Plans for future capital raising*' in section 8 below.

### 3. MARKET OPPORTUNITY & BUSINESS STRATEGY

#### Market

The SMB sector within Australia (according to Australian Bureau of Statistics report ABS (2005) Counts of Businesses, June 2005, 8161.0.55.001) comprises approximately 1,269,000 small businesses (defined as having less than twenty employees) and approximately 77,000 medium businesses (defined as having twenty or more, but less than two hundred, employees) – in excess of 1,300,000 SMBs in aggregate.

This, together with the corresponding market in New Zealand, is the target sector for EBS.

#### Market opportunity

Increasingly, with established high levels of Internet use and the growing adoption of broadband, the necessary infrastructure for effective e-Business is now available. With many on-line businesses, however, e-Business activity is still quite limited. The significant e-Business players are large 'corporate' businesses (such as banks and retailers), with the scale and resources to develop their own trading platforms, and, to some extent, government agencies. For SMBs and consumers, e-Business at present tends to be limited to e-mail, browsing (information-gathering and research) and the retail purchase of such items as air tickets, computers and peripherals, general office supplies, and the like.

For SMBs, as for large 'corporate' businesses and government, e-Business offers the potential for major efficiency and productivity benefits. The Directors believe that e-Business take-up among SMBs remains relatively low and that the market is still to a significant degree under-developed.

Against this background the Directors see a market opportunity for a company offering relevant, timely and effective e-Business solutions. That opportunity is to make e-Business a practical, useful and affordable alternative to traditional business methods for companies that currently do not consider it or consider it for only a small part of their operations – in summary 'e-Business for all'.

The parallel opportunity to act selectively as a 'consolidator' of SMBs within the IT sector is addressed under 'Acquisition strategy' below.

#### Business strategy

EBS plans to market a range of Products that offer customers the potential for genuine efficiency and productivity gains. These Products will be software-based or network-based and will be suitable for SMB use. Existing Products currently marketed by Spheritec (Datagard, Mailmaster & MailRevive) meet these criteria.

Products may be either proprietary Products (in the sense that the relevant intellectual property is either owned by the Company or one of its subsidiaries or available to one of them on exclusive or preferential terms) or third party Products.

Third party Products must be capable of being re-branded and offered either direct to end users under the EBS name (or another brand owned by EBS or one of its subsidiaries) or via Channel Partners under their own branding.

In this way EBS plans to offer relevant, timely and effective e-Business solutions – tools that are practical, useful and affordable and that, increasingly, open up the possibilities of e-Business to complement traditional business methods or even as an alternative to them.

The Company intends to focus particularly on the SMB market (but will not confine itself solely to an SMB customer base) and to operate principally through Channel Partners.

#### Acquisition strategy

Acquisition opportunities will be considered on their merits as they may arise but will also be actively sought out in order to give EBS an early business presence in all three major east coast

capitals. Through Spheritec the Company has an office in Brisbane but not yet in either Sydney or Melbourne. These centres represent early priorities for suitable acquisitions.

The Board believes that SMBs in the IT sector represent an opportunity for industry consolidation. This is also borne out by the experience of management and by anecdotal evidence from discussions with other participants in the IT sector. EBS therefore plans to seek out suitable acquisition candidates and, over time, become recognised as an active player in moves towards industry consolidation. Acquisition candidates are likely to be established SMBs with operational management in place but without clear strategic direction, ownership or management succession, or access to capital. The preference is for acquisitions to include EBS scrip as a significant part of the consideration in order to secure the ongoing commitment of the principal and in any event a commitment to the business for an agreed period to ensure proper continuity.

Key considerations for EBS in assessing acquisition opportunities, and whether they are suitable, include the following:

- Established SMB customer base with no undue reliance on any single source of revenue;
- The extent and strength of any Channel Partner network;
- The quality of revenue – repeat revenue on a regular (preferably monthly) basis from subscriptions or transaction fees and otherwise from consulting services;
- In the case of consulting businesses - evidence of genuine influence on customer IT selection and usage;
- The commercial usefulness of any proprietary intellectual property;
- Opportunities for generating operational efficiencies in Product delivery through adoption of its proprietary e-Business engine – see under '*Intellectual property*' in section 5 below;
- Committed operational management; and
- Cultural 'fit' on the part of both management and staff including:
  - recognition of the benefit of coming under a corporate 'umbrella';
  - willingness to adhere to appropriate corporate discipline in terms of reporting and other matters;
  - service ethos and commitment to quality in all aspects of the business; and
  - desire to develop and expand the business as regards both revenue and profitability.

The Directors together have substantial experience of successfully originating, planning and executing corporate transactions and envisage developing a 'template' approach for use as a starting point in considering acquisition opportunities.

EBS is already aware of certain possible opportunities for small acquisitions and plans to assess these as soon as practicable following listing.

### Channel Partners

Currently, through Spheritec, the Company has a network of over 100 Channel Partners, most of whom are resellers. To date, many of these have not been active, and the majority of Channel Partner activity has been generated by a relatively small number of Channel Partners. This is in line with management experience of similar business models in other IT businesses where, typically, 80% (or more) of revenue is generated by 20% (or fewer) of channels. EBS' objective is to expand its Channel Partner network to between 400 and 500 in the medium term.

Systems integrators, ISPs and even Telcos represent a significant opportunity in implementing this strategy because of their general interest in 'bundling' Products as a defensive mechanism against customer 'churn' and, specifically, because of the competitive threat posed to them by

new technologies and new Products. Examples of such new technologies and new Products include both broadband and VoIP.

EBS intends to leverage its Channel Partner opportunities across its three planned business units by:

- Progressively recruiting additional Channel Partners through Spheritec;
- Over time expanding the Spheritec Product mix with further third party Products and on occasion proprietary Spheritec offerings;
- Seeking complementary IT businesses for acquisition in the course of its proposed consolidation strategy;
- Using the networks of newly acquired businesses as additional Channel Partners; and
- Using Safe Worlds, as soon as it is commercially available, as a tool for the recruitment of further new Channel Partners.

The Company intends also to seek opportunities to establish multiple sales channels by entering into reseller and distribution agreements with larger, more 'corporate', Channel Partners. This strategy offers the Company the potential for much improved market reach and scale through leveraging the existing infrastructure and resources of established market players (not limited to retailers) and developing and sharing new revenue streams with them.

### Intellectual property

The Company plans over time to develop and expand its own proprietary intellectual property base (see under '*intellectual property*' in section 5 below) by:

- Marketing Products, including third party Products, under its own branding wherever commercially practicable;
- Negotiating marketing rights to third party Products on exclusive or preferential terms where this can be achieved; and
- Developing its own Products where this can be done advantageously to meet a perceived market niche but without incurring undue development risk.

EBS proprietary intellectual property is seen as complementing third party intellectual property exploited under licence – as with Datagard, Mailmaster and MailRevive. These and other third party Products will, wherever practicable, be delivered through the Company's own proprietary e-Business engine (see under '*Intellectual property*' in section 5 below) for maximum operational efficiency and optimal customer experience.

The Company will, where appropriate, use the Products it markets for its own business purposes and expects its Channel Partners to do so as well. It therefore already uses Datagard (an on-line information back-up application for general business use) to protect its financial and accounting data and all other business information and Mailmaster (an on-line marketing and communications application) for its own promotional purposes as well as MailRevive (a managed communications application) for its e-mail communications. Further details of these Products are included in section 4 below.

## 4. PRODUCTS

### Introduction

Product strategy will be conducted in accordance with the Company's business strategy – see under 'Business strategy' in section 3 above. The emphasis is on Products that are simple, involve low cost for the end user, with regular (preferably monthly) revenue based on subscription or transactions or a combination of the two, and have obvious relevance to SMBs for general business use.

Current Products (marketed by Spheritec) include both Datagard and Mailmaster; these two Products are marketed under Spheritec's own branding. Spheritec has also recently begun offering MailRevive. SANZ has not yet begun operations but plans to do so once Safe Worlds is commercially available.

Datagard, Mailmaster and MailRevive involve no development risk, as they are finished Products, while Safe Worlds is still under development. Other third party Products that may possibly be suitable for marketing by the Company will be assessed as they are identified.

### Datagard

Datagard is an on-line information back-up application for general business use. It allows secure remote back-up of information and is compatible with various operating systems including Microsoft Windows, Netware and Linux. Because of its ease of use it is ideally suited to SMBs, many of whom may not back up their data regularly or reliably, but is also suitable for larger, more 'corporate', customers.

Specific features of Datagard include the following:

- o Client software compatible with any Windows, Netware or Linux computer;
- o Back-up of other computers within user network via any compatible computer (as above) with client software installed;
- o Automatic selection of data for back-up (financial, accounting, e-mail, etc) according to user preference;
- o Automatic periodic back-up (daily, weekly, etc) according to user preference;
- o Automatic 'fast bit' comparison of current data with older, backed-up, versions for rapid back-up of amended data only;
- o Easy on-line verification of all computers backed up;
- o Optional open file manager function for all files on the user's system; and
- o Simple 'secret key' encryption - single current key access regardless of prior key change history.

Datagard is designed for maximum user convenience and ease of use in order to minimise the risk of inadvertent loss of critical business data.

It incorporates a remote manager function for maximum ease of management by Spheritec – this allows centralised administration of multiple 'mirror' servers in different locations anywhere in the world.

Retail pricing involves payment of a fixed monthly subscription according to the volume of data stored and an initial activation fee. Tiered plans are offered to provide users with flexibility to cater for businesses with different, and variable, back-up requirements. Add-on value is offered with upgrade options relating to restoration periods with sixty-day and ninety-day data restore available. Plans specifically do not involve any commitment to a particular term and are capable of change or termination by users at will.

The absence of any such commitment, together with the low-cost monthly subscription, gives users predictability of cost – for SMBs in particular this is usually a major concern.



## Mailmaster

Mailmaster is a powerful yet simple on-line marketing and communications application for total management of e-mail and SMS communications and customer or contact database management. It allows high-quality professional communications to be created and tailored for individual recipients and then sent, tracked and analysed on-line for reaction and response in real time. As such Mailmaster is ideal for use by major 'corporate' users for large-scale electronic marketing campaigns but also, because of its ease of use and low cost, for highly professional but lower-volume marketing by SMBs.

Its specific attributes include the following fully automated functions:

- o Capture of contact information via website registration forms;
- o Upload of contacts information direct from existing databases;
- o Provision of a lead report each time a new contact subscribes to a database;
- o Contact profiling and segmentation for marketing purposes and general analysis;
- o Customisation of content for specific recipients according to such criteria as gender, age, location and product or service;
- o Despatch of trigger messages in response to website enquiries or new subscriptions; and
- o Complete tracking and full statistical analysis of contact activity in real time – eg messages bounced, message opened rates, messages forwarded, replies received, links clicked, non-existent mobile numbers.

Mailmaster is designed for maximum user convenience and ease of use as an aid to increased business efficiency and productivity.

Retail pricing involves a fixed monthly access fee (set according to the number of database contacts) and a charge per message (e-mail or SMS) sent that reduces on a sliding scale according to the volume of messages sent.

The absence of any commitment to a fixed term agreement, together with the low-cost monthly pricing model outlined above, again (as with Datagard) gives users predictability of cost – this is considered a significant issue for SMBs in particular.

## MailRevive

MailRevive is a managed application that ensures protection, preservation and continuous functioning of e-mail communications. It is easy to deploy and operates seamlessly as a gateway to the user's IT network. Users may be either SMBs or larger, corporate, businesses. MailRevive works by indexing, encrypting and storing all e-mail traffic and attachments in, out and within a business in real time.

Specific features of MailRevive include the following:

- o Automatic indexing, encryption and storing of e-mail traffic;
- o E-discovery tools for instant archive searching for e-mails and attachments;
- o Mailbox restore for disaster recovery of e-mails;
- o Custom packaging for recovery of search items direct to the searcher's inbox;
- o Integrated Web mail access for continuous archive access - even during in-house server outages – as well as remote archive access;
- o Configurable multi-level anti-spam filtering; and
- o Integrated SOPHOS ant-virus scanning of all inbound and outbound transmissions including 'threat reduction' technology for protection against new or unknown e-mail-borne threats.

MailRevive's design allows for maximum user convenience in terms of both installation / configuration and use.

Retail pricing involves a fixed monthly subscription set according to the number of users on the network.

For predictability of cost (as with Datagard and Mailmaster) users are not required to make any commitment to a fixed term agreement. Use continues from month to month and can be terminated by the user at any time.

## Safe Worlds

This part of this section sets out information relating to Safe Worlds. Further information on Safe Worlds appears in appendix 4 to this document; the Safe Worlds Agreement is summarised in section 5 of this document.

### Introduction to Safe Worlds

Safe Worlds is a revolutionary e-Business system with universal and global application – a complete 'one-size-fits-all' e-Business system that the Directors believe represents a major breakthrough in computer science. It can be 'scaled' to any degree to fit all digital business enterprises of any size but is also designed to be simple to use and easy to manage.

Safe Worlds is like a Web designed and built specifically for business – only private and secure, fully integrated, and fully inter-operable. It functions within the infrastructure of the Internet (but operates outside the Web) and will earn revenues in part from service fees representing a percentage of the dollar value of all commercial financial payment transactions (e-payments) performed through the system – in much the same way as a credit card. Although (in terms of both functionality and benefits) a far stretch from credit cards, like credit cards, Safe Worlds will be given away free of charge to businesses throughout the world.

The system is based on a proprietary universal logic standard for data structuring that also establishes a best practice standard for e-Business. It is a client/server software product that, like any other software, can either be distributed on disc or by downloading on the Internet or any other computer network.

Although it is a software product, however, Safe Worlds is not normal application software – it is instead a complete e-Business system that, once downloaded and installed, operates as a stand-alone independently functioning system/platform that can be used immediately to establish integration of diverse applications. Integration is achieved both within the enterprise (intra-enterprise) and between the enterprise and its customers, suppliers and agents (inter-enterprise). The system resolves the intractable problems of system complexity that beset all current attempts at intra-enterprise and inter-enterprise integration and inter-operability of digital systems. This is essential in order for systems to be made private and secure – as they must be for e-Business on any scale.

The basic Safe Worlds system can be used to integrate and make inter-operable a single enterprise, a network of suppliers and customers, or an entire virtual economy. Users can be grouped federally into supply chains, marketplaces, trading blocs, nationalities, or virtual economies.

Users wanting to do business together communicate as a federated group within their own VPN (virtual private network) where each user controls access to (and therefore the security of) his own data at the level of each individual database object. Access and security are set, and can be changed at will, by the user to reflect changing business relationships and conditions.

The Directors believe that Safe Worlds has the potential, in time, to become the enduring global standard for e-Business.

### Independent technical assessment of Safe Worlds

An independent technical assessment of Safe Worlds was carried out by David Tuffley of Tuffley Consulting Services in 2004 and again, to take account of development work performed in the interim, in 2006.



David Tuffley lectures in software quality in computer programming at Griffith University in Brisbane and is an associate of, and senior consultant with, the Software Quality Institute based on its Nathan Campus. His particular expertise and experience include technical communication, analysis of business requirements, process mapping and optimisation, quality management, quality documentation, and training for successful implementation. He is a qualified CMMI instructor who is also involved with Software Engineering Australia's ongoing IT industry improvement program as a qualified SPICE (Software Process Improvement and Capability Determination under ISO 15504) assessor. His clients include, internationally, Toyota, Internet Platform Technology Organization, Cessna, Sony, Pfizer and Intel; in Australia he has consulted to the Australian Defence Department on risk-management in software-intensive system development projects. Besides his consulting and academic achievements he also has long-standing personal e-Business experience having, since 1996, operated a profitable on-line bookshop selling software development 'how to' guides.

Written reports were duly delivered by David Tuffley following each assessment mentioned above. These reports were prepared for IBS which (with the agreement of Tuffley Consulting Services) made them available to EBS. IBS and Tuffley Consulting Services have also agreed to the general conclusions of the later report being referred to, and to certain passages being reproduced, in this document – please refer to appendix 5 to this document for further information.

### **Development status of Safe Worlds**

Neither EBS nor SANZ has any role in the development of Safe Worlds but have been kept informed in general terms and have been able to follow overall progress. Development and management of the commercialisation process are, under arrangements to which EBS and SANZ are not themselves party, the responsibility of IBS.

A functioning prototype of the system was demonstrated to EBS shareholders at EBS' AGM in Brisbane in November 2006.

Subsequent development conducted by IBS in the USA has proceeded in line with IBS' ability to attract funding. During 2007 IBS has raised preliminary capital under a formal private placement memorandum issued in the USA (under which it is understood investment in excess of US\$3.0m was received) and plans to seek further capital at an increased valuation. EBS has been liaising with IBS and has been kept informed of developments in general terms.

### **Commercial release of Safe Worlds**

Full commercial release of Safe Worlds is scheduled by IBS for April 2008. There is no certainty, however, as to this timing. The actual timing is in any event determined by IBS, and not by the Company or SANZ, and depends in particular on completion of development by IBS and IBS' ability to attract further funding in the USA.

The initial commercialisation strategy adopted by IBS focuses on Safe Worlds' IPTV capability. IPTV has been chosen by IBS as the initial delivery channel for Safe Worlds in line with current market trends. These trends are evidenced by the success of You Tube and My Space and their acquisitions by Google and News Corporation respectively. You Tube and My Space services are essentially social networking phenomena whereas Safe Worlds (with its inherent security from the level of each individual database object upwards) is specifically designed for business use and social networking and other activities where privacy and security are important. Bill Gates has recently predicted that IPTV will replace traditional TV within 5 years.

The success of both You Tube and My Space clearly indicates the potential for viral distribution of Safe Worlds through the planned IPTV strategy. The business model involves making Safe Worlds available, free of charge, as a platform for communities (ie corporate & private businesses, local communities or any other group) to launch their own Internet-based IPTV channel – C-IPTV or community IPTV. Revenues will be earned from video advertising and from service fees charged on financial transactions related to the sale of

products and services sold via IPTV. IPTV as a 'go-to-market' strategy is considered by IBS as offering the best prospect of developing early additional revenue and establishing the Safe Worlds business.

Safe Worlds has been designed and is being positioned in this way as the private and secure alternative to the Web for business; the platform of choice for all kinds of communities to produce, and then market, their own products and services (including audio-visual content). It will then be up to each user of the system to decide whether to migrate its entire operation to Safe Worlds and, if so, when. The Board believes that, in time, there is potential for strong business adoption of Safe Worlds as its compelling value proposition for business users becomes known. The IPTV application is intended by IBS to act as a 'hook' to capture broader-based use across a universal market and facilitate mass-market uptake of true e-Business.

IBS intends that Safe Worlds will on full commercial release offer a marketing and transactional platform for all sorts of vertical markets, globally, and not just for business use - something it is believed no other generally available system can now do. The You Tube and My Space precedents suggest that Safe Worlds also has the potential to attract substantial advertising revenue as on-line advertisers follow traffic. Safe Worlds' tracking capabilities are ideally suited to comprehensive dynamic measurement of advertising effectiveness by category and according to individual user preferences. Safe Worlds itself can be configured so that staff only see what they are required to see. These attributes give Safe Worlds a very significant commercial advantage over other on-line advertising platforms.

The integral Safe Worlds 'DIY' web building tool will allow users to set up their own Web-based 'shopfront', and so establish their own Web presence, in order to draw others within their communities onto the system. The Safe Worlds 'WebPresence' Web-building software allows users to create a site on the Web that is connected to Safe Worlds and feeds the flow of data between that site and the user's Safe Worlds site. This functionality allows users to mine the Web for customers and then bring them into Safe Worlds.

In this way search results via the major search engines (such As Google and Yahoo) will attract third parties to these Web-based 'shopfronts' and so help draw users into Safe Worlds.

## 5. GROUP STRUCTURE & RELATED INFORMATION

### General information

Brief details of EBS are set out in the table below.

e-Business Systems Ltd	
<b>Incorporation date</b>	10 December 2003
<b>Place of registration</b>	Victoria
<b>Status</b>	unlisted public company
<b>Registered office</b>	suite 22, 36 Agnes Street, Fortitude Valley, Queensland 4006
<b>Issued capital</b>	43,203,969 fully paid ordinary shares
<b>Granted options</b>	15,807,000, granted at \$0.05 each & exercisable on or before 30 June 2010, to subscribe for fully paid ordinary shares at \$0.05 each (if exercised on or before 21 December 2007) and otherwise at \$0.15 each 500,000, exercisable on or before 30 September 2008, to subscribe for fully paid ordinary shares at \$0.20 each 124,330, exercisable on or before 30 June 2009, to subscribe for fully paid ordinary shares at \$0.20 each 124,330, exercisable on or before 30 June 2009, to subscribe for fully paid ordinary shares at \$0.35 each
<b>Directors</b>	Ray Soper Russell Krause David Glavonjic Jeremy Martineau
<b>Company secretary</b>	Jeremy Martineau
<b>Principal assets</b>	investment in subsidiaries: <ul style="list-style-type: none"> <li>o Spheritec – currently 91.66% owned with balance currently subject to compulsory acquisition as explained under 'Activity to date' in section 2 above; and</li> <li>o SANZ - wholly-owned</li> </ul>

### Capital structure

The issued share capital of the Company consists of ordinary shares only. A total of 5,647,056 such shares has recently been issued as consideration for the acquisition of shares in Spheritec representing approximately 91.66% of its issued share capital; a further balance of 513,481 ordinary shares falls to be issued by EBS upon completion of the compulsory acquisition process now underway – see under 'Activity to date' in section 2 above.

The table below (which identifies all members with a shareholding of 5% or more) therefore shows EBS' issued share capital both as it is currently and as it will be upon completion of the compulsory acquisition of the outstanding minority interests in Spheritec.

Shareholder	Number of EBS Ordinary Shares Held		Proportion of EBS Issued Ordinary Share Capital		Note
	Now	Later	Now	Later	1
Rita Coppa atf Empire Trust	5,600,000	5,724,330	12.96%	13.09%	
Glavonjic Investments Pty Ltd	4,973,020	4,973,020	11.51%	11.38%	2
Jeremy Martineau	3,455,449	3,455,449	8.00%	7.90%	3
Internet Business Systems Inc	2,500,000	2,500,000	5.79%	5.72%	4
The Leg Vein Clinic Service Company P/L	2,500,000	2,500,000	5.79%	5.72%	
Devine Industries Pty Ltd	2,000,000	2,000,000	4.63%	4.57%	
Heather Buchanan	1,900,000	1,900,000	4.40%	4.35%	
<b>Sub-total</b>	<b>22,928,469</b>	<b>23,052,799</b>	<b>53.07%</b>	<b>52.73%</b>	
Others	20,275,500	20,664,651	46.93%	47.27%	
<b>Total</b>	<b>43,203,969</b>	<b>43,717,450</b>	<b>100.00%</b>	<b>100.00%</b>	

**Notes:**

1. The columns headed 'Later' show the issued ordinary share capital of EBS as it will be upon completion of the compulsory acquisition of the outstanding minority interests in Spheritec
2. Glavonjic Investments Pty Ltd is a related entity of, and controlled by, David Glavonjic.
3. Of these shares 500,000 are beneficially owned; the remainder are held non-beneficially.
4. IBS (the commercialisation & operational manager of Safe Worlds) is controlled by Alan Metcalfe who conceived, and is the principal designer of, Safe Worlds.

EBS has granted options for the holders to subscribe for a total of 16,555,660 ordinary shares on the terms specified in the table under 'General information' above. Directors' interests in these options are disclosed in section 7 of this document.

There are also commitments for the issue of a total of 49,732 shares (credited as fully paid for no consideration) to members of staff. The personnel concerned are neither officers of the Company nor related parties of any such person. These commitments are subject to conditions relating to continuity of service to the end of the current financial year.

EBS has recently established a conventional option scheme known as the e-Business Systems Ltd equity option incentive scheme' but has not granted or agreed to grant any option under it. The rules of this scheme are summarised under 'Equity option incentive scheme' in appendix 6 to this document.

**Group structure**

Brief details of EBS' two subsidiaries are presented in the table below.

	Spheritec	SANZ	Notes
<b>Incorporation date</b>	19 August 2005	27 October 2003	
<b>Place of registration</b>	New South Wales	Victoria	
<b>Status</b>	Unlisted public company	Private company	
<b>Registered office</b>	Suite 22, 36 Agnes Street, Fortitude Valley, Queensland 4006	Suite 22, 36 Agnes Street, Fortitude Valley, Queensland 4006	

<b>Issued capital</b>	24,775,000 fully paid ordinary shares	12,500,000 fully paid ordinary shares	
<b>Ownership</b>	91.66% subsidiary of EBS	Wholly-owned subsidiary of EBS	1
<b>Granted options</b>	None	None	2
<b>Directors</b>	David Glavonjic Jeremy Martineau Paul Wyatt	Ray Soper Russell Krause David Glavonjic	
<b>Company secretary</b>	Jeremy Martineau	Jeremy Martineau	
<b>Principal assets &amp; business</b>	Intellectual property – trademarks & proprietary e-Business engine for automating back office systems & business processes  Agreements with third parties under which Spheritec acts as Channel Partner in relation to Datagard, Mailmaster & MailRevive  Computer equipment	Master distribution rights for Safe Worlds in Australia & New Zealand pursuant to the Safe Worlds Agreement	3

## Notes:

1. Spheritec is expected to become a wholly-owned subsidiary of EBS pursuant to the Offer – refer to 'Activity to date' in section 2 above for further information
2. Options previously held by third parties have (under arrangements disclosed in the Bidder's Statement) been replaced by options to subscribe for shares in EBS as referred to under 'Capital structure' above.
3. See under 'Intellectual property' below for further information on intellectual property. Agreements relevant to the principal assets shown are summarised in section 5 below.

## Intellectual property

Proprietary intellectual property is summarised in the table above. The principal asset concerned is Spheritec's proprietary e-Business engine which allows it to largely automate the back-office systems and business processes associated with Product delivery and fulfilment both direct to end users and through Channel Partners. As regards Channel Partners, this engine allows automatic payment of agreed shares of revenue received from users to be made electronically to both resellers and wholesalers, while wholesalers are in addition able to establish corresponding arrangements for their own channels under their own branding.

## Personnel

Neither the Company nor Spheritec nor SANZ currently has any employees. Relevant personnel are providing services under consultancy agreements and are expected to move to an employed basis of engagement in due course when the business is more established. The consultancy agreements for the engagement of all personnel contain usual provisions relating in particular to confidentiality, intellectual property and competitive activity.

David Glavonjic's terms of engagement as managing director of the Company are secured under a separate agreement with his consulting company D&K Ventures Pty Ltd summarised in appendix 6 to this document.

## Constitution of EBS

The constitution of EBS is appropriate for a public company and was prepared with a view to listing in due course. A summary of the terms of EBS' constitution is included in appendix 7 to this document.

### **Litigation**

Neither EBS nor Spheritec nor SANZ is involved in any legal or arbitration proceedings; none of them is aware of any such proceedings pending or threatened against it or any circumstances likely to give rise to any such proceedings.

## 6. PERSONNEL

This section provides information on key personnel and their terms of engagement with the Company.

### Ray Soper – chairman of EBS

Ray is a widely experienced business professional and company director. He has 18 years' experience as an executive director, non-executive director and chairman with a number of public companies in both Australia and North America. He has also been active on a number of audit committees.

He has a BSc (Mineral Technology) from Otago University, in New Zealand, and an MBA from the University of New South Wales. He is a member of the Australasian Institute of Mining and Metallurgy and an affiliate member of the Securities Institute of Australia.

### David Glavonjic – managing director of EBS

David's executive experience in the IT and communications sector spans a period of more than twenty-five years – the majority of them as chief executive or in positions of equivalent responsibility. He has a track record of demonstrable achievement as a professional manager in creating shareholder value, in bringing new technologies to market, and in the conception, creation and management of profitable commercial businesses. He initially qualified as an accountant before embarking on a professional management career during which he has held a variety of management positions within the IT and communications sector.

His early professional experience was gained with the CSIRO (Commonwealth Scientific and Industrial Research Organisation) where his interest in both innovation and technology was first stimulated. Subsequently, both with the CSIRO and in other organizations, he acquired extensive hands-on experience in conceiving and establishing innovative ventures and managing them to profitable growth. Highlights include the following:

- o The commercialisation of CSIRONET, one of the first privatisations, as a profitable joint venture between government and industry;
- o The establishment of Vantage Solutions Australia as one of the first significant Australian businesses specialising in value-added network services;
- o The creation of PAXUS ComNet, a value-added data network, which exceeded both revenue and profit targets in its first year of operation;
- o The conception and establishment of AT&T Easylink Services Australia, an e-commerce joint venture between Continuum, Qantek and AT&T;
- o The negotiation and establishment of AOLA, a joint venture between AAPT and AOL, at the time one of the world's largest content and Internet services companies; and
- o The establishment of Connect Internet Solutions as a leading provider of business solutions using Internet technologies and a culture of customer service.

At Connect Internet Solutions (a subsidiary of AAPT) he held the positions of chief executive and managing director, both before and after the acquisition of AAPT by Telecom New Zealand, and was responsible for its successful integration within the Telecom New Zealand Group. In this role he further developed his specific expertise in e-Business.

His executive experience includes not only technology commercialisation and business operations but formulation of strategy and negotiation of business partnerships and alliances.

He is a member of the Australian Institute of Company Directors.

## **Russell Krause – non-executive director of EBS**

Russell is a consultant stockbroker advising on initial public offerings, capital raising, acquisitions, divestments, and restructuring.

During his career Russell has held senior positions with the stockbroking firms of Ord Minnett, ANZ Macaughan, Bankers Trust Australia, and HP JDV. His stockbroking experience includes directorships and board positions, participation in and chairmanship of underwriting and risk committees, and acting as divisional head of private client business; he has also held senior investment banking positions with responsibility for institutional banking, corporate finance and research. He has international experience overseeing the establishment and development of margin lending businesses.

## **Jeremy Martineau - non-executive director & company secretary of EBS**

Throughout his career Jeremy has specialised in company transactional work where he has extensive experience in both project-management and advisory capacities. The main focus of his experience has been private business – often businesses with a strong growth profile or growth prospects.

He has a background in law and qualified in 1981. He was a partner with a substantial and long-established commercial firm in Birmingham for ten years before moving to Brisbane where he practised with McCullough Robertson from 1996. He subsequently worked in the corporate finance & investment banking practice of PricewaterhouseCoopers where he was involved in initiating, structuring and managing a number of transactions (equity investments and company sales) to successful completion. Although no longer involved in legal practice, he remains admitted to practise both in the UK and in Australia.

He holds a diploma in entrepreneurship studies and is a member of the Australian Institute of Company Directors.



## 7. DIRECTORS' INTERESTS

This section provides details of the interests of the directors of each company - both EBS (including for this purpose SANZ) and Spheritec – in EBS. These are shown in the table below.

Director		Number of EBS Ordinary Shares Held		Proportion of EBS Issued Ordinary Share Capital		Note
	Directorship	Now	Later	Now	Later	1
Ray Soper	EBS & SANZ	1,453,845	1,453,845	3.37%	3.33%	2
David Glavonjic	EBS, Spheritec & SANZ	4,987,939	4,987,939	11.55%	11.41%	3
Russell Krause	EBS & SANZ	2,036,505	2,036,505	4.71%	4.66%	2
Jeremy Martineau	EBS & Spheritec	3,553,669	3,553,669	8.23%	8.13%	
Paul Wyatt	Spheritec	701,633	701,633	1.62%	1.60%	
Total		12,733,591	12,733,591	29.47%	29.13%	

### Notes:

1. The columns headed 'Later' relate to the issued ordinary share capital of EBS as it will be upon completion of the compulsory acquisition of the outstanding minority interests in Spheritec and therefore show the dilutive effect of the issue by EBS the remaining consideration shares pursuant to the Offer.
2. Ray Soper and Russell Krause have options to subscribe for 1,650,000 and 2,920,000 such shares respectively (for which they have respectively paid \$82,500 and \$146,000) exercisable on or before 30 June 2010 at a subscription price of \$0.05 each (if exercised on or before 21 December 2007) and otherwise at \$0.15 each payable in each case in cash on exercise.
3. David Glavonjic also has options to subscribe for ordinary shares in EBS as follows:
  - o a total of 500,000 such shares as disclosed in the directors' report appearing in the audited financial statements included in appendix 1 to this document; and
  - o options over a further 1,200,000 such shares (for which \$60,000 was paid) exercisable on or before 30 June 2010 at a subscription price of \$0.05 each (if exercised on or before 21 December 2007) and otherwise at \$0.15 each payable in each case in cash on exercise.

The shareholding interests shown above include not only shares held by each director personally but also other shares held by their respective related entities within the meaning of section 9 of the Corporations Act.

### Escrow restrictions on NSX listing

Each of the Directors has agreed to accept escrow restrictions on a voluntary basis for a period of twelve months from the date NSX listing takes effect. Paul Wyatt (who, together with David Glavonjic and Jeremy Martineau is a director of Spheritec) has also agreed to accept the same restrictions. These restrictions are as follows:

- o They prevent dealings in EBS shares during the relevant twelve-month period;
- o They apply in respect of shares held by them, their spouses and entities (including family trusts) controlled by them respectively; and
- o They apply to all shares in EBS held by them respectively except certain shares (1,075,000 out of a total of 3,553,669) currently held by Jeremy Martineau as nominee for various third parties; but
- o Do not apply to shares issued on or after 1 December 2007 consequent upon the exercise of options shown in the table under 'General information' in section 5 above.

## **Deeds of access & indemnity**

The Company proposes to enter into deeds of access & indemnity in usual terms, and in accordance with generally accepted corporate practice, with any director or officer (notwithstanding any personal interest of the individual concerned) in accordance with the authority granted by shareholders at the AGM held in November 2007.

The terms of these deeds of access & indemnity are summarised in appendix 6 to this document.

## 8. FINANCIAL INFORMATION

### Audited financial statements

Audited financial statements of EBS for the year ended 30 June 2007 are included in appendix 1 to this document. These are consolidated to include SANZ as well as EBS but do not include Spheritec because it only became a subsidiary of EBS after the balance date when the Offer was declared unconditional.

Audited financial statements of Spheritec for the year ended 30 June 2007 are included in appendix 2 to this document. These show the results and position of Spheritec on a stand-alone basis.

Unaudited financial information on EBS (including SANZ on a consolidated basis) and Spheritec (on the basis explained in note 1) appears in appendix 3 to this document. This relates to the period from 1 July to 30 November 2007 and is based on management accounts.

This unaudited financial information has neither been prepared by, nor been reviewed by, PKF and has been prepared by the directors of EBS and Spheritec on the basis of current management information.

### Matters relevant to audited financial statements

The following points should be noted in connection with the audited financial statements:

- It is planned that Spheritec should adopt private company status and cease to be a public company – this means that, for future financial years, it will no longer prepare separate financial statements but will be consolidated with EBS and SANZ;
- EBS and SANZ have (with the consent of the ASIC) recently changed their accounting reference date from 31 July to 30 June pursuant to section 340 of the Corporations Act and therefore prepared financial statements for a period of eleven months only; and
- During the period covered by its financial statements (ie from 1 August 2006) EBS raised capital through the grant of 15,807,000 options as referred to under 'General information' in section 5 above – the proceeds are reflected in its statement of financial position as at 30 June 2007.

### Plans for future capital raising

It will be necessary for EBS to undertake further capital raising in due course to fund acquisition opportunities and increased operational activity associated with the anticipated roll-out of Safe Worlds – see under 'Plans for future capital raising' in section 2 above.

Under NSX listing rules relating to 'compliance listings' (such as that proposed by the Company) EBS is not permitted to undertake any capital raising within a period of three months following the date of listing.

EBS intends to fund operations in the short term through the proceeds of exercise of options as shown in the table under 'General information' in section 5 above. It is anticipated that these options will provide near-term funding of not less than \$250,000 and up to \$500,000. At the current low level of operational activity (and after making proper allowance for the estimated costs of NSX listing) these funds will sustain the Company until the end of June 2008. The Company will be free under NSX listing rules to raise further capital to support ongoing operations (most likely in the first instance through a modest placement) three months following listing. This timeframe therefore allows for capital raising after expiry of the three-month period but before the end of June 2008. The intervening period will be used to identify the actual level of funding required (particularly in connection with Safe Worlds assuming delivery by IBS broadly on schedule) and make arrangements accordingly.

## 9. RISK FACTORS

### Introduction

This section of this document identifies the areas that are believed by EBS to represent significant risks associated with holding shares in EBS.

EBS and its business (both actual and proposed) are subject to various risk factors; these are both general investment risks and risks that are specific to EBS and its proposed business and activities generally. Individually, or in combination, these risks may affect the future operating performance of EBS and the value of EBS shares. There is no guarantee that EBS' business (actual or proposed) will be established successfully. The decision as to whether or not to acquire or hold shares in EBS should be considered in light of all relevant risks, both general and specific, and on the basis of all information contained in this document. Each of the risks set out below, and others not specifically referred to below, could, if it eventuates, have a material adverse impact on EBS and its operating and financial performance.

Shares carry no guarantee with respect to the payment of dividends, return of capital or market value. EBS shares should be considered a speculative investment. Spheritec Shareholders should read this document in full, review all relevant risks in light of their personal circumstances, and consider seeking appropriate professional advice.

### General investment risks

There are certain risks inherent in any investment in securities. For convenience these are summarised as follows:

- **Unlisted investments**  
At the date of this document EBS is unlisted. There is no guarantee that it will succeed in achieving NSX listing.
- **Listed investments**  
Assuming that EBS' objective of NSX listing is achieved, however, its shares will be subject to the usual factors affecting listed securities generally.  
The price of quoted shares may fall, as well as rise, and shares may trade at prices below the holder's cost of acquisition. There is, moreover, no assurance that, even if listed, the Company will be able to raise funds in the future or that an active trading market for its shares will develop.  
Factors affecting the price at which quoted shares are traded may include domestic and international economic conditions and outlook, changes in government fiscal, monetary and investment policies, and changes in interest rates and rates of inflation. The price of listed securities in many companies (including, if and when listed, EBS) may be affected by factors wholly unrelated to those companies' operating and financial performance and factors beyond their capacity to control or even influence. Factors of this kind may adversely affect the value of EBS shares or even their liquidity.

### General economic conditions

EBS' operating and financial performance will be influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, may be expected to have a corresponding adverse impact on the Company's operating and financial performance.

### Specific business risks

A summary of some of the specific business risks facing the Company is presented as follows:

- **Establishment of business**

Currently neither EBS itself nor SANZ has revenue; Spheritec has early revenue but has not yet reached cashflow breakeven. Revenue will depend on the successful establishment of Spheritec's business and, as regards Safe Worlds, delivery by IBS ready for full commercial release and then on local marketing by SANZ in Australia and New Zealand. There is no guarantee as to the successful establishment of Spheritec's business; also, while the Directors believe there is exciting 'blue sky' potential for Safe Worlds, and while a functioning prototype of the system was demonstrated to EBS shareholders at the Company's AGM in Brisbane in November 2006, there is no guarantee that it will fulfil its revenue potential. EBS must achieve cash flow breakeven (on a sustainable basis) in order to operate successfully and may have difficulty (even if listed) in raising external funding unless it can demonstrate positive and tangible progress by Spheritec in establishing its business and by IBS (as development and commercialisation manager) towards full commercial release of Safe Worlds.

- **Access to products and services**

EBS' operating and financial performance may depend on its ability to source or secure Products (in addition to Safe Worlds) that are suitable for general SMB use. It is not clear at present to what extent it may be necessary to source or secure other such Products or how far, if at all, diversification of Products (whether EBS' own proprietary applications or third party applications) may enable EBS to achieve economies of scale and operational efficiencies without undue technology risk.

- **Market acceptance of e-Business**

The extent to which, and the rate at which, potential customers accept e-Business (not limited to Spheritec's existing offerings or to Safe Worlds) as an effective means of conducting their operations (having regard to factors such as the risk of delivery failure, or delay in delivery, fraud, and privacy concerns) will naturally affect EBS.

- **Market demand for products and services**

Products marketed by EBS (through Spheritec or SANZ) must appeal to a wide market and attract a substantial volume of users in order for it to generate sustainable free cash flow and profit and therefore income returns for shareholders.

- **Technological change**

EBS will operate in a sector where technological change – often rapid - is part of the 'landscape' and a threat as well as an opportunity.

- **Competition**

There is significant competition from a range of sources within the IT and communications sector – including in relation to e-Business. This may affect revenue, market share, brand recognition and profitability.

- **Counterparty performance**

EBS (in common with many other companies) is dependent upon due performance by its partners and those of its subsidiaries – including most significantly (in relation to Safe Worlds) IBS.

- **Reliance on third party suppliers**

EBS (in common with many other companies) will be reliant upon key suppliers for the continuing operation of its business - eg telecommunications service providers (for the availability and maintenance of infrastructure) and technology and software suppliers (for technology platforms and upgrades).

- **Intellectual property**

EBS must take appropriate steps for the protection of its own intellectual property but may also be dependent on third party suppliers doing likewise as regards intellectual property owned by them and licensed to it. As with many other companies, any third party claim for infringement of intellectual property rights could have a material adverse impact on it.

- **Integrity of information technology systems**

'External' factors such as computer hacking, virus attacks and fraud (including credit card

fraud), and 'internal' factors such as system downtime arising from error or malfunction, are all risks that could have a material adverse impact on EBS.

- **Keyman dependence**

EBS has only a small management team and is significantly dependent on the continuity of key personnel engaged by it or by IBS – at this stage principally David Glavonjic (whose services are contracted by it), and the other Directors, but also Alan Metcalfe (who conceived, and is the principal designer of, Safe Worlds) of IBS.

- **Regulatory compliance**

It will be necessary for EBS to fulfil its compliance obligations and take due account of changes in the regulatory environment (eg as regards telecommunications) affecting it. EBS may also be affected by non-compliance on the part of competitors. Relevant obligations may involve international considerations, not limited to Australia and New Zealand, in relation to matters such as enforcement of laws, parallel imports, currency exchange and taxation.

## 10. MISCELLANEOUS

### Regulatory matters

EBS is not aware of any regulatory approval which is required for it in connection with the issue of this document or its application for listing on the NSX.

### Consents

David Tuffley and Tuffley Consulting Services have given and has not, on or before the date of this document, withdrawn their written consent to being named in this document as having performed an independent technical assessment of Safe Worlds in the form and context in which they are named and to the inclusion in this document of extracts from that independent technical assessment in the form and context in which they appear.

IBS has given and has not, on or before the date of this document, withdrawn its written consent to being named in this document in the form and context in which it is named.

PKF has given and not, on or before the date of this document, withdrawn its written consent to being named in this document as auditor and to the inclusion in this document of EBS' audited financial statements for the period ended 30 June 2007, or of Spheritec's audited financial statements for the year ended 30 June 2007, (including in each case PKF's audit report thereon) in the form and context in which they appear.

### Other material information

Except as set out elsewhere in this document, there is no other information that is:

- Material to the making of a decision by any person whether or not to acquire or dispose of shares in EBS; and
- Known to EBS;

and has not previously been disclosed to shareholders in the Company.

## **11. APPROVAL OF INFORMATION MEMORANDUM**

This document has been approved by a resolution passed by the directors of EBS on 19 December 2007.

Signed by Ray Soper, Chairman of EBS, in accordance with section 351 of the Corporations Act

Dated 20 December 2007

Ray Soper  
Chairman  
e-Business Systems Ltd



## **APPENDIX 1**

### **Audited Financial Statements of EBS for Period to 30 June 2007**

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Please see overleaf for the audited financial statements of EBS (including SANZ on a consolidated basis) for the period of eleven months to 30 June 2007

## APPENDIX 2

### Audited Financial Statements of Spheritec for Year to 31 July 2007

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Please see overleaf for the audited financial statements of Spheritec for the year to 30 June 2007

**APPENDIX 3**

**Unaudited Financial Statements of EBS (including Spheritec) for Period to 30 November 2007**

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Please see overleaf for the unaudited financial statements of EBS (including Spheritec as explained in note 1) for the period of five months to 30 November 2007

## APPENDIX 4

### Information on Safe Worlds supplied by IBS

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#### General description

Safe Worlds is specifically designed as a universal platform for e-Business and to act as the 'glue' for full integration not just within individual enterprises but between different enterprises as well. This is so regardless of the nature, scale and activities of the enterprises involved. Safe Worlds has universal application across the entire global e-business market. It is designed to be easily and rapidly deployed in the global business market and to generate annuity-style revenue, in the form of service fees based on transaction value, from a mass user base. It seeks to set a new universal standard based on a universal logic language that is common to all forms of computerisation.

Safe Worlds is quite different to any other product in the market today because:

- It is a single coherent system that fits every business application;
- It is highly scalable;
- It solves the critical problems of:
  - integration;
  - inter-operability;
  - privacy; and
  - data security (including financial transaction security);
- It delivers:
  - STP - straight-through processing;
  - integrated accounting for complete back-office functionality with one-time data entry; and
  - real-time management reporting;
- It is a universal standard for ubiquitous computing and e-Business;
- It is intuitive and therefore simple to use;
- It is free of upfront charge and therefore ideal for mass distribution; and
- It is easy to operate and manage – and therefore, again, ideal for mass distribution.

#### Business functionality

The basic Safe Worlds system (which will be made available free of charge) incorporates the following features to meet the essential requirements of any user for generic e-business purposes:

- Single sign-on user registration and authentication;
- Common market directories;
- VPN (virtual private network) with dynamic encryption security;
- Instant messaging (chat);
- Audio-video Internet phone (VoIP - or voice over Internet protocol – telephony) with eight-channel recording and playback for conference calls;
- Video streaming with the same recording and playback functionality;
- Semantic search engine;

- System administration centre;
- Name and address book capabilities;
- Web-facing interface as a 'shopfront' to the Web to draw Web traffic into the parallel Safe Worlds 'universe';
- Cataloging capability for products and services;
- Full-back office functionality with real-time single-entry accounting, reporting and management;
- 'How to' library; and
- Development kit for user creation of additional (custom) functionality.

Any activity conducted digitally can be performed by means of Safe Worlds – including e-commerce, m-commerce (mobile commerce), and e-learning. It can be adapted to PCs, mobile phones and PDAs (personal digital assistants).

Privacy and data security are protected by:

- Safe Worlds' single sign-on access - a single point of user verification;
- Its 'semantic' data structure – as referred to under '*Logic standard*' below; and
- Its peer-to-peer connectivity between users via the Safe Worlds VPN (virtual private network) and randomly generated object encryption.

## Logic standard

Safe Worlds employs its own proprietary method of data assembly based on individual knowledge objects. These knowledge objects represent 'building blocks' which all have the same structure and provide the system with its own internal 'logic standard' – this applies throughout the system regardless of the nature of the data represented.

This approach enables all data (at the level of each 'building block' and upwards) to be separately secured, identified, searched, tracked, and audited as required. Search access to individual database objects is available only to those users with specific rights of access granted by the proprietor. The system's data structure methodology gives it a semantic search capability that far outstrips the text-based systems currently available; it also facilitates efficient data mining, effective e-learning, comprehensive real-time auditing, and reliable transaction processing for bill presentation and payment.

## Value proposition for business users

Safe Worlds' value proposition for users is extensive. It goes much further than simply the surface functionality of the system. Its real value lies in the full and deep integration of the range of the system's functions and how those functions can be used. In summary:

- The existence of a single system for e-Business radically reduces the cost of doing e-Business and so brings full e-Business within the reach of even the smallest business;
- The ability to integrate and make inter-operable (inter-enterprise as well as intra-enterprise) existing (legacy) systems - and particularly the ability to integrate the e-payment function with the entire business process - greatly simplifies the management of large-scale business;
- Management decision-making is both improved and accelerated through the availability in real time of data (market information as well as enterprise-specific information from within the business' own computer records) via a fully configurable live on-screen 'dashboard';
- The delivery of high-level privacy, financial transaction security and data security (without spam, worms, trojans or other forms of malware prevalent on the Web) will give businesses everywhere the confidence they need, and will want, to move to e-business;

- o The intuitive user-friendliness of the system (with operation via a single common user interface) means that very little (initial or ongoing) training is required and, again, should encourage businesses of all kinds to move to e-Business; and
- o It gives all Safe Worlds users the ability for business users of any size to reach a global market at a very low cost - so therefore greatly extending the reach of their existing operations.

### Business model

Because of the simplicity of its design Safe Worlds can be given away without any upfront charge.

This is in contrast to currently available e-business systems which, because of their sheer complexity, can cost millions of dollars – and still come nowhere near offering Safe Worlds' wide-ranging value proposition for business users.

A 'user pays' system applies with Safe Worlds. Payment for the use of Safe Worlds will take the form of service fees paid by users on the basis of actual use (as represented by financial transactions effected) and calculated as a percentage of transaction value. This is possible because Safe Worlds is transaction-based and includes (as part of its overall functionality) integrated bill presentation and payment – in this aspect of its overall functionality it therefore works like an on-line credit card and has the potential to generate annuity-style revenue from a broad user base.

Users who do not use Safe Worlds' integrated payments capability will not pay transaction fees. It is expected, however, that most users will choose to use this capability on grounds of convenience, operational efficiency, and transactional and financial security. Acceptance of this model of charging is supported by the existing precedent of credit cards.

Because it is a software product, and because it does not involve any upfront cost, Safe Worlds is ideally suited for rapid and widespread deployment. It has the potential to be disseminated 'virally' via the Web in the same way as Netscape and Internet Explorer.

Safe Worlds is like a Netscape or Internet Explorer for business in the sense of being a 'dashboard' and 'viewing window' with a single point of control but has the added benefits of a full range of business functionality integrated within it.

It is like Google or Yahoo in the sense of being a search engine but, unlike other search engines, has an inherently semantic structure that allows it to track individual knowledge objects and therefore search for, and mine, information according to its semantic content. The search capability of other current systems (including Google and Yahoo) is limited to text. The distinction can be understood by the comparison of text-mapping and knowledge-mapping.

## APPENDIX 5

## Extracts from Independent Technical Assessment of Safe Worlds

The following passages are reproduced from the independent technical assessment performed by Tuffley Consulting Services. While they are necessarily selective (on grounds of commercial confidentiality and because permission has been given only in relation to the passages actually quoted), they are in the view of the directors of EBS representative of the overall tone and conclusions reached.

Alan Metcalfe (referred to in the passages reproduced below) conceived, and is the principal designer of, Safe Worlds.

**Summary finding**

*'After reporting on the Safe Worlds system, first in 2004 and then again in June 2006, and after extensive discussions with Mr. Metcalfe, I can conclude that Mr. Metcalfe has developed and applied in Safe Worlds a remarkably innovative approach to the structuring and processing of data, relative to the common proprietary data processing methods in use today - remarkable in the sense that it has not been done already given its effectiveness.*

*The approach that Alan Metcalfe has taken, which he calls universal logic, could be most accurately described as an architecture - a way of structuring data that is simple, powerful and efficient. The power lies in the way that this architecture reduces the complexity of data to its simplest form, rendering the data into simple descriptive elements that can be applied to any and all data that is subsequently fed into the system. The overall effect is a database that can be upwardly scalable to a very large size, while retaining a processing efficiency that makes such large data aggregations manageable and usable for everyday purposes.*

*The architecture therefore prescribes a protocol for the processing of data within the secure limits of the Safe Worlds environment. This protocol and the architecture upon which it is based, is the real strength and innovative aspect of Safe Worlds system. It creates the opportunity for extremely large scale efficient data processing in a secure environment. The simplicity of the system allows a wide variety of useful applications to be performed, including secure e-commerce and supply chain management, efficient audio/video communications, e-learning to name a few.*

*This architecture is referred to by Mr. Metcalfe as Logic, or to be more precise, Universal Logic. These terms refer to the taxonomy (system of classification by which the world is described) and meaning is conveyed, that is employed by Safe Worlds. Data processing "worlds" can be structured and described in any number of ways with this logic, limited only by the imaginations of the architects who create those worlds.*

*On the other hand it is important to acknowledge that Mr. Metcalfe's taxonomy is based on fundamental principles of logic that have seen expression as far back as ancient Greece, and which is evident in various philosophies and religions since then, across a range of cultural contexts. This is the basis that the term universal is used. The recurring nature of this taxonomy strongly suggests that it represents a fundamental truth about the way the world operates, and therefore an appropriate basis upon which to process data in a computer environment. (I should add here that I am a scholar of Philosophy, lecturing in applied Philosophy (Ethics) at Griffith University's School of Information & Communication Technology: <http://www.cit.gu.edu.au/teaching/2166CIT/>).*

*In 2004 I first arrived at the view that Mr. Metcalfe's approach to computerization, his so-called Universal Logic, was theoretically feasible. I reserved my conclusions until a working prototype was developed and I had the opportunity to see it demonstrated, ask questions, and request specific details. This has recently now been provided and attested to by the team working on the Safe Worlds system. I am in no doubt now therefore that Mr. Metcalfe's approach is workable, that it is what it claims to be.'*

## Input material for report

*'Subject to the binding confidentiality agreement that I signed in 2004, and further to the materials that I reviewed in 2004, I have also been given access to the materials listed in my report dated 27 June 2006 and unlimited access to Mr. Metcalfe and the Safe Worlds development team, for the purpose of compiling this report.'*

*'This evaluation is based on my own experience with computer science and engineering and applied Philosophy (Ethics), together with several in-depth interviews with Mr. Metcalfe. The working prototype of the Safe Worlds system constitutes a proof-of-concept.'*

## Disclaimer

*'Neither Tuffley Consulting nor I have any financial interest in the Safe Worlds technology, or any entity associated with it.*

*This is an independent fee-for-service evaluation based on my qualifications and suitability for the task.'*

## Review of Universal Logic

*'This section provides contextual information relevant to the development of "Universal Logic".*

### Overview

#### **What is Universal Logic?**

*Sir Tim Berners-Lee the originator of the World Wide Web is quoted as saying that "there is a need for a powerful universal logic language." Sir Tim made this statement in relation to his work on trying to build what has become known as "The Semantic Web". The so-called Semantic Web is intended to be a global network of semantic (meaningful) information that makes possible, e-business and other online activities that rely heavily on the communication of meaning.*

*"The Semantic Web is essential," Tim Berners-Lee said in 1999, "...before electronic commerce expands as a mass of vaguely defined semantics and ad hoc syntax which leaves no room for automatic treatment, and in which the court of law rather than a logical derivation settles arguments."*

*To be able to build The Semantic Web however, Sir Tim said: "there is need for a powerful universal logic language."*

*What then is universal logic? According to researchers working on The Semantic Web at the World Wide Web Consortium (W3C), it must have the following properties:*

- 1. It must have a reasonably compact syntax.*
- 2. It must have a well defined semantics so that one can say precisely what is being represented.*
- 3. It must have sufficient expressive power to represent human knowledge.*
- 4. It must have an efficient, powerful, and understandable reasoning mechanism*
- 5. It must be usable to build large knowledge bases.*

*It is acknowledged however that the most difficult parts of this description to achieve are a methodology or a form of logic that represents human knowledge and, at the same time has a powerful, understandable reasoning mechanism that can be mechanized.*

*As I said in my report on 27 June 2006, this is what I believe that Mr. Metcalfe's logic has achieved. From what I have seen and heard during that review and subsequent discussions with Mr. Metcalfe specifically on the subject of universal logic, I believe that the Safe Worlds system possesses all of these properties.*

#### **Other Activity – including XML**

*As previously reported, I am conscious of the large amount of work that has been done by the World Wide Web Consortium (W3C) and researchers like Sir Tim Berners-Lee to discover something akin to universal logic. I am aware of the fact that many IT researchers believe that XML (Extensible Mark-up Language) has the potential to deliver this potential in time, although, as I have previously said, there is very little evidence or indication how the requirements of universal logic stated by the W3C itself, will be achieved with XML. This is because neither XML nor any of its known applications embodies universal logic but rather is a language*



that enables many different forms of logic to be expressed. This is different from the universal logic that Mr. Metcalfe has developed and used to build Safe Worlds which is a universal way, an architecture for structuring data in any language, even XML.

## **Universal logic, integration and interoperability**

The primary importance of universal logic is that enables system integration and interoperability, because integration and interoperability are synonymous with universal logic. Universal logic is a fully integrated, fully interoperable, or what could otherwise be called, a complete system. Universal logic is complete because it is self-explanatory – it explains itself, as it must be able to do if it truly replicates the way the human mind thinks, because, after all, the human mind is able to understand itself and everything else.

The benefit of this to computing is that it provides the common data architecture that is essential for conveying the meaning of anything (no matter what it is used to describe) throughout a worldwide system that needs to ultimately be able to handle literally trillions and trillions of transactions, if it is to be truly universal.

## **Privacy and Security**

One of the main benefits of have a fully integrated, fully interoperable system is that the common data “packets” of information can be easily secured. This is what makes it possible to deliver the very high level of privacy and security that Safe Worlds promises. Privacy and security are very difficult, if not impossible, to deliver when there are many different “packets” of information (different types of logic) flying around inside an electronic system. It is easy in Safe Worlds because there is only Safe Worlds objects moving around – only packets of information (data) created according to the universal logic or common architecture of Safe Worlds can move throughout the Safe Worlds system. All other data structures are automatically rejected by the system.

When everyone within a system is using the same system, and therefore has the same basic rights within that system, it is easy also to create the concept of a truly federated system that protects the privacy and security of individuals.

This also makes it very easy for Safe Worlds to control all movement within its borders; not only to content, but also to user sites. It also simplifies the process of valuing and tracking data objects.

## **Straight Through Processing and Real Time Feedback**

The IBM Corporation has actively pioneered the search for autonomic computer systems. Autonomic computer systems are computer systems that work the way the human autonomic system works –they process information in a way that the system is able to monitor itself, and when need be, to repair itself.

The universal logic that Mr. Metcalfe has developed and used in the design of the Safe Worlds system enables this – it enables autonomic computing. It is a straight through processing system that provides real time feedback on what it is doing. At the moment this capability is used in the accounting part of the Safe Worlds system to manage the inventory and provide the Safe Worlds user with real time information on what is happening in their business, but the same system can easily be applied to monitor and even repair (where possible), any digital operation.

## **Business Process Automation**

One of the major advantages of the artificial intelligence or logic built into Safe Worlds is that it allows for the automation of the business process. This means that Safe Worlds users with relatively low level computing skills will be able to effectively devise their own ways of doing things; effectively, they will be able to create their own computer programs. This is a dramatic change to the current paradigm of computer technology development in which users are kept at a distance to the development project..’

## **Potential and Impact of this Discovery**

‘One important impact of this development is that it has the potential to change the way computer systems are built. Safe Worlds can integrate disparate systems into a common, fully integrated, fully interoperable network – a giant semantic web.’

## **Conclusion**

‘Based on what I have been given access to under the strict terms of non-disclosure, I conclude that the “Universal Logic” employed in the architecture and protocols of Safe Worlds does, in fact, constitute an

*innovative approach to database processing and management that clearly has universal application. Its innovative characteristics are demonstrated by the fact that the core elements of Mr. Metcalfe's discovery have been accepted by the US Patent Office and a patent is expected to be issued in the coming months.*

*The logic is simple, even deceptively simple in its basic concept, however in practice it translates to a powerful and efficient method of data processing - it is a data architecture which I believe is scalable to a great extent and capable of being the foundation of a global data processing network as proposed by Safe Worlds. It is an example of the scientific maxim that the greater the truth, the more simply it can be expressed.'*

## APPENDIX 6

### Summary of Principal Terms of Material Agreements

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#### Key documents

The Board considers that certain agreements entered into by Spheritec are significant to the Offer or the operations of Spheritec or may otherwise be relevant to investors. A description of material agreements or arrangements, together with a summary of the more important details of each of these agreements, is set out below.

#### Software License & Distribution Agreement between Spheritec & NovaStor Corporation in relation to Datagard

Spheritec has entered into a licence and distribution agreement with NovaStor Corporation for the marketing of Datagard in Australia and New Zealand as follows:

- Spheritec has a non-exclusive world-wide licence to use, market, sub-license and distribute the licensed software in object code. Distribution to customers is subject to a shrink-wrap licence approved by NovaStor Corporation and Spheritec and may be via CD-Rom or other physical media or by electronic download.
- NovaStor Corporation is to provide Spheritec with a master copy of the licensed software in electronic format for replication and packaging by Spheritec. Spheritec may not alter, reverse-engineer, decompile, or disassemble the licensed software or copy it except in accordance with the agreement.
- The agreement continues until terminated by written agreement between the parties. Either party may terminate the agreement by written notice if the other becomes insolvent or commits any material breach that it fails to remedy within sixty days following notice. All sub-licences in favour of customers survive termination of the agreement.
- Spheritec is obliged to make a fixed one-off payment to NovaStor Corporation for each user licence. Spheritec may in addition make an optional modest payment each year to renew its right to maintenance and upgrades of the licensed software.
- NovaStor Corporation is obliged to make available to Spheritec promptly upon release all updates of the licensed software together with all relevant documentation. NovaStor Corporation is to give reasonable advance notification of its plans for any such release together with relevant technical and other information in reasonable detail.
- The agreement contains the right for Spheritec to use NovaStor Corporation trademarks and branding or, at Spheritec's option, the name 'Datagard' and for resellers to choose their own branding. NovaStor Corporation does not have, and will not acquire, any rights in respect of the 'Datagard' name or other such branding.
- The agreement contains provisions for the protection of NovaStor Corporation's confidential information. Spheritec has an obligation to secure and protect the licensed software in a manner consistent with the maintenance of NovaStor Corporation's rights.
- NovaStor Corporation undertakes to provide Spheritec with technical support and maintenance with trained staff to handle all requests by telephone promptly and effectively. It also undertakes to provide, within reason, a workaround or fix for any reported errors in the licensed software within thirty days after initial receipt of report.
- NovaStor Corporation warrants the licensed software to be of good quality and workmanship, and fit for its stated purpose of on-line data back-up and storage/retrieval, for a period of sixty days after delivery to Spheritec and undertakes to use all reasonable

efforts to promptly correct any defective software or media. NovaStor Corporation warrants that it is the owner of the licensed software or otherwise has full right to grant the license in accordance with the agreement. There is an exclusion of other warranty obligations on NovaStor Corporation's part.

- o The agreement contains a right of indemnity in favour of Spheritec in respect of any third party claim that the licensed software infringes its proprietary rights in circumstances where the infringement was not caused by Spheritec's own action. There is also an obligation for Spheritec to indemnify NovaStor Corporation in respect of any third party claim that the licensed software infringes its proprietary rights by reason of Spheritec having combined the licensed software with other products, in respect of any unauthorised use of the licensed software by Spheritec, and in respect of any failure by Spheritec to comply with its obligations under the agreement.

## **Level 2 Reseller Agreement between Spheritec & Vision 6 Pty Ltd in relation to Mailmaster**

Spheritec has entered into a reseller agreement with Vision 6 for the marketing and resale of Mailmaster as follows:

- o Spheritec has a non-exclusive, non-transferable licence to distribute all software provided by Vision 6 from time to time (including that for Mailmaster) to its customers with the right to grant sub-licences subject to entry by the sub-licensees into a sub-reseller agreement in a form approved by Vision 6.
- o The Company's agreement continues until terminated by written agreement between the parties. Vision 6 may terminate it immediately by written notice if Spheritec becomes insolvent or breaches its obligations in relation to granting sub-licences; either party may terminate it immediately if there is a material breach.
- o Vision 6 is responsible for the maintenance, upgrade and technical support of the operation and usage of products and is required to use reasonable commercial efforts to ensure that they are available. Vision 6 is required to ensure network availability does not drop below 99.8% during each month and to train Spheritec to a level it thinks fit to allow Spheritec to operate the products and grant sub-licences without supervision.
- o Spheritec is responsible for providing all reasonable customer support for the general operation of the products and reseller support for the distribution and general operation of the Products. Vision 6 agrees to provide reasonable support either to Spheritec or to its resellers or customers where functionality of the products is not clear.
- o The agreement provides for a licence fee to be paid by Spheritec and includes a schedule of rates for the use of products by its resellers and customers. The inclusion of these rates in the reseller agreement does not affect Spheritec's right to charge resellers for the right to distribute, and its customers for the use of, Products at a rate that Spheritec sees fit. Vision 6 is able to amend the fees and charges set out in the reseller agreement from time to time.

## **Master Reseller Agreement with Synetek Systems Pty Ltd in relation to MailRevive**

Spheritec has entered into a reseller agreement with Synetek for marketing and resale of MailRevive as follows:

- o Spheritec has the non-exclusive right to market MailRevive and procure orders from customers in Australia and New Zealand but may not make MailRevive available to customers outside Australia and New Zealand.
- o Synetek may make MailRevive available via the Web and may appoint other resellers in Australia and New Zealand on a non-exclusive basis.
- o Spheritec may appoint sub-resellers with Synetek's consent but remains liable for the acts and omissions of any sub-reseller it may appoint.

- The agreement continues indefinitely until terminated by one of the parties. Either party may terminate it on not less than six months' notice or immediately in the event of material breach (having commercial significance) or insolvency of the other. Any sub-reseller agreement entered into by Spheritec terminates automatically on termination of the agreement itself.
- Enquiries and orders for MailRevive must be promptly referred to Synetek by Spheritec for processing (including acceptance) by Synetek. Synetek is not obliged to accept any order referred by Spheritec but must notify Spheritec of its reasons (which must be commercially reasonable) for doing so.
- Commission is payable to Spheritec within 14 days following the end of each month at agreed rates but does not apply in respect of trial accounts or until payment has been made to Synetek by the customer. There is also provision for electronic statements of commission to be provided by Synetek on a monthly basis and for access by Spheritec to Synetek's financial records to allow verification of sums due.
- Spheritec must use reasonable efforts to promote MailRevive in Australia and New Zealand and to provide trained and competent sales staff.
- The agreement contains mutual indemnities by each party in respect of any negligent, wilful or fraudulent conduct on its part and by Spheritec in respect of any breach of its actual authority under the agreement and of any breach of a sub-reseller agreement by the sub-reseller concerned. The liability of each party for claims otherwise than for death, personal injury and property is limited to an amount equal to the commission paid by Synetek in the month preceding that in which any relevant claim may arise.
- There is a general exclusion for Synetek's benefit of implied warranty terms as regards MailRevive to the extent allowed by law.
- Spheritec acts as an independent contractor with no authority to enter into any obligation on behalf of Synetek.

### **Master Distribution Agreement between SANZ & IBS-(BVI) Limited in relation to Safe Worlds**

This part of this appendix explains the context for, and summarises the terms of, the agreement identified above for the marketing of Safe Worlds.

#### **Background to Safe Worlds Agreement**

Promotion and marketing of Safe Worlds is envisaged under a distribution model involving a global network of associated organisations best equipped to establish, promote, deliver, service, and support Safe Worlds effectively throughout the world for the benefit of all end users and stakeholders – including SANZ. This requires in particular: the centralisation and protection of intellectual property rights; the creation of a central clearinghouse network; a competitive international business and management strategy and operation; and the cooperation and sharing of information and improvements between the parties.

Safe Worlds is designed to operate as a worldwide electronic business platform and service, downloadable via the Internet and available to end users throughout the world, for use according to a common form of end user licence on a 'pay-as-you-use' basis. This basis of charging is designed to generate ongoing service fee revenue levied (for the benefit of SANZ and other stakeholders) on all financial transactions carried out within Safe Worlds. It is therefore in the interests of stakeholders (including SANZ) for applications to be developed (and for developers to create applications) in order to promote maximum usage of Safe Worlds globally.

The Safe Worlds Agreement envisages promotion and marketing of Safe Worlds by SANZ and third parties appointed for the purpose that, together, will constitute the required global distribution network. These companies are referred to as distributors (and might, in more conventional software terminology, be considered resellers) and have rights in relation to, and

responsibility for, specific territories or markets. In the Safe Worlds Agreement, therefore, references to 'distribute' and 'distribution' have to be understood in the sense of 'promote / promotion' or 'market / marketing'.

A distributor may be one of three kinds: either a master distributor such as SANZ; or a sub-distributor with a specific defined territory; or a global market distributor focusing on a vertical market or application of Safe Worlds globally. This approach seeks to achieve an effective balance between local promotion and marketing of the generic Safe Worlds platform (with its general business functionality) for the 'mass' business market and global promotion and marketing of Safe Worlds for major vertical markets where specialist market and technical knowledge and reach are needed. These major vertical markets are referred to as 'global markets' and are: e-government; homeland defence; law courts & justice systems; e-learning; digital video; TV & radio broadcasting; RFID (radio frequency identification systems; mobile applications of Safe Worlds; and real-time financial transaction processing.

All distributors (master distributors, local distributors & global market distributors) are rewarded for their efforts in promoting and marketing Safe Worlds with a share of service fee revenue derived from use of Safe Worlds by end users within their respective contract territories or vertical markets.

## Summary of Safe Worlds Agreement

Against this background the following is a summary of the Safe Worlds Agreement:

- **Rights granted to SANZ**  
IBS-BVI grants SANZ (in respect of the relevant intellectual property, including trade marks, from time to time subsisting) the exclusive right to promote and market Safe Worlds, and to appoint sub-distributors for its promotion and marketing, in each case within Australia and New Zealand and subject to the reservation of certain specified global markets (which it is envisaged will be addressed on a global, rather than a territorial, basis by specialist distributors appointed for the purpose as explained under 'Background' above) to IBS-BVI.
- **End user licensing**  
All end user licences are to be granted by IBS-BVI. End user licences may be granted electronically by way of download over the Web or any other means.
- **Sub-distribution arrangements**  
The terms of any agreement for the appointment of sub-distributors by SANZ must be consistent with those of the Safe Worlds Agreement, and on arm's length commercial terms generally, and may (at SANZ's discretion) prohibit the appointment of further sub-distributors by any sub-distributor concerned. SANZ must provide a copy of each sub-distributor agreement to IBS-BVI promptly upon entering into it.
- **Further grants by IBS-BVI**  
IBS-BVI must not grant further distribution rights in respect of Safe Worlds for any territory other than Australia and New Zealand without imposing on the distributor a prohibition against knowingly distributing Safe Worlds within Australia and New Zealand. This is nevertheless subject to IBS-BVI's right to appoint distributors on a global basis for the reserved global markets referred to under 'Rights granted to SANZ' above.

IBS-BVI must give SANZ notice of appointment of any such global market distributor before it starts operation within Australia or New Zealand. SANZ may notify IBS-BVI of any interest it may have in a particular global market in which case IBS-BVI will take its interest into account in seeking a global market distributor for the global market in question. IBS-BVI may appoint third party developers (either within Australia & New Zealand or elsewhere) to develop particular applications of Safe Worlds provided that any application so developed is made available by IBS-BVI to distributors (including SANZ), sub-distributors and end users generally.



- **Intellectual property and confidential information**

All rights to apply for patents and other forms of intellectual property protection for Safe Worlds are reserved to IBS-BVI. IBS-BVI likewise has discretion as to whether or not to take action to seek any such protection and to have all intellectual property rights arising to be formally vested in it.

All promotion and marketing of Safe Worlds by SANZ must be made under any applicable trade marks and in accordance with directions from IBS-BVI designed to ensure consistent branding for Safe Worlds globally. Any relevant trade mark is deemed included in the rights granted to SANZ.

IBS-BVI is to use reasonable commercial endeavours and best efforts to prosecute all patent applications and other forms of intellectual property protection sought. There is provision for the parties to cooperate with a view to achieving any relevant registrations within Australia and New Zealand as well as appropriate terms for maintaining commercial confidentiality of all relevant information.

The Safe Worlds Agreement contains appropriate provisions relating to the protection of confidential information.

- **Cooperation**

The parties are to co-operate with one another to ensure that all end users within SANZ's territory of Australia and New Zealand have fair and reasonable access to the Safe Worlds central clearinghouse network servers, wherever located, for use of Safe Worlds in accordance with their end user licences. There are also provisions concerning ongoing liaison between the parties on such matters as development, improvements, and intellectual property protection. It is envisaged that, before commercial release of Safe Worlds, the parties should liaise with a view to agreeing suitable protocols for regular ongoing reporting by SANZ on such matters promotional and marketing arrangements, revenue potential, financial projections, market activity and general market intelligence in relation to Australia and New Zealand.

IBS-BVI does not warrant that it will be able to fund or complete the remaining development work and deliver Safe Worlds to SANZ as envisaged under the Safe Worlds Agreement but undertakes to use its best commercial endeavours to do so and to liaise and consult with SANZ (which is to use its best commercial endeavours to cooperate with IBS-BVI to achieve adequate funding in accordance with this agreement) on a regular basis pending commercial release of Safe Worlds.

- **Quality assurance**

The Safe Worlds Agreement contains appropriate provisions for the proper establishment and maintenance of effective quality control in respect of Safe Worlds. Under these provisions SANZ is to use reasonable efforts to ensure that all applications of Safe Worlds offered by it or its sub-distributors to end users comply with specification and to assume responsibility for applications developed by it or any of its sub-distributors.

IBS-BVI is to use best commercial endeavours, following commercial release of Safe Worlds, to ensure that SANZ is supplied with all development tools and technical and other documentation (including improvements, revisions and updates as they become available) that IBS-BVI (acting reasonably) deems to be necessary for SANZ to fulfil its obligations under this agreement. It is SANZ's responsibility to pass on such all such information to its sub-distributors.

- **Information and technical assistance**

Following commercial release of Safe Worlds IBS-BVI must promptly supply relevant information (including information relating to applications and improvements) to SANZ free of charge and thereafter use reasonable commercial efforts to assist SANZ and (at the cost of SANZ) to provide consulting and other services as required. SANZ is, following commercial release of Safe Worlds, responsible for providing (either itself or through third parties contracted for the purpose) first-line and second-line support to

end users with assistance from IBS-BVI (at IBS-BVI's expense) on second-line support issues and any third-line support issues and subject to IBS-BVI's obligation (at its own expense) to correct any errors and perform any necessary bug-fixes.

- **General obligations of SANZ**

SANZ is to use all reasonable commercial endeavours to promote and market Safe Worlds in Australia and New Zealand and comply with reasonable guidelines notified to it in writing from time to time by IBS-BVI.

- **Service fee revenue**

IBS-BVI is to make the Safe Worlds software available free of charge to end users but charge them a service fee for use of Safe Worlds. This service fee is set by IBS-BVI and assessed as a percentage (of the order of 1% but subject to variation by IBS-BVI as described below) of the value of all financial transactions carried out within Safe Worlds. IBS-BVI may at its discretion apply minimum and maximum levels to service fee levels, or to the value of financial transactions for service fee calculation purposes, and deduct in the calculation of service fee revenue any sums charged (on an arm's length basis) by any payments processor. IBS-BVI must make any determination in relation to service fee after giving due consideration to, and taking into account, its likely effect on distributors including SANZ.

The term 'financial transaction' refers to any transfer or payment of money or its equivalent in value, in any currency, form, or kind, from one person to another using any payment or transaction processing service provided with or connected to Safe Worlds.

The service fee is to be collected by IBS-BVI, as an integral part of the operation of Safe Worlds, acting, either alone or in conjunction with a third party payments processor as determined by IBS-BVI which must, in doing so, act reasonably and, to the extent practicable, in consultation with SANZ and other master distributors as well as global distributors.

IBS-BVI is to establish accounts with recognised banks or other financial institutions as required to facilitate the collection, processing, and distribution of service fee revenue according to the terms of the Safe Worlds Agreement. SANZ is responsible for establishing its own account for the purpose of receiving its share of service fee revenue.

SANZ is to be paid 40% of all service fee revenue collected from end users within Australia and New Zealand subject to IBS-BVI's right (referred to above) to deduct sums charged (on an arm's length basis) by any payments processor in calculating service fee revenue.

IBS-BVI is to allocate a further 20% of all service fee revenue collected from end users within Australia and New Zealand that must be used by SANZ to establish and maintain efficient promotional, marketing, service and support arrangements for Safe Worlds within Australia and New Zealand. SANZ is to negotiate and manage the disbursement of this allocation as an effective incentive for personnel and organisations involved.

IBS-BVI may not grant distribution rights of any kind to any third party in relation to Safe Worlds outside Australia and New Zealand without imposing a restriction that prohibits the third party concerned from knowingly distributing Safe Worlds or any application within Australia and New Zealand. IBS-BVI may nevertheless appoint any global market distributor on condition that SANZ is to receive 25% of service fee revenue deriving from within Australia and New Zealand from use of any relevant global market application.

- **Payment to SANZ**

IBS-BVI is to use its best commercial endeavours to cause the payments processor to pay to SANZ its due proportion of service fee revenue (in Australian dollars or New



Zealand dollars) as part of the Safe Worlds integrated payment processing procedure. It is also to use reasonable commercial endeavours to capture and maintain within Safe Worlds complete, clear and accurate records in sufficient detail or form to enable the payments due to be determined and audited and, upon receiving reasonable prior request in writing and without charge, make them freely and promptly available to SANZ.

SANZ acknowledges and accepts that payment of service fee revenue will be made by the payments processor under instruction from IBS-BVI in accordance with the Safe Worlds Agreement and will not otherwise be handled directly by IBS-BVI. SANZ is to notify IBS-BVI if any service fee revenue is not paid to it within three days of the due date for payment. In any such case IBS-BVI is, within seven days of receiving notification, to make investigation, (including contacting the payments processor on behalf of SANZ) to determine the cause and is to keep SANZ informed of progress. IBS-BVI is to take all reasonable commercial action to settle the matter promptly. SANZ is to cooperate with and work through IBS-BVI to that end. IBS-BVI is responsible for taking reasonable measures to manage the proper performance by the payments processor of its obligation to collect service fee revenue and to remit the due share of that revenue promptly to SANZ.

o **Warranties and indemnity**

The Safe Worlds Agreement contains appropriate warranties on the part of each of the parties in favour of the other relating to usual matters for a commercial arrangement of its kind. These warranties are expressed also as undertakings with the result that they operate not only as at the date of the Safe Worlds agreement itself but also have continuing effect by reference to circumstances as they subsist from time to time.

The warranties by IBS-BVI in favour of SANZ extend to such matters as the right of IBS-BVI to enter into and perform its obligations under the Safe Worlds Agreement (without thereby putting itself in breach of any other agreement to which it may be party) and deal with the Safe Worlds intellectual property, the absence of third party claims in respect of the Safe Worlds intellectual property or the infringement of other rights by the intellectual property, and the accuracy of technical information supplied to SANZ. Certain of these warranties are expressed to the best of IBS-BVI's knowledge, information and belief. There is also an undertaking by IBS-BVI to indemnify SANZ in respect of certain matters – in particular any breach by IBS-BVI of any of the warranties given by it, any claim against SANZ by any sub-distributor appointed by it or under its authority and any end user resulting from any breach of this agreement by IBS-BVI, and claim against SANZ by a third party on the ground that the third party concerned is entitled to prevent or interfere with the free use of Safe Worlds under or pursuant to the Safe Worlds Agreement.

SANZ warrants in favour of IBS-BVI that neither its execution nor the performance by it of its obligations under the Safe Worlds will cause it to breach any other agreement to which it may be party and undertakes to indemnify IBS-BVI in respect of any breach of this warranty or in respect of certain third party claims (limited to those by sub-distributors appointed by it or under its authority and by end users) resulting from any breach of the Safe Worlds Agreement on the part of SANZ.

o **Term and termination**

The Safe Worlds Agreement runs (subject to rights of prior termination as described below) from its date (14 September 2005) until 31 December 2035 and thereafter automatically for successive thirty-year terms unless terminated by SANZ on not less than twelve months' notice to IBS-BVI to take effect on 31 December 2035 or any other relevant date at successive intervals of thirty years thereafter.

Either party may terminate the Safe Worlds Agreement if the other defaults in any material respect in the performance of any of its terms having commercial significance and fails to remedy the default within sixty days after receipt of written

notice (specifying the default together with reasonable particulars of it and the intention of the party serving the notice to terminate unless it is remedied) or if the other becomes the subject of an insolvency event otherwise than in the course of a bona fide arrangement for the purpose of, and resulting in, its reorganisation.

SANZ must, in the event of termination of the Safe Worlds Agreement, take certain action (such as the removal of Safe Worlds online connections and discontinuance of Safe Worlds branding) and has certain run-off rights for proper continuity. Termination of the Safe Worlds Agreement does not affect the continuation of end user licences (or the rights of sub-distributors) or the accrued rights of the parties and is without prejudice to certain provisions with continuing effect.

- **Assignment**

Neither the Safe Worlds Agreement nor any benefit under it may be assigned, and no obligation under it may be novated, by either party without the prior agreement of the other party.

- **Secrecy**

Except as required by applicable law or by the rules of listing on any relevant stock exchange, or as may be reasonably necessary or expedient for the purpose of securing investment at any time in either of the parties or in IBS, each party must keep the contents of the Safe Worlds Agreement secret and not make them available to any third party.

#### **Terms of Safe Worlds Agreement specific to SANZ**

There also provisions specific to SANZ. These provisions reflect SANZ's financial contribution towards the development of Safe Worlds, and achieving proof of concept, and its status as pioneer master distributor. The principal matters are summarised as follows:

- IBS-BVI is to cause IBS to issue directly to EBS / SANZ investors a total of 2.5m fully paid common shares of IBS stock pro rata basis to their respective investments – these shares have been issued.
- SANZ is to provide development funding totalling \$2.3m in addition to funding previously provided under an earlier agreement which was superseded by the Safe Worlds Agreement and is no longer has any effect – total funding provided is of the order of \$4.0m – this funding obligation has been satisfied.
- The parties are to use their best efforts to cooperate and agree a plan for testing of Safe Worlds.
- SANZ is to provide IBS-BVI with details of its anticipated need for IBS-BVI services from commercial release of Safe Worlds with a view in due course to entering into a contract with IBS-BVI for those services it requires at commercial rates – this is part of the ongoing mutual business planning process.
- IBS-BVI is to use all reasonable endeavours (and liaise with SANZ on a regular basis) to ensure final development of Safe Worlds and proof of concept and, pending commercial release of Safe Worlds, report to SANZ and keep it informed.

#### **Agreement between EBS & D&K Ventures Pty Ltd for services of David Glavonjic**

Under his terms of engagement (which are with his private consulting company D&K Ventures Pty Ltd) he is entitled to be paid a retainer of \$15,000 (and vehicle costs of \$2,500) plus GST per month for a full-time commitment as managing director and CEO. There is a commitment for the sum of \$15,000 to be increased to \$20,000 as soon as the Board considers appropriate having regard to the operational and financial position of the group. This is apart from any increase consequent upon annual review – the next annual review has effect from January 2009. Participation is to be made available in due course in the Company's option incentive scheme and any other equity incentive scheme that it may at any material time implement on terms to be decided by the Company.

The arrangements entered into contain usual provisions for the protection of EBS and other group companies relating in particular to confidentiality, intellectual property and (for the term of the arrangements and for a period twelve months afterwards) competitive activity. These provisions apply to David Glavonjic personally as well as to D&K Ventures Pty Ltd.

Termination is on not less than six months' notice by either party to the other to expire at any time on or after 1 October 2010 subject to rights of prior termination 'for cause' including imminent company insolvency.

## Deeds of access & indemnity access

The form of deed contains an undertaking by the Company with the officer concerned to maintain a complete set of the Company's board papers and to make them available to them for a period of seven years after the officer concerned has ceased to hold office.

There is also an undertaking by the Company to indemnify the officer concerned in the circumstances permitted under the Corporations Act and to use all reasonable endeavours to arrange and take out (as soon as reasonably practicable following listing on the NSX) and thereafter to maintain directors' and officers' insurance cover in favour of each of the officer concerned for a period seven years after that person has ceased to hold office.

## Equity option incentive scheme

The Company has adopted this scheme as a framework for the grant of options at the discretion of the Board. Its rules are summarised as follows:

- The Board may from time to time at its discretion select eligible persons (contractors as well as employees) and invite them to apply for options on terms (including as to exercise price, exercise period and conditions of exercise) specified in the invitation.
- The exercise price must not be less than the market value of a share as quoted on the NSX (or other relevant exchange) at close of trading on a date determined by the Board, but falling within a period of seven days ending on the date on which the Board resolves to invite applications for options, or the volume-weighted average of such prices taken over a period of seven days ending on the date of the relevant Board decision.
- Conditions of exercise determined by the Board may relate to the achievement of performance targets by any person to whom an invitation is made and/or by the Company.
- Eligible persons invited to apply for options may do so (up to the number offered to them respectively) within the period specified. The Board may then at its discretion grant options accordingly up to the number applied for by each applicant respectively.
- The aggregate number of options subsisting and shares allotted under the scheme (taken together with options granted under any other equity option scheme and shares allotted under any other equity participation scheme) may not at any time exceed 10% of the aggregate number of shares then in issue.
- The holder of any option must, in order to exercise it, make payment of the exercise price and lodge the relevant option certificate issued by the Company. The Company must then satisfy the option entitlement and apply to the NSX (or other relevant exchange) for listing of shares allotted. All such shares rank pari passu with others of the same class in issue.
- Options lapse, if not previously exercised, on termination of employment or, in the case of a contractor, any other relevant contract. The Board may, however, at its discretion allow early exercise of options by the holder or his estate (notwithstanding that any conditions of exercise may not have been fulfilled) in the event of the holder's disability or death. Options also become exercisable in the event of the Company passing a resolution for voluntary winding-up.

- Options may not be transferred without the Company's consent and otherwise are liable to forfeiture at the discretion of the Board. The Company is not obliged to apply for listing of options.
- The Board has power to adjust option entitlements (number of options and exercise price but not other terms) as it may consider fair and equitable in the event of any reorganisation of share capital or any pro rata or bonus or cash issue of securities.
- The scheme has effect subject to the operation of the Corporations Act and the listing rules.
- The rules may be amended by the Board except that any change to the terms of an option to make it materially more generous, and any increase in the aggregate number of options subsisting and shares allotted (above), may be made only with prior shareholder approval. No amendment may be made, as regards any subsisting option, so as to adversely affect a holder without his prior written approval.

## APPENDIX 7

### Summary of Constitution of EBS

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The following is a summary of the company's constitution:

- **Shares**

Shares in the capital of the company can be issued with preferred, deferred or other special rights, obligations or restrictions in relation to dividends, voting, return of share capital, payment of calls or other matters, as determined by the board from time to time. All unissued shares are under the control of the board, which may grant options on the shares, issue option certificates, allot or dispose of the shares on the terms and conditions and for consideration it thinks fit. This power is subject to any contract or any contrary rules in the constitution.

The constitution permits the issue of preference shares on terms determined by the board.

- **Alteration of rights**

The rights and restrictions attaching to any class of shares (unless provided by the terms of issue of the shares of that class) may only be varied with the consent in writing of members with at least three-quarters of the votes in that class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

- **Calls**

The board may from time to time call upon shareholders for unpaid monies on their shares. Shareholders are then liable to pay the amount of the call in the manner and at the time and place specified by the board. Such calls may be payable by instalments. The call will be deemed to have been made when a resolution of the board authorising it is passed. It may be revoked or postponed at the discretion of the board.

- **Lien and forfeiture**

The company is empowered to forfeit shares in relation to any part of allotment monies, calls, instalments, interest and expenses which remains unpaid following any notice sent to a shareholder. Such forfeiture must occur in accordance with the constitution, the Corporations Act, the listing rules and the ASTC settlement rules.

The company has a first lien or charge for unpaid calls, instalments and related interest and any amount it is legally required to pay in relation to a shareholder's shares. The lien or charge extends to all dividends declared in respect of the shares provided, however, that, if the company registers a transfer of any shares subject to this lien or charge without giving the transferee notice of the claim it may have at that time, the shares are freed and discharged from the company's lien or charge in respect to that claim.

- **Share transfers**

Shares may be transferred in any manner required or permitted by the listing rules or the ASTC settlement rules and by any instrument in writing in any usual or common form or in any other form that the board approves. The board may only refuse to register a transfer of securities of the company as permitted by the listing rules or the ASTC settlement rules.

- **Share certificates**

Subject to the requirements of the listing rules and the Corporations Act, the company need not issue share certificates.

- **Calling of general meetings**

The board may convene a general meeting as it may determine. Shareholders may call general meetings as provided by the Corporations Act.

- **Notice and procedure for general meetings**

The NSX (or other relevant exchange) and each shareholder and director of the company

is entitled to receive notice of and attend any general meeting of the company. Two shareholders must be present to constitute a quorum for a general meeting. No business may be transacted at any meeting, except the election of a chairman and an adjournment, unless the quorum required is present at the start of the business. The company is obliged to convene and hold an annual general meeting.

- **Voting rights**

Each shareholder has the right to receive notices of, and to attend, general meetings of the company.

Subject to restrictions on voting from time to time affecting any class of shares in the company, and any restrictions imposed by the Corporations Act, the shares in the company carry the right to cast one vote on a show of hands and, on a poll, one vote for each fully paid share held and, for each partly paid share held, a vote having the same proportionate value as the proportion to which the shares have been paid up. Voting may be in person or by proxy, attorney or representative.

- **Remuneration of directors**

Directors are to be paid out of company funds as remuneration for their services such sum (accruing on a daily basis) as the company in general meeting determines to be divided among them as agreed or, failing agreement, equally. Directors' remuneration for their services as directors is by a fixed sum and not a commission on, or a percentage of, profits or operating revenue. It may not be increased except at a general meeting in which particulars of the proposed increase have been provided to shareholders in the notice convening the meeting.

There is provision for directors who devote special attention to the business of the company, or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the board engage in any journey on company business, to be paid extra remuneration determined by the board.

Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending company or board meetings or meetings of any committee engaged in the company's business.

Any director may be paid a retirement benefit as determined by the board, consistent with the Corporations Act and the listing rules.

- **Voting by directors**

A director is disallowed from voting on any contract or arrangement in which he or she has, directly or indirectly, any material interest if to do so will be contrary to the Corporations Act. If such a director does vote, his or her vote will not be counted, and his or her attendance will not be counted in the quorum present at the meeting. Either or both of these prohibitions may be relaxed or suspended to any extent by ordinary resolution passed at a general meeting if permitted by the Corporations Act.

- **Election of directors**

The minimum and maximum number of directors (not including alternate directors) may be determined by the board, but must be not less than three and not more than ten, and the board may not in any event reduce the number below the number of directors in office at the time of the reduction.

At every annual general meeting, subject to the constitution, one third of the directors (other than any managing director) must retire from office, and may offer themselves for re-election. If their number is not a multiple of three, then the number nearest to, but not less than one third will retire. A director (other than any managing director) must retire from office at the conclusion of the third annual general meeting after which he or she was elected or re-elected.

With respect to the retirement of directors, the director or directors longest in office since last being elected must retire. If a number of directors were elected on the same day, the directors to retire shall, in default of agreement between them, be determined by ballot.

- **Dividend**

If the board determines that a dividend is payable, it will be paid on all shares proportionate to the total amount for the time being paid on each share. Such dividend payment is subject to the rights and restrictions on the holders of shares created or raised under any special dividend arrangements.

The board may establish and maintain one or more dividend plans pursuant to which shareholders may (subject to the rules of the plan) elect to take up some or all of their entitlement in shares.

Subject to the listing rules, the board has the power to capitalise and distribute the whole or part of the undivided profits of the company or standing to the credit of any reserve or other account and which is available for distribution. Such capitalisation and distribution must be in the proportions which the shareholders would be entitled to receive if it were made by way of dividend or in accordance with the terms of issue of any shares or terms of any plan for the issue of securities for the benefit of officers or employees.

The board has the power to decide whether to pay shareholders an interim dividend on account of the next forthcoming dividend. Any distribution may be paid otherwise than in cash as specified in the constitution.

No dividend is payable except out of company profits, and no dividend or other monies paid in relation to a share will carry interest as against the company.

- **Partial takeover bids**

The company may prohibit registration of transfers purporting to accept partial takeover bids unless and until a resolution of the company has been passed approving the offers in accordance with the provisions of the constitution.

- **Indemnity and insurance**

The company must indemnify current and past directors, secretaries and executive officers of the company against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, director, secretary or executive officer, other than a liability owed to the company or a related body corporate of the company or a pecuniary penalty order or compensation order or where the liability does not arise out of conduct in good faith. The company may also at its option indemnify an employee (who is not a director or the secretary or an executive officer) to the like extent.

- **Insurance**

The company may also pay insurance premiums for officers and employees in certain designated circumstances but not where the liability arises out of wilful breach of duty to the company or an improper use of position or inside information in breach of the Corporations Act.

- **Rights on winding-up**

If the company is wound up (voluntarily or otherwise), the liquidator may divide all or any of its assets in kind among contributories, and vest all or any of them in trustees for the benefit of all or any of the contributories as the liquidator fits fit. If thought expedient, any division may not accord with the legal rights of the contributories. Any class may be given preferential or special rights or may be excluded altogether or in part. In any such case any prejudiced contributory has a right to dissent and has ancillary rights as if the determination were a special resolution passed under the Corporations Act regarding the sale or transfer of the company's assets by a liquidator in a voluntary winding-up.