

e-Business Systems Ltd

ACN 107 353 695

Circular with annual report

Annual general meeting

- to be held in Brisbane on Tuesday 11 November 2008

SUMMARY OF BUSINESS TO BE CONSIDERED

ADOPTION OF AUDITED FINANCIAL STATEMENTS

RE-ELECTION OF DIRECTORS

APPROVAL OF PROPOSED DIRECTORS' FEES

PROPOSED MERGER WITH CORPNET (AUSTRALIA) PTY LTD & RELATED
MATTERS

This document is dated 10 October 2008 and contains:

letter from the chairman
annual report
explanatory memorandum
terms of issue of converting performance shares
notice of AGM
proxy form
options form

***References in this document to 'Corpnet' are to Corpnet (Australia) Pty Ltd ABN 31 092 390 951
unless otherwise apparent from the context***

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should consult your legal, financial or other professional adviser as soon as possible if you are in
any doubt how to deal with this document

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LETTER FROM THE CHAIRMAN

suite 338
50 Macquarie Street
Teneriffe
Queensland 4005

10 October 2008

Dear Shareholder,

Introduction

With this letter you will receive notice AGM to consider the business referred to on the front cover of this document. The notice of AGM includes both 'usual' AGM business (ie consideration of financial statements, re-election of directors, and approval of directors' fees) and the proposed merger with Corpnet.

Further information on Corpnet appears in the explanatory memorandum that also forms part of this document and accompanies the notice of AGM. Please read it carefully so you are properly informed.

This document also includes a form of proxy for voting in case you are unable to attend the AGM. The AGM is to be held in Brisbane on Tuesday 11 November.

With this document, although separate from it, you will also receive our audited financial statements for the year ended 30 June 2008 which will be considered at the AGM.

Business background

It is clearly right that we should comment on both Safe Worlds and Spheritec at the outset. This is necessary in order to put the Corpnet proposal (explained below) into context and allow shareholders to assess it properly.

Our principal activities as a group (as conducted through our two subsidiaries, SafeWorld Australia & New Zealand, which has not traded, and Spheritec) continue to be focused on e-business. EBS itself listed on the NSX in February.

So far as Safe Worlds is concerned, we continue to receive periodic general updates from IBS and Alan Metcalfe, and we have kept the market informed since listing on the NSX earlier in the year. In summary it appears that further progress has been made towards full commercial release, and it is encouraging that preliminary commercial roll-out is now underway – please refer to our announcement dated 19 August. That said, it is still not clear when IBS can be expected to generate initial revenue, and it is also not possible for us on current information to identify or plan the resources likely to be needed for local roll-out or therefore to predict the timing of initial revenue flow.

Trading in Spheritec has also continued to be difficult despite continuing positive market reception among customers for the core Datagard product. As a result, Spheritec has not yet achieved positive cash flow from operations, although we believe that, with channel initiatives recently concluded or in the pipeline, this is now close. There is no doubt that the widespread downturn in business confidence over the past year has contributed significantly to our disappointing trading results and the fact that the business is not yet established. In the prevailing business environment many companies are holding off any new financial commitment (almost regardless of how small) and, even when a commitment is made, slowing down the decision-making process and delaying

subsequent roll-out. This has been the case with both channel partners and customers alike. Slow operational cash flow, coupled with limited cash reserves, has in turn necessarily constrained our own direct sales effort.

Merger opportunities

Given these pressures (which have continued longer and more acutely than was foreseeable) we have in recent months been actively seeking suitable merger opportunities. This is consistent with our stated policy, previously communicated to shareholders, of considering merger opportunities as they may arise. Our objective in doing so has been to identify at least one business having a clear operational 'fit' with our own limited operations to give us immediate positive cash flow and provide a platform for future business development. A further aim has been to find a merger partner with a client base (channel partners and/or customers) offering genuine potential for cross-selling. This applies not only to our existing Spheritec products and Safe Worlds (following full commercial release in due course) through our chosen merger partner but also for that company's products with our own client base.

We have recently held discussions (either preliminary or more advanced) with a number of businesses. One of these is Corpnet. Of the opportunities that have been identified and that we have been able to investigate, Corpnet represents in our judgment by some way the best merger partner, and we have therefore continued discussions to the point where we are now able to put a formal proposal to shareholders. This follows exchange of a formal merger agreement as reported in our most recent announcement made earlier today. A summary of the principal terms of this agreement appears in the explanatory memorandum that accompanies the notice of AGM.

Corpnet

Corpnet was founded in Queensland in 2001. It is a privately held Brisbane-based IT company serving clients not only in Queensland but nationally. It offers a range of independent business technology management and technical consulting services to both enterprise and SMBs.

Clients span various business sectors (covering professional services, healthcare, mining & natural resources, property & construction, manufacturing & maintenance, hospitality, and technology, as well as government) and include a number of substantial organisations at the enterprise and government level.

Services provided by Corpnet include enterprise management, technology management, technical support and infrastructure services and are supported with a range of established vendor relationships.

The business has grown steadily in recent years and, for the year ended 30 June 2008, generated profit before tax of \$0.656m on revenue of \$18.692m. These figures are subject to audit as part of the merger proposal and should not be taken as necessarily being a reliable guide to future performance.

Corpnet's plan for continuing expansion (which requires ongoing investment in the business) calls for the establishment of offices in both Melbourne and Sydney to provide a local presence in each of the three east-coast capital cities for national enterprise clients and for marketing to the local SMB community. The company will in the process seek to improve its net margins by refining the current business mix (which includes a hardware component as well as services) and by continued expansion of its client base across its existing service delivery infrastructure.

We believe there is an excellent natural fit between our two companies because of the sector targeted (e-business), the core SMB customer segment, our cultures, and the potential for cross-selling activity already mentioned.

It is possible, if shareholders approve the proposed merger with Corpnet, that other transactions will be concluded in due course in order to establish a presence in Melbourne and Sydney or otherwise. Acquisition candidates may be assessed opportunistically as they arise.

Please refer to the explanatory memorandum that forms part of this document for further information on Corpnet as well as a summary of the principal terms of the merger agreement.

Capital structure

As part of the proposed merger (which is, necessarily, dilutive) it is planned to rationalise the company's capital structure to help facilitate possible future transactions and capital raising. The arrangements for doing so are detailed in the explanatory memorandum that forms part of this document but essentially comprise:

- A reduction in (and possibly an elimination of) outstanding options;
- The capitalisation of certain sums owed to directors and their related entities; and
- A consolidation of shares on a one-for-four basis.

These matters are included in the resolution for approval of the proposed merger with Corpnet.

Directors' recommendation

My fellow directors and I unanimously support the proposed merger with Corpnet and related arrangements in regard to capital structure as being in the interests of the company and its shareholders.

We all recommend that you should vote in favour of the merger resolution to be proposed at the AGM – see under 'Annual general meeting' below. Each of us ourselves intends to do so in respect of the shares we respectively hold or control.

Directors' interests

Neither I nor any of the other directors has any shareholding or other interest in Corpnet.

Russell Krause and I (in my own case through my company Ipseity Pty Ltd) hold options paid for at \$0.05 each and exercisable till 30 June 2010 at \$0.15 each. We are therefore entitled to participate (in the same way as the holders of other such options) in the offer (detailed in the explanatory memorandum that forms part of this document) to convert these into shares on the basis of one share for every two options held – ie an effective issue price of \$0.10 per share. We both intend to take up the offer in respect of the whole of our respective holdings of options (2,860,000 & 1,090,000 respectively) and, if required by the NSX, will accept that the shares arising will be subject to the terms of our existing restricted securities agreements in the same way as other shares held by us.

My colleagues and I (either ourselves or through our related entities) are currently owed sums (totalling \$283,000 at 30 June 2008) in respect of accrued directors' fees or consulting charges. We have agreed as part of the merger proposal to capitalise these sums (to a total of \$318,000 as at the anticipated completion date for the proposed transaction) and to release and forgive any further sum then remaining unpaid at completion. Shares will be issued for this purpose at \$0.10 each.

It should be noted that the issue price of \$0.10 per ordinary share under these arrangements is the issue price at which cash was last raised (pursuant to options exercised in December 2007 shortly before listing on the NSX) and stands at a substantial premium to the value of the company's ordinary shares implied under the terms of the proposed merger.

Annual general meeting

The purpose of the AGM is to consider resolutions for the following purposes:

- To receive and consider the audited financial statements for the period ended 30 June 2008 together with the report of the auditors PKF;
- To re-elect myself (though I intend to step down from the board, as the last of my public company board positions, with effect from 31 December) and David Glavonjic as directors;
- To fix the remuneration of the directors on the terms set out in the notice; and
- To approve the proposed merger with Corpnet, as detailed in this document, together with the arrangements referred to under 'Capital structure' above.

Please refer to the accompanying notice of AGM for details of the AGM (which is to be held in Brisbane on Tuesday 11 November) and accompanying proxy form for voting in case you are unable to attend in person.

Conclusion

You should read this document carefully for further details of what is proposed and seek independent advice from a qualified source if there is any aspect you do not understand or if you are unsure how to vote on the proposed merger with Corpnet. My fellow directors and I encourage you to attend the AGM, if you are able to do so, and to vote at it.

Yours sincerely



Ray Soper
Chairman
e-Business Systems Ltd

ANNUAL REPORT – YEAR ENDED 30 JUNE 2008

Principal activities of the group

Our principal activities as a group (as conducted through our two subsidiaries, SafeWorld Australia & New Zealand, which has not traded, and Spheritec) continue to be focused on e-business. EBS itself listed on the NSX in February.

Group companies

The group (which operates solely within Australia) comprises the following companies:

Company	Status	Country of Incorporation	Business
e-Business Systems Ltd	Listed on NSX	Australia	Holding company
SafeWorld Australia & New Zealand Pty Ltd	Wholly-owned subsidiary	Australia	Safe Worlds e-business platform & applications (non-trading)
Spheritec Pty Ltd	Wholly-owned subsidiary	Australia	e-business applications

Report on operations

During the period trading conditions for Spheritec continued to be difficult amid deteriorating business conditions. Spheritec continued to market existing e-business applications and in particular its on-line data back-up product Datagard. This has continued to be well received by customers but, despite our best efforts, has not yet achieved real traction in the market. As a result, Spheritec has not yet achieved positive cash flow from operations, although we believe that, with channel initiatives recently concluded or in the pipeline, this is now close. There is no doubt that the widespread downturn in business confidence over the past year has contributed significantly to our disappointing trading results and the fact that the business is not yet established. In the prevailing business environment many companies are holding off any new financial commitment (almost regardless of how small) and, even when a commitment is made, slowing down the decision-making process and delaying subsequent roll-out. This has been the case with both channel partners and customers alike. Slow operational cash flow, coupled with limited cash reserves, has in turn necessarily constrained our own direct sales effort.

So far as Safe Worlds is concerned, we continue to receive periodic general updates from IBS and Alan Metcalfe, and we have kept the market informed since listing on the NSX earlier in the year. In summary it appears that further progress has been made towards full commercial release, and it is encouraging that preliminary commercial roll-out is now underway – please refer to our announcement dated 19 August. That said, it is still not clear when IBS can be expected to generate initial revenue, and it is also not possible for us on current information to identify or plan the resources likely to be needed for local roll-out or therefore to predict the timing of initial revenue flow.

Position and outlook

It will be apparent from the operational summary above that the company faces a difficult situation. Although it does now appear that Spheritec is at last close to achieving positive cash flow at an operational level, we still have to meet other costs in the nature of corporate overhead, and cash flow from operations is not currently adequate to cover these costs as well. To date we have met these from our own cash reserves, which have of course been limited, while continuing to manage expenditure closely and keep it to the minimum necessary to meet our obligations as a listed company and sustain our modest level of activity.

Since listing on the NSX in February we have actively sought out possible acquisition opportunities (in line with previous communications) and have entered into discussions and given some degree of consideration to a number of them. The objective has been to identify compatible businesses with positive cash flow with a view to covering central overhead and, if possible, establishing an operational base in Sydney and/or Melbourne. The businesses we have considered have for the most part turned out to be unsuitable for a variety of reasons, and discussions were therefore discontinued, while we continued to seek other possible candidates.

This is the background to the proposed merger with Corpnet which is presented more fully in the explanatory memorandum that forms part of this document. We ask you to read it carefully and give the proposal due consideration.

Interests of directors and officers

These are shown as at 30 June in note 16 to the financial statements; there has been no change since that date.

There was no contract of any significance subsisting at any time during, or at the end of, the financial year except as reflected in note 16 to the financial statements and for the following:

- o Restricted securities agreements entered into by each the directors with the company and the NSX relating to their respective holdings (direct and indirect) of shares and options to subscribe for shares; and
- o The agreement between EBS and D&K Ventures Pty Ltd for the services of David Glavonjic as managing director summarised in the information memorandum dated 20 December 2007 in support of the company's application for listing on the NSX – this summary is (for convenience) included under 'Agreement for services of David Glavonjic' below although the agreement itself has by agreement been terminated, with effect from 30 September 2008, as advised in our announcement dated 2 September 2008.

Summary of results including prior periods

These are summarised in the table below. EBS itself has not traded, either itself or through any controlled entity, prior to the financial year under review but during that year acquired Spheritec Pty Ltd (then known as Spheritec Ltd) which first traded during the financial year ended 30 June 2006. Results are therefore shown (in the case of Spheritec Pty Ltd, for prior periods, on a stand-alone basis) for the three years to 30 June 2008.

Period	Revenue		Earnings	
	EBS	Spheritec	EBS	Spheritec
FY06	\$9,301	\$2,691	\$(1,616,368)	\$(368,197)
FY07	\$3,968	\$50,340	\$(766,453)	\$(581,302)
FY08	\$109,501	n/a	\$(1,838,553)	n/a

Notes:

1. All figures shown are taken from audited (and, where relevant, consolidated) financial statements for the period in question. No separate figures are presented for Spheritec for FY08 as they are included within the consolidated EBS result.
2. The loss incurred by EBS for FY08 includes a charge of \$1,239,103 for goodwill arising out of the acquisition of Spheritec Pty Ltd. This is an accounting adjustment only and not a cash item.
3. EBS had a 31 July year end for FY06, which was then changed to 30 June, with the result that the financial statements for FY07 cover a period of eleven months.
4. Spheritec had a 30 June year end for all periods shown. The financial statements for FY06 cover the period from incorporation (19 August 2005) to the balance date.
5. Revenue earned by EBS in FY06 and FY07 represents interest on sums held at bank. Revenue from operations first arose in FY08 with the acquisition of Spheritec Pty Ltd.
6. Figures for EBS for all periods are consolidated to present results for EBS and its wholly-owned subsidiaries SafeWorld Australia & New Zealand Pty Ltd and, from FY08, Spheritec Pty Ltd.

Summary of balance sheet including prior periods

These are shown in the table below. Spheritec Pty Ltd is included in FY08 following its acquisition during the financial year.

Item	FY08	FY07	FY06
Cash	\$177,208	\$242,112	\$87,607
Receivables	\$37,063	\$5,979	\$17,538
Plant & equipment	\$73,409	\$10,123	\$20,132
Intangible assets	\$2,384,431	\$2,338,637	\$2,338,637
Other assets	-	-	-
Total assets	\$2,677,963	\$2,596,851	\$2,463,914
Payables	\$308,903	\$17,155	\$483,753
Interest-bearing loans - current	-	-	-
Interest-bearing loans – non-current	-	-	-
Total liabilities	\$350,873	\$17,155	\$483,753
Net assets	\$2,327,090	\$2,579,696	\$1,980,161
Share capital	\$9,256,354	\$7,670,407	\$6,304,419
Accumulated loss	\$(6,929,264)	\$(5,090,711)	\$(4,324,258)
Total equity	\$2,327,090	\$2,579,696	\$1,980,161

Notes:

1. All figures shown are taken from audited consolidated financial statements for the period in question.
2. EBS had a 31 July year end for FY06 which was changed to 30 June for subsequent periods.

Corporate governance statement

The board understands the need for proper corporate governance. At present governance matters are addressed directly by the board as appropriate with a company at EBS' relatively early stage of development. This also reflects the fact that the board itself meets regularly and that there are no separately constituted board committees.

It is intended that the company should in due course adopt a formal corporate governance charter. In the meantime, the board has a policy of requiring all staff (including directors and consultants) to enter into a formal undertaking in relation to specified governance matters (share dealings and confidentiality) and their conduct as regards those matters.

Principal shareholders

Details of the top ten shareholders (by reference to number of ordinary shares held) at 30 June 2008 are shown in the table below.

	Shareholder	Shareholding		Options	Note
		Number	Per Cent		
1.	R Coppa atf the Empire Trust	5,724,330	11.36%	4,000,000	1.
2.	Glavonjic Investments Pty Ltd	5,623,020	11.16%	nil	
3.	The Leg Vein Clinic Service Company Pty Ltd	3,750,000	7.44%	nil	
4.	Adam Sangster	2,790,000	5.54%	nil	
5.	Hollyben Pty Ltd atf Buchanan Superannuation Fund	2,649,143	5.26%	nil	
6.	Internet Business Systems Inc	2,500,000	4.96%	nil	

7.	Devine Industries Pty Ltd	2,000,000	3.97%	nil	
8.	Jeremy Martineau atf Martineau Family Trust	1,880,449	3.73%	nil	
9.	Leon Pretorius	1,735,154	3.44%	nil	
10.	Russell Krause	1,408,499	2.79%	2,860,000	1, 2
	Others	20,338,855	40.35%		
	Total	50,399,450	100.00%		

Notes:

1. These options (for which \$0.05 each was paid on grant) are exercisable at \$0.15 each at any time on or before 30 June 2010 and are subject to the offer for the holders to convert them into equity on the basis of one ordinary share for every two options held – ie an issue price of \$0.10 each. Please see under 'Proposed arrangements in relation to capital structure' in the explanatory memorandum below for further information on the offer relating to options.
2. Russell Krause has indicated that he intends to take up the offer referred to above in respect of all of his options.

Agreement for services of David Glavonjic

The summary below (which appeared in the information memorandum dated 20 December 2007 in support of the company's application for listing on the NSX) is included for convenience only. It should be noted that the agreement was terminated by agreement with effect from 30 September 2008 as disclosed in the announcement dated 2 September 2008.

- o Under his terms of engagement (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.
- o 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.
- o 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.

EXPLANATORY MEMORANDUM

This explanatory memorandum sets outs information on relevant to the proposed merger with Corpnet. It should be read in conjunction with the information contained in the rest of this document – in particular in the chairman's letter.

Corpnet

Corpnet was founded in Queensland in 2001. It is a privately held Brisbane-based IT company serving clients not only in Queensland but nationally. It offers a range of independent business technology management and technical consulting services to both enterprise and SMBs.

Clients span various business sectors (covering professional services, healthcare, mining & natural resources, property & construction, manufacturing & maintenance, hospitality, and technology, as well as government) and, at the enterprise and government level, include:

- o Virgin Blue;
- o Shell;
- o Hassell Architects;
- o Flight Centre Limited;
- o Triumph International;
- o Conics Group;
- o Twin Towns Services Club;
- o Brisbane International Airport;
- o Fone Zone (Vitta Group);
- o Waeco;
- o FKP Limited; and
- o Gladstone Pacific Nickel Limited.

The company has successfully developed a range of vendor relationships for delivery of the most appropriate solution for each client's particular requirements. The principal such relationships are summarised below.



Gold partner	Advanced infrastructure solutions	Active directory & identity management
	Network infrastructure solutions	Software asset management
	Licensing solutions	Small business specialist



Enterprise Solutions partner	Enterprise Partner of the Year 2005 Oceania	Unified data management
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Gold partner Hitachi Gold Partner of
the Year 2007

Hitachi Storage
Champion of the Year
2007



Enterprise
Partner



Premier
business
Partner

HP Premier Business
Partner

Servers
SAN
DAS
NAS



Silver partner

Consistent with the above summary services provided by Corpnet include enterprise management, technology management, technical support, and infrastructure services.

The company has ISO / IEC 20000:2005 certification and has recently successfully undergone an independent assessment of its quality systems and operations which recommended continuing certification.

The financial performance of Corpnet in recent years is summarised in the following table.

	FY04	FY05	FY06	FY07	FY08
Revenue	\$5.005m	\$6.178m	\$9.126m	\$10.624m	\$18.692m
Cost of sales	\$3.577m	\$4.451m	\$6.613m	\$7.338m	\$14.292m
Gross profit	\$1.428m	\$1.727m	\$2.513m	\$3.286m	\$4.400m
Gross margin	28.5%	27.9%	27.5%	30.9%	23.5%
Profit before tax	\$0.021m	\$0.178m	\$0.500m	\$0.312m	\$0.656m
Net margin	0.41%	2.88%	5.48%	2.94%	3.51%

Notes:

1. The year is in each case to 30 June.
2. Figures are unaudited and based on management accounts although the figures for FY08 are currently undergoing audit by Grant Thornton - please see under 'Summary of merger agreement' below.
3. Growth to date has been financed from internal cash flow without recourse to borrowings or other facilities otherwise than for the following:
 - o an umbrella facility with Rentmax Limited for financing equipment and software under which drawings of approximately \$270,000 are currently outstanding against an aggregate facility limit of \$372,000; and
 - o conventional 'premium funding' of general business insurance costs.

Corpnet's plan for continuing expansion calls for public listing in order to improve its general market profile and standing with clients. It also envisages the establishment of offices in both Melbourne and Sydney to provide a local presence in each of the three east-coast capital cities for national enterprise clients and for marketing to the local SMB community. Corpnet will in the process seek to improve its net margins by refining the current business mix (which includes a hardware component as well as services and, currently, a relatively low level of recurrent revenue) and by continued expansion of its client base across its existing service delivery infrastructure.

We believe there is an excellent natural fit between our two companies because of the sector targeted (e-business), the core SMB customer segment, our cultures, and the potential for cross-selling activity already mentioned.

It is possible that other acquisitions will be made in due course in order to establish a presence in Melbourne and Sydney or otherwise. Acquisition candidates may be assessed opportunistically as they arise.

Risk factors

Although Corpnet has recently been in a growth phase and has opportunities for further growth available to it, it should be noted that further investment is needed – particularly for recruitment of experienced sales personnel – in order for it to exploit those opportunities and that any investment from cash flow (which is how the business has been funded to date) will have a significant impact on profitability in the near term at least. The following factors should also be noted:

- There is a general shortage of IT professionals – and specifically experienced sales personnel – with the result that recruitment of suitable candidates at present is not easy;
- General business conditions are at present challenging, and likely to remain so for a while at least, notwithstanding actual growth opportunities – Corpnet is no more insulated from challenging business conditions than most other businesses;
- Many businesses are reducing or deferring investment (in IT as elsewhere) as well as seeking to cut back expenditure on revenue account – this has potentially adverse implications for Corpnet, as for other specialist IT 'outsourcer' service providers, although some businesses may still choose to seek operational efficiencies and cost savings through outsourcing IT services; and
- The nature of Corpnet's client relationships, and also the project nature of much of its work, mean that completion of a major project – or even loss of a major client – is likely to have a material impact on its financial performance.

These factors all involve some level of risk that can only be managed to a certain extent. However, it is planned (if the proposed merger proceeds) to mitigate the risks involved (as far as possible) by introducing a marketing function, strengthening the current sales process, and (over time) refining the business mix (see under 'Corpnet' above) with a view to improving the quality of revenue – in particular more recurrent revenue and more revenue at higher margins. Nevertheless, for the reasons given above, Corpnet expects revenue for the current financial year to be materially lower than for the year ended 30 June 2008.

Basis of proposed merger

In negotiations with Corpnet it has been necessary to take a pragmatic view on our present valuation as reflected in the figure at which our shares were first listed in February – ie \$0.20. This figure implies a present value of \$10.08m for the company. While we believe that this is a fair reflection of the 'blue sky' potential of Safe Worlds, it is obviously not supported by our trading performance, and this is especially the case in current adverse financial market conditions.

Our approach to any corporate transaction has always been to seek to preserve clear upside for shareholders so as to reflect what we believe is the true investment potential of Safe Worlds. We have taken this same approach in negotiations with Corpnet who, like us, see the potential of Safe Worlds. As with other potential merger parties we have spoken to, however, they have not been willing to accept what may properly be considered a 'blue sky' valuation.

It is clear that this situation will persist until such time as Safe Worlds is generating revenue (for us as well as for IBS) and has found some level of commercial acceptance in the local market. This presents a clear challenge for us in circumstances where we have not yet succeeded in establishing the Spheritec business - and especially against the background of continuing adverse conditions in financial markets.

Alternative to proposed merger

The alternative to a merger with Corpnet (or other established business) would therefore be for us to raise further investment, for a period of at least twelve months, in order to continue on a stand-alone basis. Such investment, if it could be raised at all in the present very difficult investment climate, would inevitably be at a very steep discount to the value of \$0.20 per share referred to above and would therefore involve very significant dilution for shareholders. Furthermore, almost certainly, it would not be possible to negotiate any mechanism for limiting or 'clawing back' dilution according to value provided in the future by Safe Worlds as we have negotiated with Corpnet - see under 'Converting performance shares' below. We believe therefore that the dilution for shareholders would almost certainly be greater than under the proposed merger with Corpnet. The company in any event requires immediate additional funding (which, in our view in current market conditions, could realistically only be achieved via a heavily discounted rights issue) should the proposed merger not proceed for any reason.

Equity sharing & dilution

Against this background it is inevitable that any merger will also involve significant dilution for shareholders. That is the case with the proposed Corpnet merger as it would be with any other business. In this case the merger terms involve an upfront equity split of 82% of the enlarged issued ordinary share capital for Corpnet shareholders (reflecting Corpnet's position as an already established business) with the remaining 18% for existing shareholders in EBS. We acknowledge that this represents a significant level of upfront equity dilution and have sought to redress the balance through the converting performance share mechanism explained below.

Converting performance shares

The terms agreed with Corpnet include a mechanism to allow the 'blue sky' value of Safe Worlds (reflected in our valuation on listing) to be 'clawed back' for the benefit of existing shareholders upon achievement of a financial milestone by Safe Worlds. This is to be achieved through the creation of a special class of 'converting performance share' (or CPS) that on completion of the proposed merger will be issued to shareholders on the register at close of business on Friday 31 October. The key terms of these shares are summarised as follows:

- Shareholders will receive one converting performance share for each ordinary share held at the record date specified above;
- The converting performance shares will (as a class) automatically convert into ordinary shares if our wholly-owned subsidiary SafeWorld Australia & New Zealand Pty Ltd (which holds the master distribution rights for Safe Worlds in Australia & New Zealand) generates aggregate revenue of \$25.0m or more (at a gross margin of 50% or more) during any consecutive period of twenty-four months where more than half of that period (ie more than twelve months) falls on or before 30 June 2014;
- The number of ordinary shares into which they will (as a class) convert will have a total value of \$10.0m (determined as outlined below) but, aggregated with ordinary shares currently on issue, may not exceed 50% of the enlarged ordinary share capital on issue immediately following completion of the proposed merger;
- The value of ordinary shares will be determined by reference to the market value of ordinary shares as quoted on the NSX (or, unless the board unanimously accepts the NSX value, as assessed by an independent valuer) or, if relevant, as quoted on the ASX at the end of the relevant period of twenty-four months; and

- Converting performance shares will not themselves carry any rights of equity participation (ie voting, distributions or capital) pending conversion but will be capable of transfer at the option of holders.

You should note that converting performance shares will not themselves be listed but that, under their terms of issue, the company will be obliged to apply for listing of ordinary shares arising on conversion.

Please read the terms of issue included with this letter as part of this document for a detailed explanation.

The converting performance share mechanism (as explained above) redresses the upfront equity dilution of the proposed merger by giving existing shareholders the right to further equity (as a reflection of capital invested to date) conditional upon Safe Worlds achieving some level of commercial acceptance as reflected in the revenue and gross margin milestone mentioned above.

A period of two years (rather than one year) has been agreed for this milestone in order to accommodate what may be quite a steep revenue build-up if and when Safe Worlds achieves commercial traction. The reference date for that period (running, as it does, till at least 30 June 2014) allows an extended period for commercialisation. The gross margin requirement of 50% has been chosen because, under the master distribution agreement with IBS-(BVI) Limited, IBS-(BVI) Limited is entitled to 40% of service fee revenue which leaves a gross margin of 60% for SafeWorld Australia & New Zealand Pty Ltd.

The conversion formula is designed to deliver \$10.0m in equity value to the holders of converting performance shares (subject to the 50% cap referred to above) and operates without adjustment for any future issue of ordinary shares - whether for cash or in connection with another acquisition.

Board & management

The merger terms agreed with Corpnet envisage that EBS will operate for the time being with a board of four or five directors. Ray Soper will (if re-elected at the AGM) continue as chairman until 31 December (when he intends to step down from the board – as he has already done with his other public company board appointments) after which we hope to appoint an independent person with suitable experience as non-executive chairman if a suitable candidate can be found. Both Russell Krause and (if re-elected at the AGM) David Glavonjic (who, as recently announced, has given notice to terminate his executive role as managing director) will continue in a non-executive capacity. Jeremy Martineau will resign from the board on completion of the Corpnet merger but will continue as company secretary.

The board will be augmented with the appointment of Agim Isai (managing director of Corpnet) as group managing director. Having worked in the IT industry for more than fifteen years, Agim was one of the founding members of Corpnet Computer Solutions (a predecessor of Corpnet) in 1997. He has a diverse range of managerial experience across project management, operations, sales and marketing and has held the position of managing director at Corpnet since November 2004. Agim holds affiliations with the Australian Institute of Project Management and the Australian Institute of Company Directors.

We have started to develop excellent working relationships and regard this proposed appointment as highly positive for the board and the company.

The board structure proposed ensures continuity (which we regard as important for the success of Safe Worlds) as well as new and valuable experience.

It is intended the board should consist exclusively of non-executive directors with the exception of the managing director. We hope to make at least one further appointment to the board during the current financial year and are starting to actively seek out potential candidates.

The present senior management of Corpnet (not limited to Agim Isai) will continue in their present roles following completion of the proposed merger. Please see under '*Terms of executive employment of Agim Isai*' below. Agim Isai and Scott Hartwell (who is a founder of the business and still closely involved in the day-to-day executive management) together hold (as trustees of their family trusts) half of the issued share capital of Corpnet.

Proposed arrangements in relation to capital structure

As part of the proposed merger arrangements we have agreed with Corpnet to rationalise our capital structure as it will exist on completion of the proposed merger. This is to be achieved as follows:

- By offering the holders of options paid for at \$0.05 each on grant (which are exercisable till 30 June 2010 at \$0.15 each) the opportunity to receive one fully paid ordinary share for every two options held;
- By capitalising sums (totalling \$318,000 at the anticipated completion date of the proposed transaction) owed to directors and their related entities, and therefore converting them into equity, at a price of \$0.10 per ordinary share and releasing and forgiving any further sum remaining unpaid at completion; and
- By carrying out a share consolidation on a one-for-four basis to reduce our issued ordinary share capital (as it will be upon completion of the proposed merger) to what we regard as a manageable number relative to the kind of valuation we expect for our shares – this will involve a corresponding adjustment to any options remaining after expiry of the offer referred to above so that every four such options exercisable at \$0.15 each will instead become a single option exercisable at \$0.60.

Please note, if you are the holder of any of these options, the offer to receive ordinary shares remains open only for a limited time and that the option form (which forms part of this document) should be completed and returned in accordance with the instructions included on it – ie to reach us **no later than Friday 31 October**. You should consider also any possible tax implications involved in acceptance of the offer.

This arrangement, together with the proposed capitalisation of sums owed and the proposed share consolidation, is included within the resolution for approval of the proposed merger with Corpnet. You should note that, because the option arrangement and the capitalisation of debt take effect only on shareholder approval, new shares resulting from them will not entitle the holders to any additional CPS. The record date for entitlement to converting performance shares falls before the date of the AGM (when shareholder approval would be given) as referred to under 'Converting performance shares' above. This means that none of the directors or their related entities will qualify for any additional CPS by virtue taking up the options offer or capitalising any sum owed.

Please see under '*Capital structure & impact of proposed merger*' below for further details of the impact of these arrangements and the proposed merger generally.

Summary of merger agreement

The parties to the agreement, which is dated 10 October 2008, are EBS, Corpnet itself, and the six shareholders in Corpnet.

The agreement provides for the Corpnet shareholders to dispose of their Corpnet shares (comprising the whole of the issued share capital of Corpnet) to EBS free from all encumbrances for a consideration consisting of fully paid ordinary shares ranking equally with other such shares that are fully paid. EBS is not obliged to proceed unless it acquires the whole of the issued share capital of Corpnet. The consideration shares to be issued by EBS represent 82% of the enlarged issued ordinary share capital after allowing for dilution arising on the issue of other ordinary shares (options and capitalisation of sums owed) and the share consolidation as mentioned under '*Proposed arrangements in relation to capital structure*' above.

The Corpnet shareholders are obliged to accept any escrow restrictions required by the NSX and enter (if necessary before completion of the transaction) into appropriate forms of restricted securities agreement.

EBS is at completion to issue fully paid converting performance shares (for an aggregate consideration of \$1) to the holders of ordinary shares on the register at close of business on Friday 31 October 2008. The converting performance shares are to be issued on the basis of one such share for each ordinary share held at the record date and have the terms of issue set out in this document.

There are provisions for appropriate announcements to be made via the NSX in agreed terms following execution of the agreement and completion of the transaction.

EBS has an obligation to apply for listing of the consideration shares following completion of the transaction (together with shares issued as outlined under '*Proposed arrangements in relation to capital structure*' above) and, in due course, of ordinary shares arising on conversion of the converting performance shares.

Completion of the transaction is conditional upon the following:

- o Approval by EBS shareholders in general meeting;
- o Delivery to EBS of audited consolidated accounts for Corpnet in respect of the year ended 30 June 2008 in terms, and with an audit report in terms, satisfactory to EBS; and
- o EBS having satisfied relevant NSX requirements – in particular for lifting of the trading halt applied to its ordinary shares.

There are also rights of termination in favour of EBS and Corpnet for certain specified events affecting the other and its subsidiaries such that any of them might be insolvent.

The parties are to use all reasonable endeavours to ensure that the agreement becomes unconditional in accordance with its terms. The agreement is to be of no effect (except as regards accrued rights for prior breach) if the conditions have not been satisfied on or before 30 November 2008 or other later date as may be agreed. In any case where the agreement fails to become unconditional the parties are to return all relevant documents and upon request confirm that they do not hold (in either soft or hard copy) any copies.

The agreement contains certain obligations for the Corpnet shareholders to ensure, pending completion of the transaction, that Corpnet carries on business in the normal way as a going concern and does not take certain specified actions such as: creating any mortgage or other security interest, issuing or agreeing to issue any share or other form of security, entering into any long-term or abnormal contract or capital commitment or incurring any borrowings, and making any distribution to shareholders. EBS is also under similar obligations pending completion of the transaction.

There are various provisions of a mechanical nature regulating the steps to be taken at, and consequent upon, completion of the transaction. These include: registration of EBS as the holder of the Corpnet shares; board changes (as mentioned in the chairman's letter that forms part of this document); the entering into of a deed of access and indemnity in favour of the new director (Agim Isai) pursuant to the authority conferred by EBS shareholders on 28 November 2007; substantial shareholder notices to be given by the Corpnet shareholders to the NSX; and the grant of options in favour of Corpnet shareholders as explained under '*Capital structure & impact of proposed merger*' below.

The agreement contains certain warranties on the part of the Corpnet shareholders in favour of EBS and on the part of EBS in favour of Corpnet and the Corpnet shareholders. These warranties relate in each case to such matters as the capacity of the party giving them to enter into the agreement, capital structure, absence of borrowings and security interests, absence of litigation and other proceedings and circumstances likely to give rise to litigation or other proceedings. There are also warranties on the part of the Corpnet shareholders as to information relating to Corpnet contained in this document and on the part of EBS as to compliance with its continuous disclosure obligations under NSX listing rules. Liability for breach of warranty lapses two years after completion of the transaction except for any claim previously notified in writing.

Each of the Corpnet shareholders is bound by certain restraints for the protection of the Corpnet business under EBS ownership. These restraints (which apply for a period of twelve months from the date of completion) prohibit them from soliciting orders from or fulfilling orders for Corpnet customers, placing orders with Corpnet suppliers where that may result in a material reduction of supply to Corpnet, soliciting or employing Corpnet staff engaged in skilled or managerial work, and having any interest in a competitive business within Australia except for any small minority interest in a listed company held for investment purposes only.

There are also terms relating to agreed board structure as referred to in the chairman's letter that forms part of this document. These terms include a statement (which is expressed not to fetter the

board's freedom of action) confirming the present board policy of considering synergistic acquisition opportunities as they may arise.

EBS is following completion of the transaction not to take any action to discontinue or reduce the scope of cover under its existing directors' & officers' policy and is to seek to extend it to Agim Isai in accordance with its obligation under the form of deed of access and indemnity approved by shareholders on 28 November 2007. Following completion of the transaction it is also to ensure that Spheritec meets its existing obligations in respect of personnel and equipment.

Capital structure & impact of proposed merger

EBS' current capital structure comprises ordinary shares and options. This is shown, together with the impact of the proposed merger and other related actions affecting capital structure, in the table below. This table is illustrative and should be read in conjunction with the accompanying notes.

Illustration of Capital Structure				
	Stage	Ordinary Shares	Options	Note
1.	Present position	50,399,450	<ul style="list-style-type: none"> o 9,125,000, granted at \$0.05 each & exercisable on or before 30 June 2010, to subscribe for fully paid ordinary shares at \$0.15 each 	1
			<ul style="list-style-type: none"> o 500,000, exercisable on or before 30 September 2008, to subscribe for fully paid ordinary shares at \$0.20 each 	2
			<ul style="list-style-type: none"> o 124,330, exercisable on or before 30 June 2009, to subscribe for fully paid ordinary shares at \$0.20 	3
			<ul style="list-style-type: none"> o 124,330, exercisable on or before 30 June 2009, to subscribe for fully paid ordinary shares at \$0.35 	3
2.	Release & conversion of options	50,399,450		
		<u>4,562,500</u>		4
		54,961,950		
3.	Capitalisation of sums owed to directors and related entities	54,961,950		
		<u>3,180,000</u>		5
		58,141,950		
4.	Issue of consideration shares	58,141,950		
		<u>264,868,883</u>		6
		323,010,833		7
5.	Share consolidation	80,752,709		8
6.	Conversion of converting performance shares	80,752,709		
		<u>51,681,734</u>		9
		132,434,443		10

Notes:

1. The holders of 3,590,000 of these options (being Ipseity Pty Ltd, a related entity of Ray Soper, and Russell Krause) have confirmed their agreement to release them in return for the issue of fully paid ordinary shares on the basis of one such share for every two such options – ie an issue price of \$0.10 per ordinary share. It is not known whether other holders will take up the offer in the same way.
2. These options have now lapsed but are shown here for completeness because they are disclosed in the audited financial statements for the year ended 30 June 2008.
3. The holders of these options have agreed to release them altogether conditional upon completion of the proposed merger whereupon they will therefore cease to exist.
4. The additional 4,562,500 shares shown represent shares issued (as mentioned in note 1 above) against release of options and assume full take-up of the offer by option holders in respect of all such options – ie 9,125,000 in total.
5. Capitalisation of debt relates to sums owed to directors and their related entities (a total of \$318,000) and involves a further issue of shares at \$0.10 each. This is the figure at which shares were last issued for cash (pursuant to the exercise of options in December 2007) and stands at a substantial premium to the value of the company's ordinary shares implied under the terms of the proposed merger.
6. The 264,868,883 consideration shares represent 82% of the enlarged issued equity share capital.
7. Additional options will be granted to the former Corpnet shareholders in order to balance (on the same 82:18 basis as for ordinary shares) any remaining options that are not converted into equity as referred to in note 1 above. The terms of grant are identical to the 9,125,000 options currently outstanding except that the full \$0.20 will be payable by the former Corpnet shareholders on exercise rather than \$0.05 on grant and only \$0.15 on exercise. No such options are shown here in view of the assumption in note 4 above that, for the purpose of illustration, the offer is taken up in respect of all such options.
8. The previous total issued share capital figure (323,010,833) is adjusted to reflect the one-for-four share consolidation.
9. The maximum figure of 51,681,734 (representing, when aggregated with shares held immediately after completion by persons other than the former Corpnet shareholders, the maximum of 50% of the enlarged issued ordinary share capital) is shown purely for illustration and, on the basis of the conversion value of \$10.0m under the formula, implies a value of approximately \$0.19 per ordinary share arising on conversion. Any higher value would result in fewer ordinary shares arising on conversion; any lower value would result in no change, however, because the conversion formula caps the proportion of ordinary shares arising on conversion (when aggregated with shares held immediately after completion by persons other than the former Corpnet shareholders) at 50% of the enlarged equity. The formula operates on the basis of the capital structure consequent upon completion of the proposed merger without adjustment for any subsequent issue of ordinary shares.
10. The illustration shows no remaining options because it is assumed, for the purposes of illustration, that the 9,125,000 options exercisable on or before 30 June 2010 will all be exchanged for equity (note 4 above) while other options (note 3 above) will be eliminated altogether. Any remaining options from the 9,125,000 referred to above will result in the grant of options to former Corpnet shareholders as mentioned in note 7 above. All such options (both any remaining options and options to be granted to former Corpnet shareholders) will be adjusted to reflect the one-for-four share consolidation. Every four such options remaining (currently exercisable at \$0.15 each) will instead become a single option exercisable at \$0.60; options to be granted to former Corpnet shareholders will involve no payment on grant but be exercisable at \$0.80 each on or before 30 June 2010.

Shareholders will in due course be sent a brief holding statement as evidence of their respective holdings of ordinary shares consequent upon the matters explained above and should keep this safely for future reference.

Terms of executive employment of Agim Isai

Corpnet has entered into a formal agreement with Agim Isai under which he is appointed on a full-time basis to act as managing director (he will also be appointed managing director of EBS upon completion of the proposed merger) under the direction of the board and with the general obligation to use his best endeavours to promote the interests of Corpnet's business and not do anything harmful to them. He is prohibited from engaging in any other employment, business or profession without Corpnet's consent.

Termination is upon three months' notice in writing by either party at any time. Corpnet may also terminate the agreement early in certain circumstances in the event of breach on the part of the executive.

Corpnet is to provide a remuneration package comprising salary of \$200,000 per year and in addition superannuation, other statutory leave entitlements and a car allowance of \$21,862 per year. This is to be reviewed on an annual basis with effect from 1 July. There is also a short-term incentive arrangement based on key performance indicators appropriate to the position of managing director – this is expected to provide a bonus of not less than \$80,000 per year and is paid quarterly in arrears upon achievement of targets. There is no reference to any long-term incentive because an effective long-term incentive is provided through the executive's shareholding interest in Corpnet which will be exchanged for shares in EBS upon completion of the proposed merger.

The agreement contains appropriate provisions to protect the integrity of Corpnet's confidential information, goodwill and intellectual property.

There are also certain restraints which operate both during the period of employment and for a period of up to twelve months thereafter.

Investigation undertaken

Each company has conducted its own due diligence investigation work into the other and its business during the period from heads of agreement (exchanged and announced to the market on 2 September) to exchange of the formal merger agreement.

TERMS OF ISSUE OF CONVERTING PERFORMANCE SHARES

The terms of issue of the proposed converting performance shares are set out in full below.

Important note

You should note that the converting performance shares themselves will not be listed (either on the NSX or on any other exchange) but that, assuming conversion into equity, it is intended that the company should seek listing for the ordinary shares arising on conversion either on the NSX or any other relevant exchange on which ordinary shares in the company may then be listed.

Shareholders entitled will in due course be sent a brief holding statement as evidence of their respective holdings of converting performance shares and should keep this safely for future reference. Any shareholder wishing to transfer converting performance shares will be required to deliver it to the company at the relevant time.

Terms of issue

1. DEFINITIONS

In these terms of issue:

- **'Board'** means the board of directors of the Company;
- **'Company'** means e-Business Systems Ltd ACN 107 353 695;
- **'Constitution'** means the constitution of the Company;
- **'Corpnet'** means Corpnet (Australia) Pty Ltd ACN 092 390 951;
- **'CPS'** means a converting performance share in the capital of the Company having the rights specified in these terms of issue;
- **'Exchange'** means any recognised securities exchange on which Ordinary Shares may at any material time be listed for quotation and trading;
- **'Gross Margin'** means gross margin determined by reference to SANZ's financial records in accordance with these terms of issue;
- **'Listing'** means listing for quotation and trading on an Exchange of all Ordinary Shares arising on conversion of CPS;
- **'Market Value'** means:
 - if Ordinary Shares are at the material time quoted on the National Stock Exchange – either:
 - (if so resolved by unanimous decision of the Board) the weighted average price at which trades in respect of Ordinary Shares have been executed during the last three months of the Revenue Period; or
 - (unless so resolved by the Board) the market value of a fully paid Ordinary Share at the end of the Revenue Period as determined by an independent valuer (acting as expert) appointed for the purpose by the Board; and
 - if Ordinary Shares are at the material time quoted on the Australian Securities Exchange or any other Exchange: the weighted average price at which trades in respect of Ordinary Shares have been executed during the last three months of the Revenue Period;
- **'Master Distribution Agreement'** means agreement entitled 'master distribution agreement for the territory of Australia & New Zealand' dated 14 September 2005 between IBS-(BVI) Limited and SANZ as amended at any time after the date of first issue of CPS;

- o **'Ordinary Share'** means an ordinary share in the capital of the Company;
- o **'Revenue'** means:
 - 'Service Fees' or other revenue in respect of Safe Worlds accruing under the Master Distribution Agreement; and
 - revenue in respect of Safe Worlds under any other agreement entered into by SANZ after the date of first issue of CPS;determined in each case by reference to SANZ's financial records in accordance with these terms of issue;
- o **'Revenue Period'** means the period of twenty-four months consisting of any two consecutive financial periods of twelve months each where the whole of the first period and at least part of the second period fall within the period ending 30 June 2014;
- o **'Safe Worlds'** means the 'System' and the 'Service' as referred to in the Master Distribution Agreement';
- o **'SANZ'** means SafeWorld Australia & New Zealand Pty Ltd ACN 106 813 932;
- o **'Transaction'** means the acquisition by of the Company of the whole of the issued share capital of Corpnet; and
- o **'\$'** means Australian dollar.

2. ISSUE

The Company may not issue or grant options over, or otherwise agree (whether conditionally or unconditionally) to issue, more than 50,399,450 CPS in aggregate. Any action to the contrary constitutes a variation of these terms of issue and of the rights attaching to the CPS.

3. RIGHTS

The rights attaching to the CPS are as follows:

3.1 As regards income

No holder of any CPS is entitled to receive or to participate in any distribution of profits by virtue of holding any CPS.

3.2 As regards capital

No holder of any CPS is entitled to receive or to participate in any return or other distribution of capital (whether or not surplus) by virtue of holding any CPS.

3.3 As regards redemption

No CPS carries any right of redemption in favour of the holder.

3.4 As regards conversion

The CPS will (as a class) convert automatically into fully paid Ordinary Shares as follows:

3.4.1 Trigger for conversion

Conversion is conditional upon SANZ having generated Revenue of not less than \$25m in aggregate at a Gross Margin of not less than 50% in respect of the Revenue Period.

3.4.2 Valuation of Ordinary Shares arising on conversion

The value of Ordinary Shares arising on conversion will (subject to paragraph 3.4.3 below) be \$10m determined by reference to the Market Value of an Ordinary Share.

3.4.3 Cap on number of Ordinary Shares arising on conversion

The maximum aggregate number of Ordinary Shares arising on conversion will be calculated according to the formula:

$$M = (82\% \times A) - B$$

where:

- M is the relevant maximum;
- A is the aggregate number of Ordinary Shares on issue (subject only to due completion of the Company's register of members) immediately after completion of the Transaction; and
- B is the aggregate number of Ordinary Shares held (subject only to due completion of the Company's register of members) immediately after completion of the Transaction by persons other than the former shareholders of Corpnet;

in each case after taking into account the issue of Ordinary Shares (falling to be issued so as to give effect to the option arrangements and the capitalisation of debt) and the share consolidation approved by resolution of shareholders passed at the Company's 2008 annual general meeting including any adjourned or reconvened meeting.

3.4.4 Entitlement to Ordinary Shares arising on conversion

Entitlement to Ordinary Shares arising on conversion will, as between persons registered as the holders of CPS immediately before conversion, accrue pro rata (or, so as to allow, at the discretion of the Board, for the proper adjustment of fractional entitlements to the nearest whole number, as nearly as may be practical pro rata) to the aggregate number of CPS then registered in their respective names.

3.4.5 Ranking of Ordinary Shares arising on conversion

Ordinary Shares arising on conversion will rank in all respects pari passu with other fully paid Ordinary Shares on issue at the end of the Revenue Period.

3.4.6 Application for Listing

The Company will promptly make due application for Listing, and pay the relevant application fee, as soon as practicable (making due allowance for due verification of achievement of the conversion trigger applicable under paragraph 3.4.1 above) following the end of the Revenue Period.

No CPS carries any right of conversion into any share of any other class, or into any other class of security, except as specified in these terms of issue.

3.5 As regards voting

The holder of any CPS may not (as the holder of any such share) vote (whether on a show of hands or on a poll) on any resolution of shareholders but may (as the holder of any such share) attend and speak at any general meeting of shareholders.

3.6 As regards transfer

The holder of any CPS may at any time, and subject to the Constitution, transfer all or any CPS held to any person by instrument in writing in any usual or common form or in any other form approved by the Board subject to the right of the Board, at its discretion and subject to the Constitution, to suspend registration of transfers of CPS from the end of the Revenue Period pending Listing.

4. FURTHER PROVISIONS

The following terms will apply for the benefit of the holders of CPS pending conversion and, notwithstanding conversion being deemed to have taken place, pending Listing:

4.1 Financial records

The Company will ensure that SANZ at all material times keeps and maintains proper and up-to-date financial records for the accurate determination of Revenue and Gross Margin in accordance with legal requirements and accounting principles generally accepted in Australia.

4.2 Revenue

The Company will ensure that all revenue generated by it or any of its subsidiaries from time to time in respect of Safe Worlds is generated at all material times by SANZ.

4.3 Maintenance of listing

The Company will ensure that its Ordinary Shares are listed on an Exchange for quotation and trading.

5. VARIATION

The Company may not take any action inconsistent with these terms of issue. Any such action constitutes a variation of these terms of issue and of the rights attaching to the CPS.

NOTICE OF ANNUAL GENERAL MEETING

Time & place

Notice is hereby given that the annual general meeting of e-Business Systems Ltd ACN 107 353 695 will be held at the office of PKF, level 6, 10 Eagle Street, Queensland 4000, at 10:00 (local Brisbane time) on Tuesday 11 November 2008.

Business

The following business will be considered:

1. Audited financial statements – ordinary resolution

To receive and consider the audited financial statements for the period ended 30 June 2008 together with the report of the auditors PKF

2. Re-election of Ray Soper as a director - ordinary resolution

To re-elect Ray Soper, appointed to the board on 19 January 2005, as a director

Note: Ray Soper stands for re-election in accordance with rule 16.1 of the constitution but has given notice of his intention to step down from the board (as the last of his public company board positions) with effect from 31 December 2008.

3. Re-election of David Glavonjic as a director - ordinary resolution

To re-elect David Glavonjic, appointed to the board on 22 March 2007, as a director

Note: David Glavonjic stands for re-election in accordance with rule 16.1 of the constitution.

4. Approval of proposed directors' fees – ordinary resolution

In respect of the current financial year, ending 30 June 2009, to fix the remuneration of the directors (other than the managing director) at \$60,000 and \$36,000 per year for the chairman and for the other directors respectively subject to a maximum of \$200,000 in aggregate.

5. Proposed acquisition of Corpnet & related matters – ordinary resolution

To consider the following resolution:

'That the proposal for the company to acquire the whole of the issued share capital of Corpnet (Australia) Pty Ltd (in accordance with the proposal set out in the circular) be and hereby is approved with full power for the directors to act accordingly, as they may in their discretion think fit, with a view to carrying into effect the terms of that proposal, including without limitation the following:

1. The proposed allotment and issue of ordinary shares credited as fully paid to option holders applying for them in accordance with the proposal set out in the circular;
2. The proposed capitalisation of sums owed to directors and their related entities on the terms set out in the circular; and
3. Subject to and conditional upon completion of the acquisition of Corpnet (Australia) Pty Ltd and the arrangements referred to in paragraphs 1 and 2 of this resolution: the consolidation of ordinary shares (whether issued or unissued and including:
 - o all those issued or falling to be issued pursuant to the arrangements referred to in paragraphs 1 and 2 of this resolution; and
 - o all consideration shares falling to be allotted and issued consequent upon completion of the acquisition of Corpnet (Australia) Pty Ltd);

on the basis of every four such shares being consolidated and converted into one ordinary share (issued or unissued as the case may be) in the capital of the company on terms that, for consolidation purposes, each individual holding of ordinary shares is to be rounded up or down (as appropriate) to the nearest multiple of four in order to avoid any fractional entitlements otherwise arising.

Note: The term 'circular' in this resolution refers to the document to shareholders dated 10 October 2008 comprising: letter from the chairman, annual report, explanatory memorandum, terms of issue of converting performance shares, notice of AGM, proxy form & options form.

Voting instructions

The following instructions apply in relation to voting at the meeting in person:

1. Each member present (which includes a member present as proxy, attorney or body corporate representative) may cast one vote. However, if a member holds two or more appointments, and these appointments direct the member to vote in different ways, then the proxy may not vote on a show of hands.
2. On a poll shareholders have one vote for each fully paid share and, for each partly paid share held, a fraction of a vote equal to the proportion paid up or credited as paid up towards total amount on the share.

The following instructions apply in relation to voting at the meeting by proxy:

1. Please complete and return the proxy form if you are a shareholder and are unable to attend and vote in person but still wish to vote. A proxy need not be a member.
2. The proxy form must be duly completed and lodged at the office of our auditor PKF (delivery address: c/- PKF, level 6, 10 Eagle Street, Brisbane, Queensland 4000; postal address: GPO box 1078, Brisbane, Queensland 4001), or faxed to 07-3226-3500, so as (in each case) to arrive no later than forty-eight hours before the meeting – ie no later than 10:00 (local Brisbane time) on Sunday 9 November 2008.
3. A member entitled to attend and cast two or more votes at the meeting is entitled to appoint no more than two proxies to attend and vote in their stead. Where more than one proxy is appointed, each proxy should be appointed to represent a specified proportion of the member's voting rights, and failure to indicate specified voting proportions will result in each proxy being entitled to cast half of the member's votes.
4. The proxy form must be signed personally by the member or their attorney. A corporation must sign the proxy form under its common seal or under the hand of any duly authorised person.
5. Where the proxy form is signed by a duly authorised attorney, and that power of attorney has not been previously shown to the company, it must be produced to the company at the office of our auditor PKF (delivery address: c/- PKF, level 6, 10 Eagle Street, Brisbane, Queensland 4000; postal address: GPO box 1078, Brisbane, Queensland 4001), or faxed to 07-3226-350, so as (in each case) to arrive no later than forty-eight hours before the meeting – ie no later than 10:00 (local Brisbane time) on Sunday 9 November 2008.
6. A signatory to a power of attorney who is acting under power of attorney must also declare that they have had no notice of revocation of the power of attorney.

The company has determined in accordance with of the Corporations Act that, for the purpose of voting at the meeting or any adjourned meeting, shares will be taken to be held by those persons shown in the register of members as at close of business on Friday 7 November 2008.

The directors

e-Business Systems Ltd

PROXY FORM

This form must, in order to be effective, be duly completed and lodged at the office of our auditor PKF (delivery address: c/- PKF, level 6, 10 Eagle Street, Brisbane, Queensland 4000; postal address: GPO box 1078, Brisbane, Queensland 4001), or faxed to 07-3226-3500, so as (in each case) to arrive no later than forty-eight hours before the meeting – ie **no later than 10:00 (local Brisbane time) on Sunday 9 November 2008.**

Section 1 – Your details		
<i>Please print your name above</i>		<i>Please sign above</i>
	Day time telephone:	
	E-mail:	
<i>Please add your contact details above</i>		
<i>Please write your address above if you have moved and wish us to update our records to show your new address</i>		<i>Please use this form to confirm your e-mail address if you have not already given it to us and are receiving this form and the accompanying notice from us in hard copy</i>

Section 2 – Appointment of proxy	
<i>Please refer also to the section headed 'Voting instructions' that form part of the notice of meeting</i>	
<i>Please print opposite the name of the person you wish to appoint</i>	
<i>Alternatively, if you wish to appoint the chairman or some other person by reference to their office, please write their office opposite – eg 'chairman'</i>	

Section 3 – Business of meeting				
Resolutions	For	Against	Abstain	At discretion of proxy
Audited financial statements				
Re-election of director – Ray Soper				
Re-election of director – David Glavonjic				
Approval of directors' fees				
Acquisition of Corpnet				
Notes	<p>1. Please tick one box only as appropriate for each resolution to be proposed – a tick in more than one box for either resolution will invalidate your votes on the resolution concerned.</p> <p>2. Your proxy may vote at their discretion on any resolution for which you tick no box at all.</p> <p>3. All your votes will be counted in accordance with your instructions above unless you have appointed a second proxy – in this case your votes will be allocated as instructed by you in section 4 below (if you specify a proportion) and otherwise (if you do not) as to half for each proxy.</p>			

Section 4 – Appointment of second proxy	
This box should be completed only if you wish to appoint a second proxy and should otherwise be left blank – see also section 3, note 3, above	
Please print opposite the name of the person or persons you wish to appoint	
Please write opposite the proportion of your votes you wish to allocate to the second proxy	

Section 5 – Signature	
Please sign opposite – shareholder 1	
Please sign opposite – shareholder 2	
Notes	<p>1. Both shareholders must sign, in the case of joint shareholders, in order for this form to be effective.</p> <p>2. Refer to the section headed 'Voting instructions' that form part of the notice of meeting for further instructions if you are acting under a power of attorney.</p>

OPTIONS FORM

This form must, in order to be effective, be duly completed and lodged at the office of our auditor PKF (delivery address: c/- PKF, level 6, 10 Eagle Street, Brisbane, Queensland 4000; postal address: GPO box 1078, Brisbane, Queensland 4001), or faxed to 07-3226-3500, so as (in each case) to arrive **no later than Friday 31 October 2008 – ie before the deadline for lodgement of proxies for the AGM.** This timing has been chosen for administrative reasons and will help us to make timely arrangements with our registrars to facilitate trading in our shares as soon as possible following the AGM.

This form applies only to shareholders with unexercised options to subscribe for ordinary shares in the company at an exercise price of \$0.15 each. These options (numbering 9,125,000 in aggregate) are exercisable on or before 30 June 2010 and then lapse insofar as not exercised.

You should ignore this form unless you hold any of these options. However, if you do hold any of them, you should take **action to meet the deadline referred to in the first paragraph above.**

Section 1 – Your details		
Please print your name above		Please sign above
	Day time telephone:	
	E-mail:	
Please add your contact details above		
Please write your address above if you have moved and wish us to update our records to show your new address		Please use this form to confirm your e-mail address if you have not already given it to us and are receiving this form from us in hard copy

Section 2 – Offer in respect of options	
You have the opportunity to take up ordinary shares in the company in accordance with the arrangements detailed in the circular – ie on the basis of one such share, to be issued fully paid, for every two options held to subscribe for ordinary shares at \$0.15 each exercisable on or before 30 June 2010. Please refer to the circular for further information.	
Please print opposite the number of options in respect of which you wish to take up this offer.	

Note: The term 'circular' in this resolution refers to the document to shareholders dated 10 October 2008 comprising: letter from the chairman, annual report, explanatory memorandum, terms of issue of converting performance shares, notice of AGM, proxy form & options form.

Section 3 – Signature	
Please sign opposite – optionholder 1	
Please sign opposite – optionholder 2	

Notes	<ol style="list-style-type: none">1. Both shareholders must sign, in the case of joint shareholders, in order for this form to be effective.2. Refer to the section headed 'Voting instructions' that form part of the notice of meeting for further instructions if you are acting under a power of attorney.
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