

e-Business Systems Ltd

ACN 107 353 695

Chairman's address for AGM

Annual general meeting to be held in Brisbane on Tuesday 11 November 2008



CHAIRMAN'S ADDRESS FOR AGM – TUESDAY 11 NOVEMBER 2008

Preliminary matters

May I start by welcoming shareholders, and of course our auditor, Albert Loots of PKF, to our 2008 AGM - our first as a listed company. At the outset there are a few preliminary matters I should mention:

1. Thanks are due to PKF for generously acting as our hosts today as well as for their help and support with proxy returns and arrangements for today generally – this is very much appreciated.
2. Please sign the attendance record, if you have not already done so, before leaving today.
3. I propose to run the meeting, as in previous years, by delivering my address as chairman and then proceeding to the formal business on the agenda.
4. We will pause briefly after the first resolution (relating to the audited financial statements) to allow Albert Loots to leave the meeting at that stage if he wishes. You are of course very welcome to stay throughout if you wish.

That concludes the preliminary matters. We can now proceed to the formal meeting and – as we have a quorum present – in due course consider the resolutions in the notice of meeting.

Highlights of year

This has been a challenging year for us in a business sense. I have more to say on that in a moment but should first comment briefly on corporate developments during the period.

In a corporate sense the past year has been an important one for EBS. This time last year we were still an unlisted public company with no operating business. Since then:

1. Late in 2007, following shareholder approval, we completed the merger with Spheritec and therefore now have an operating business – albeit limited – pending delivery of Safe Worlds as a commercial product.
2. In February we made the transition to listed company status with our introduction to the NSX. In doing so we indicated our intention to seek suitable consolidation opportunities in our sector.

The other important development during the year (though not a corporate step in the sense of the Spheritec merger and listing on the NSX) was the initial commercial release of Safe Worlds by IBS in the USA. This was duly announced to the market at the time. It is still early days for Safe Worlds, but significant progress appears to have been made by the development team in the USA, and we look forward to supporting IBS with local roll-out in Australia and New Zealand in due course. We remain of the view that Safe Worlds has very considerable commercial potential.



Market conditions

As I have just said, the past year has been a challenging one for us, and we should perhaps remind ourselves how much the environment we all work in has changed in that time.

This time last year we were beginning to experience the first signs of the gathering credit crisis and market downturn that have subsequently hit virtually every area of economic and investment activity around the world. One year on we still do not know how long the current adverse conditions in business and financial markets will continue; we do know, though, that they are truly unprecedented and certainly the worst environment in the careers of any of us – including those of us who, like myself, were around during 1974-75 downturn, the early 1980s recession and the market crash of 1987.

As a measure of present conditions June was the worst month for the stock market in Australia since June 1940 – only exceeded, as we now all know, by October. These are challenging times indeed.

Operations

The deteriorating operating environment definitely made it harder for us to establish the Spheritec business which, disappointingly and despite our best efforts, has made only limited progress. I will comment only briefly here as the background is explained in our circular sent to shareholders with notice of this meeting.

We had hoped, and frankly expected, that the business would be firmly established by now with a steadily growing user base and increasing revenue. In the event, though, revenue has grown only slowly. Growth has been constrained by our very limited resources as well as by the difficult operating environment. I am happy to say that Spheritec is now very close to cashflow breakeven on what we believe is a sustainable basis – albeit with a very low cost structure. We believe that, with continuing careful management, there are good prospects for it to develop steadily. There are some promising channel opportunities to support this view.

Merger rationale

In the information memorandum sent to shareholders last December in connection with our application for listing we explained our plan to seek merger opportunities and position the company to act as a consolidator in the IT sector. This is the background to the proposed merger with Corpnet.

We had hoped that, with the Spheritec business gradually becoming established and with Safe Worlds being ready as a fully commercial product, we would be well placed to implement our general strategy as I have just described it. This has not been possible as planned, however, for the following reasons:



1. Progress with the Spheritec business has been disappointingly slow.
2. Safe Worlds is not yet available as a fully commercial product such that we could benefit from the major publicity that can be expected.
3. The operating environment has deteriorated significantly and become much worse than foreseen.

We judged that, in the difficult fund-raising environment that has prevailed for most of this year, these factors would mean that any fund-raising would be highly dilutive for shareholders. It was for that reason that we looked at the alternative of identifying a viable business to acquire that would put the company on a sound footing and give shareholders exposure should our Spheritec and SafeWorlds businesses prove successful.

Given a different situation we may have been able to make successive small acquisitions and progressively boost our value. As matters have turned out, though, the smaller businesses we have considered have not been suitable – in part because of the lack of incumbent management that could respond to corporate ownership. We have therefore also considered larger, more established, businesses. Corpnet falls into this category and, as such, comes with a solid track record of growth to date and, we believe, capable operational management,

Corpnet

Of the businesses we have considered, in our view, Corpnet is the best partner for us. Background information on Corpnet, the basis of the merger proposed, and the terms we have negotiated, are all contained in the circular sent to shareholders with notice of this meeting, and I do not propose to go over the same ground again now. The only additional point I would add now is that the requirement in the merger agreement for Corpnet to undergo audit has been met to our satisfaction.

My colleagues and I recognise that the proposed merger is significantly dilutive of shareholders' current equity interests. We regret the extent of the dilution but recognise that any such transaction – even in better times and off a solid company valuation – would involve equity dilution. In our view, though, the terms negotiated are the best that we could reasonably have anticipated against the background I have outlined. In particular, we are pleased that we have been able to secure additional participation for our shareholders by way of converting performance shares in the event that Safe Worlds meets defined performance benchmarks. This offsets the dilution concern to some degree. I would be pleased to answer shareholder questions on the CPS shares.

In any case we do not see any viable alternative.

The transaction has many positives for us - in particular:

1. Corpnet has a clear track record of profits and growth to date.



2. It has an established team of people who we believe are capable managers of their own business and have the skills and experience to develop the Spheritec business as well.
3. We regard them as compatible with us in the sense of being people we can work with effectively. They have been open to our ideas as to how to develop and improve their own business in terms of business mix, gross margins and generally.
4. There will not be any fundamental change of board structure – this means we can go forward with proper continuity of personnel, knowledge, and ideas, and with enthusiasm.
5. The blue sky potential of Safe Worlds has considerable appeal for them, and they welcome the opportunity to launch Safe Worlds locally in Australia and New Zealand when the time is right.
6. They have a number of enterprise clients that represent logical channel opportunities for us to market and distribute Safe Worlds at that time.
7. With the converting performance share mechanism they have accepted what we view as a commercially sensible way to allow shareholders to benefit from the commercialisation of Safe Worlds with a five-year time horizon – in our view this would have been difficult, if not impossible, with almost any other party.
8. The key people are all committed to the business and, on completion, will have the incentive of listed equity to further develop the business - Spheritec's as well as Corpnet's and, in due course, Safe Worlds too.

In our view these are all important factors that confirm us in our position, as a board, that we should proceed with the proposed merger and in our unanimous recommendation for shareholders to support it as well.

People

I have just mentioned board structure and explained that there will not be any fundamental changes. The board (assuming the merger is approved by shareholders) will initially comprise Agim Isai as managing director and Russell Krause, David Glavonjic and myself in a non-executive capacity. Jeremy Martineau will step down as a director but continue as company secretary.

In my own case I have already signalled my intention to step down from the board on 31 December. We are therefore now seeking a further non-executive director with suitable experience – ideally to take on the position of chairman – and will report to the market if and when any appointment is made.

At this point it is appropriate for me to add some further points:



1. We all look forward (assuming the merger proceeds as proposed) to working with Agim Isai as our new managing director and supporting him and his team and welcome him to the board.
2. David Glavonjic recently ceased to act in an executive capacity but, as I have said, remains on the board as a non-executive director. Working him over the past four years – at times in difficult circumstances – has been a hugely positive experience for both myself and my colleagues, and I would like to thank him for his very considerable effort and contribution to date.
3. Thanks are also due to our small staff at Spheritec who have worked very hard – again most often in difficult circumstances – over the past year. It is due to their efforts, under David Glavonjic's direction, that the business is now just about at the cashflow breakeven point.

Conclusion

I propose now to move to the formal business and to take questions, and allow discussion, as appropriate before each resolution is put to the meeting. It is encouraging to see significant proxy support for the resolutions to be proposed.

Ray Soper
Chairman
e-Business Systems Ltd

