

e-Business Systems Ltd

ACN 107 353 695

Chairman's address for AGM

Annual general meeting to be held in Brisbane on Thursday 26 November 2009

CHAIRMAN'S ADDRESS FOR AGM – THURSDAY 26 NOVEMBER 2009

Preliminary matters

May I start by welcoming shareholders, and of course our auditor, PKF, represented today by Joshua Crotty, to our 2009 AGM. This is our first AGM with a full year behind us as a listed company.

At the outset there are a few preliminary matters I should mention:

1. Please sign the attendance record, if you have not already done so, before leaving today.
2. My name is Russell Krause. I am a non-executive director of EBS and am standing for re-election today. I am also currently acting chairman following the resignation of Ray Soper at the end of December and will take a moment now to introduce my colleagues. The annual report contains summary information on each of us in case you want to refer to it.
3. This is our first AGM with Agim Isai, our group managing director, on the board – he joined on completion of the merger with Corpnet this time last year, and I would like to take this opportunity to welcome him and of course to introduce him to you now. As managing director, under rule 16.1 of our constitution, he is not required to stand for re-election to the board.
4. My other board colleague is fellow non-executive director David Glavonjic who joined the board in 2005.
5. Our company secretary, who stood down from the board on completion of the Corpnet merger a year ago, is Jeremy Martineau.
6. I propose to run the meeting in accordance with our practice in past years and will therefore deliver my address as chairman before proceeding to the formal business on the agenda.
7. 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.

Outline of year

Last year my predecessor as chairman, Ray Soper, opened his address by saying that the 2008 financial year had been a challenging one for us in a business sense; the 2009 financial year has also presented significant challenges. This time last year, as we completed the merger with Corpnet, we had already felt the initial impact of the global financial crisis but perhaps could not

have known how drastically, or how rapidly, it would affect market conditions or business operations.

In a corporate sense the past year has been an important one for EBS. This time last year, as I just mentioned, we completed our merger with Corpnet and with it acquired our first substantial operating business. The rest of the financial year was dominated by the fall-out from the global domestic crisis. In the circumstances that prevailed, therefore, we had to concentrate on our own business which left only limited time and opportunity to look seriously at further corporate development initiatives.

Both Agim and I intend to say more about such initiatives during the meeting.

Market conditions

As I have just said, the past year has been a challenging one for us, and the severity of the downturn is of course reflected in our results on which I propose to comment in a moment.

Market conditions, which were already challenging before Christmas, took a further sharp turn for the worse as credit capacity and business activity contracted significantly in the early part of 2009. It was only at this point that the full impact of the global financial crisis, which until then had mainly affected the financial markets, became clear as the real economy slowed markedly.

In our own sector this impact became immediately apparent as enterprise customers cut back spending sharply across the board. The cut-backs applied to spending on revenue as well as capital account and included expenditure already committed. We know that other IT suppliers were also hit hard and see that as a possible source of future opportunity for us following the management action we took during the year to stabilise our own business. This – stabilising the business - was of course was quite rightly the overriding priority for us.

In this connection Agim will be saying more in a few moments, and it's therefore necessary only for me to refer shareholders to the explanation in our annual report. You will be glad to know, though, that the board believes that the strength and resilience of our business has been substantially improved by the management action taken under Agim's direction. As a result, with improving market conditions, we are able to look forward with a level of confidence that was, frankly, quite impossible only a few months ago. We believe the company is now favourably positioned for growth.

Operations

Most of what I've said so far about the business has been with reference to Corpnet which is our main operating business with an established market presence and a growing customer base. Similar comments apply also to Spheritec, however, in the sense that adverse market conditions have presented the same challenges as for Corpnet – albeit in the context of a much smaller

business with greater vulnerability to revenue contraction caused by customers reducing their IT expenditure.

Spheritec continues to operate as a stand-alone business and is a separate company from Corpnet. However, back office functions are now shared with Corpnet, and Spheritec's offerings are being much more closely aligned with the core Corpnet business. This makes sense for financial reasons but also helps position Spheritec, with its online delivery business model, for what we see as the coming expansion of Cloud Computing referred to in our annual report.

At this stage we are not able to report further on Safe Worlds pending delivery of the finished platform as a commercial product. We know that further investment funds have recently been raised by IBS for use in the US, and that IBS is hoping to establish initial revenue from operations in the coming months, but do not have further information that we can provide at this time.

We stand ready to market Safe Worlds in the Australian market once it is available as a commercial product and can develop our plans and identify and allocate the investment needed.

It is understood that IBS currently plans to promote Safe Worlds as a platform for '*Sports Stars TV*' in the US market (where contracted sports stars and athletes attract an audience or user base) and that current activity is focused on this as a 'go-to-market' strategy covering: sport; entertainment; news; and products. We understand also that a number of sports people and athletes with appropriate public profile have been recruited towards an initial launch target of thirty. Alan Metcalfe was not able to here today.

Results

The headline result for the year is an overall loss of \$1.581m. This comprises an accounting charge of \$1.135m and an operating loss of \$0.446m. The 'real' loss (in cash terms) was therefore \$0.446m which, as stated in the annual report, we believe to be a creditable result in the prevailing market conditions.

Outlook

After a very difficult period we are happy with the way the business is performing and take real encouragement from a much stronger showing in the first quarter of this financial year. In financial terms the business is performing in line with budget and, with the opportunities that are beginning to open up for us, looks well placed for the future.

We do not propose to give further guidance but (without any allowance for contributions from any acquired business) envisage a return to revenue and profitability levels broadly in line with those prevailing before the downturn.

In common with most businesses we are still facing uncertainties – many of them resulting from credit constraints imposed by the banks which are still affecting some of our customers. I want to assure you, though, that the general operating environment – and, with it, the outlook for us as we plan ahead – have improved very substantially improved in recent months.

Agim will say more in a moment, but I hope you may have got a sense of the comments I've just made from announcement of recent contract wins. There are other prospects in the pipeline – although not all customers like to see publicity for their agreements with us.

Strategy

The annual report says something about our strategy and makes the point that we see future growth as involving both geographical expansion and diversification of service capabilities.

I'm not going to say more now than to mention briefly the importance (as we see it) of Cloud Computing. This promises to revolutionise the market for IT services – not just locally but globally – with IT services increasingly being delivered to on demand to customers by suppliers such as us.

In summary Cloud Computing appears set to move a good deal of current demand to an infrastructure model of delivery. This model involves customers switching on discrete IT services as required, and paying for them on revenue account with capital equipment in effect 'rented' on demand.

For a company such as Corpnet, with its strong relationships with leading globally significant vendors and its proven in-house technical and services capabilities, the trend towards the 'Cloud model' is very exciting. The 'Cloud model' gives us the opportunity to act as the essential bridge between the capital-intensive infrastructure and hardware providers (who can be expected to actively support and promote key channel partners like Corpnet) and customers in the market.

That's all I want to say in this area. Agim will expand on this opportunity in a minute.

Mergers & Acquisitions

We are aware of a number of possible transactions. These vary in size and potential significance but, together, in summary, address both aspects just mentioned – ie geographical expansion and diversification of service.

We remain committed to looking at transaction opportunities as they may arise and see them as a key growth plank in the business strategy I've just outlined.

In appropriate cases we will seek to raise new equity and, in doing so, widen our shareholder base with a view to developing some liquidity for shareholders. Our preference is to seek transaction opportunities where we can use our shares to fund the consideration, either in whole or in part, and use at least part of any new money raised within the business to finance growth.

During the past year we have looked at several possible transactions – all of them relatively small potential acquisitions. In the event, however, we did not proceed with any of them and, for at least part of the period, chose quite deliberately to focus on our own business due to the market environment.

It is fair to say that it has at times been quite difficult responding opportunistically to situations where there may be a commercial 'fit' between different businesses but where the owners may themselves be under pressure operationally. Also, when it comes to possible transactions, a good many of these businesses also have structures that 'get in the way' or 'legacy' issues with personal matters affecting owners or management.

Board

We have continued to operate with our current board of three and Jeremy Martineau as company secretary. He stepped down on completion of the merger with Corpnet and was followed at the end of December by Ray Soper. At this point I'd like to comment on his tremendous contribution as chairman and – though he isn't here today – thank him publicly for his wisdom and guidance over an extended period. My colleagues and I all very much appreciate his company as well as his contribution.

Until recently our efforts have been focused firmly on the business, as I've said, but we are now starting to actively seek suitable recruits for the board. Our preference is to operate with a board of four or five directors including the managing director as the sole executive. Recently we have held discussions that may lead to an appointment and will inform the market and shareholders at once if and when one is made.

People

We are conscious that the past financial year has been a challenging one for our staff as well as for the business itself. During the period it was necessary to reduce staff numbers which is not something that was undertaken lightly. We are very conscious of the personal consequences that losing one's job can bring in a severe economic downturn.

I would like to record the thanks of the board to all our staff for the way they have responded so positively to the demands placed upon them during a difficult year.

Senior management (Agim as managing director & our CFO Scott Hartwell who is also here today) set a strong example - not often seen in listed companies – by taking a temporary salary cut to demonstrate their commitment to the business for the future.

In handing over to Agim I would like to thank him for his leadership during a year – a year that has seen many changes but from which, as a result of the management action taken by him and his team, the business has emerged stronger and better placed in the market than we went into it.

Managing director's presentation

I will now hand over to Agim who is going to speak to a short slide presentation. After that he will hand back to me. We will then take questions before proceeding to vote on the resolutions in the notice of AGM.

[Managing director's presentation by Agim Isai]

Conclusion

That concludes the managing director's presentation – thank you Agim.

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.

Russell Krause
Acting chairman
e-Business Systems Ltd