

SERVICE STREAM LIMITED
ABN 58 008 027 978

**NOTICE OF ANNUAL GENERAL MEETING,
EXPLANATORY STATEMENT AND
PROXY FORM**

*This is an important document. Please read it carefully.
If you are in doubt as to what you should do, please contact the Company, your
stockbroker or other professional adviser.*

**For an Annual General Meeting to be held on
Thursday, 23 November 2006 at 12.00pm at
The offices of Mallesons Stephen Jacques,
Level 50, 600 Bourke Street
Melbourne Victoria 3000**

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

An annual general meeting of the shareholders of Service Stream Limited will be held at:

The offices of Mallesons Stephen Jacques
Level 50
600 Bourke Street
Melbourne Victoria 3000

Commencing at
12.00pm
on 23 November 2006

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 12.00pm.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Memorandum as soon as possible and either:

- f* send the proxy form by facsimile to the Company's Share Registry on facsimile number (03) 9473 2555 (International: + 61 3 9473 2555); or
- f* deliver or post the proxy form to the Company's Share Registry at Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067 or in the reply paid envelope to GPO Box 242, Melbourne Victoria 3001.

so that it is received not later than 12.00pm on 21 November 2006. Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of shareholders of Service Stream Limited (Service Stream or Company) will be held at the offices of Mallesons Stephen Jacques, Level 50, 600 Bourke Street, Melbourne, Victoria at 12.00pm on 23 November 2006.

BUSINESS

1. Financial and Other Reports

To receive the Financial Report and the reports of the Directors and the Auditor in respect of the Company for the year ended 30 June 2006.

2. Remuneration Report

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the Remuneration Report of the Company tabled at the meeting and signed by the Chairman for the purposes of identification be received and adopted.”

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

3. Election of Directors

Resolution 2 – Re-election of Mr Russell Andrew Small

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That, Mr Russell Andrew Small who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and, being eligible and having offered himself for re-election, be re-elected as a Director.”

Resolution 3 – Re-election of Mr Michael Edward Doery

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That, Mr Michael Edward Doery who retires by rotation in accordance with clause 13.2 of the Company’s Constitution and, being eligible and having offered himself for re-election, be re-elected as a Director.”

4. Approval of the issue of Equity Securities to Executive Directors as part of their remuneration packages.

Resolution 4 – Issue of 1 million Milestone Shares to Mr Patrick Joseph Flannigan where merger with TCI occurs

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That subject to:

- (a) the scheme of arrangement proposed to be entered into between the Company and its shareholders to implement or facilitate the implementation of the merger between the Company and Total Communications Infrastructure Limited (TCI), being approved by the court; and
- (b) an office copy of the order of the court approving the scheme being lodged with the Australian Securities and Investments Commission;

(Completion of the Merger) by 31 December 2006 or such other quit date for the merger as is agreed by TCI and the Company (Quit Date), the issue to Mr Patrick Joseph Flannigan (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of 1 million fully paid ordinary shares in the Company for no consideration in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting), be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules.”

Resolution 5 – Issue of up to 2 million Milestone Shares to Mr Patrick Joseph Flannigan for other milestone projects

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the issue to Mr Patrick Joseph Flannigan (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of up to 2 million fully paid ordinary shares in the Company for no consideration (subject to completion of one or more milestone projects) in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting), be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules provided that if Completion of the Merger does occur by the Quit Date Mr Flannigan’s milestone incentive entitlement to shares in the Company will be limited to the 1 million shares referred to in Resolution 4.”

Resolution 6 – Issue of 6 million options to Mr Patrick Joseph Flannigan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the issue to Mr Patrick Joseph Flannigan (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of 6 million options in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting) where each option entitles the holder to subscribe for 1 ordinary share in the Company on and subject to the terms set out in schedule 3 of the employment agreement, be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules.”

Resolution 7 – Financial benefits under employment agreement with Mr Patrick Joseph Flannigan

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the making of the employment agreement between the Company and Mr Patrick Joseph Flannigan and the contractual provisions providing for the issue of shares and options of the Company and other financial benefits to (or as nominated by) Mr Patrick Joseph Flannigan (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting) be approved as a financial benefit by the Company given to Mr Patrick Joseph Flannigan (a related party of the Company), for the purpose of chapter 2E of the Corporations Act.”

Resolution 8 – Issue of 1 million Milestone Shares to Mr Michael Edward Doery where merger with TCI occurs

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That subject to Completion of the Merger occurring by the Quit Date, the issue to Mr Michael Edward Doery (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of 1 million fully paid ordinary shares in the Company for no consideration in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting), be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules.”

Resolution 9 – Issue of up to 2 million Milestone Shares to Mr Michael Edward Doery for other milestone projects

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the issue to Mr Michael Edward Doery (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of up to 2 million fully paid ordinary shares in the Company for no consideration (subject to completion of one or more milestone projects) in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting), be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules provided that if Completion of the Merger does occur by the Quit Date Mr Doery’s milestone incentive entitlement to shares in the Company will be limited to the 1 million shares referred to in Resolution 8.”

Resolution 10 – Issue of 5.4 million options to Mr Michael Edward Doery

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the issue to Mr Michael Edward Doery (or entity nominated by him that is his family trust, controlled entity or superannuation fund) of 5.4 million options in accordance with his employment agreement with the Company (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting) where each option entitles the holder to subscribe for 1 ordinary share in the Company on and subject to the terms set out in schedule 3 of the employment agreement, be approved (as the acquisition by a director to acquire securities under an employee incentive scheme) for the purpose of rule 10.14 of the ASX Listing Rules.”

Resolution 11 – Financial benefits under employment agreement with Mr Michael Edward Doery

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That the making of the employment agreement between the Company and Mr Michael Edward Doery and the contractual provisions providing for the issue of shares and options of the Company and other financial benefits to (or as nominated by) Mr Michael Edward Doery (the relevant parts of which are summarised in the explanatory statement accompanying the notice of this meeting) be approved as a financial benefit by the Company given to Mr Michael Edward Doery (a related party of the Company), for the purpose of chapter 2E of the Corporations Act.”

5. Remuneration payable to Directors

Resolution 12 – Increase in maximum remuneration payable to Directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution :

“That:

- (a) the fixed sum per annum which the total annual remuneration payable to the Directors for their services as Directors must not exceed under clause 13.7 of the Company’s Constitution, be increased from \$400,000 to \$500,000; and
- (b) that increase be approved for the purpose of rule 10.17 of the ASX Listing Rules.”

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed and the appointment does not specify the proportion or number of the member’s votes each proxy may exercise, each proxy may exercise half of the votes.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 12.00pm on Tuesday, 21 November 2006:
 - (a) at the Company’s Share Registry at Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, VIC, Australia, 3067; or
 - (b) by facsimile to the Company’s Share Registry on facsimile number (03) 9473 2555 (International: + 61 3 9473 2555).
5. Regulation 7.11.37 determination: A determination has been made by the Board of Directors of the Company under regulation 7.11.37 of the Corporations Regulations 2001 of the Commonwealth of Australia that those persons who are registered as the holders of shares in the company at 7.00 pm on Wednesday, 22 November 2006 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting exclusion statement

The Company will disregard any votes cast on Resolutions 4 to 6 (issues of shares and options to Mr Patrick Joseph Flannigan) and Resolutions 8 to 10 (issues of shares and options to Mr Michael Edward Doery) by:

- x Mr Patrick Joseph Flannigan, Mr Michael Edward Doery or any other director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company); or
- x an associate of theirs.

However, the Company need not disregard a vote if:

- x it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- x it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

A vote on Resolution 7 (financial benefits under employment agreement with Mr Patrick Joseph Flannigan) must not be cast (in any capacity) by or on behalf of:

- x Mr Patrick Joseph Flannigan; or
- x an associate of his.

However, this does not prevent the casting of a vote on Resolution 7 if:

- x it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- x it is not cast on behalf of Mr Patrick Joseph Flannigan or his associate.

A vote on Resolution 11 (financial benefits under employment agreement with Mr Michael Edward Doery) must not be cast (in any capacity) by or on behalf of:

- x Mr Michael Edward Doery; or
- x an associate of his.

However, this does not prevent the casting of a vote on Resolution 11 if:

- x it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; and
- x it is not cast on behalf of Mr Michael Edward Doery or his associate.

The Company will disregard any votes cast on Resolution 12 (increase in maximum remuneration payable to Directors) by:

- x a Director of the Company; or
- x an associate of his.

However, the Company need not disregard a vote if:

- x it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- x it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the board

Stephen Campbell
Company Secretary

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement is an important document and should be read carefully. It comprises part of and should be read in conjunction with the Notice of Meeting of the Company for the Annual General Meeting of the Company to be held on 23 November 2006.

If you have any questions regarding the matters set out in this Explanatory Statement or the Notice of Meeting, please contact the Company, your stockbroker or other professional adviser.

2. BUSINESS OF THE MEETING REQUIRING RESOLUTIONS BY SHAREHOLDERS

2.1 Resolution 1 – Adoption of Remuneration Report

There will be an opportunity for shareholders at the meeting to comment on and ask questions about the Remuneration Report which commences on page 25 of the Company's 2006 Annual Report, including the remuneration tables set out in note 4 to the financial statements commencing on page 45.

The vote on the proposed resolution adopting the Remuneration Report is advisory only and will not bind the Directors or the Company. However, the board will take the outcome of the vote into consideration when reviewing remuneration practices and policy.

The Directors recommend that shareholders vote in favour of Resolution 1.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolution 1 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.2 Resolutions 2 and 3 – Re-election of Mr Russell Andrew Small and Mr Michael Edward Doery

Clause 13.2 of the Company's Constitution provides that at every annual general meeting subsequent to the first annual general meeting, one-third of the Directors, or, if their number is not a multiple of 3, then the next highest whole number nearest one-third, shall retire from office.

The Directors to retire at an annual general meeting other than the first annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire are (unless they otherwise agree among themselves) to be determined by drawing lots. A retiring Director is eligible for re-election. The Managing Director is not subject to retirement by rotation in this fashion.

In accordance with this requirement, Mr Russell Andrew Small and Mr Michael Edward Doery retire and offer themselves for re-election.

Details of Mr Small's and Mr Doery's experience and qualifications are contained in the Company's 2006 Annual Report and are reprinted here.

Mr Small was a co-founding Director of Service Stream Limited when it listed as a public company in January 2004. He held the position of Chairman of the Board. He is Chairman of the Company's Audit and Governance Committee and the Investment and Strategy Committee and a member of the Remuneration and Nomination Committee, and the Environment and Safety Committee.

Mr Small has extensive experience in the telecommunications industry with over 20 years in the areas of business ownership, general management, operations management, sales and account management with Fujitsu, Honeywell, Skilled Communications Services Pty Ltd and Communications Services Australia Pty Ltd.

Over the past 12 months Mr Small has co-founded Hyperion Capital, a private equity fund operating in the small cap market place.

Previously, Mr Small successfully ventured into the banking industry with the co-founding of Direct Cash Pty Ltd. After only a short number of years this business became one of the most successful privately owned ATM businesses in Australia culminating with its sale to Cashcard. Mr Small holds a Diploma of Business Studies (Valuations).

Mr Doery joined Service Stream in July 2004 as an Executive Director and Chief Financial Officer. He is an ex officio member of the Audit and Governance Committee, the Environment and Safety Committee and the Investment and Strategy Committee.

Mr Doery has a Bachelor of Financial Administration and is a Fellow of the Institute of Chartered Accountants in Australia with 24 years experience at KPMG, including 14 years as a partner.

Mr Doery's focus has been in the telecommunications, IT and services sectors with significant exposure in the areas of customer service, outsourcing and infrastructure projects. He has a wealth of experience in capital raisings, mergers and acquisitions, risk management, change management, corporate governance and general management. This focus involved Mr Doery developing and managing corporate strategic, financial and operational activities.

Mr Doery has been instrumental in the management and integration of Service Stream's acquisitions. He played a key role in the highly successful capital raising in November 2005.

Aside from his corporate responsibilities, Mr Doery is actively involved at director level with various charities including the Australian Drug Foundation.

The Directors recommend that shareholders vote in favour of Resolutions 2 and 3.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolutions 2 and 3 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.3 Resolutions 4 to 6 – issue of securities to Mr Patrick Joseph Flannigan

Rules 10.14 and 10.15A of the ASX Listing Rules

Rule 10.14 of the ASX Listing Rules provides that the Company must not permit a director (or an associate of the director) to acquire securities under an employee incentive scheme without the approval of holders of ordinary shares of the acquisition. Mr Patrick Joseph Flannigan is a director of the Company and his employment agreement under which he (or entity nominated by him) is entitled to shares and options of the Company is an employee incentive scheme for the purpose of this rule. Accordingly, shareholder approval under rule 10.14 is required in order for him (or his nominee) to be able to be issued those shares and options. Rule 10.14 also provides that the notice of meeting to obtain approval must comply with either rule 10.15 or 10.15A. The Company has elected to prepare this Notice of Meeting so that it complies with rule 10.15A, and provides the following additional information for that purpose:

- (a) Mr Flannigan's employment agreement provides for the provision to him of milestone incentives in the form of fully paid ordinary shares in the Company for no consideration (Milestone Shares). The board of directors of the Company may determine:
 - (i) that a particular acquisition, development or project to be undertaken by or otherwise involving the Company will constitute a milestone project (Milestone Project);
 - (ii) the capital value of the Milestone Project (Milestone Value); and
 - (iii) certain criteria, the achievement of which will mean that the Milestone Project has been successfully completed.

- (b) Where a Milestone Project is successfully completed, Mr Flannigan will become entitled to the number of Milestone Shares (to be issued to him for no consideration) set opposite the Milestone Value of the Milestone Project set out below:

Milestone Value of Milestone Project	Milestone Shares for completion of Milestone Project
\$5 million to \$10 million	100,000
\$11 million to \$50 million	250,000
\$51 million to \$100 million	500,000
\$101 million to \$200 million	1 million
\$201 million and above	2 million

- (c) Half the shares are to be issued at the time of completion of the Milestone Project and the other half 6 months later (or if his employment is terminated in certain circumstances before then, at the time of termination of his employment). However, due to the proposed merger with Total Communications Infrastructure Limited (TCI), which the board of directors has determined to be a Milestone Project, this timing for the issue of Milestone Shares has been varied in certain circumstances - see paragraph (g) below for an explanation.
- (d) The maximum number of Milestone Shares that may be acquired by Mr Flannigan under his employment agreement is 2 million fully paid ordinary shares in the Company (or such other maximum as may be approved by the shareholders of the Company). At the 2006 Annual General Meeting, the Company is seeking approval for the issue to Mr Flannigan of a maximum of 2 million Milestone Shares. However, the Company has agreed that if Mr Flannigan becomes entitled to acquire the maximum of 2 million Milestone Shares, it will seek shareholder approval for an increase in the maximum to another 2 million shares (i.e. a total of 4 million Milestone Shares).
- (e) The Milestone Shares will be issued to Mr Flannigan for no consideration, subject to the completion of certain milestone projects as noted above.
- (f) No Milestone Shares may be issued to Mr Flannigan under his employment agreement after 3 years from the date of the Company's 2006 Annual General Meeting (or the date of any subsequent general meeting of the Company) at which the issue of Milestone Shares to Mr Flannigan is approved by the shareholders of the Company in accordance with rules 10.14 and 10.15A of the ASX Listing Rules.
- (g) As mentioned above, the board of directors of the Company has determined that the proposed merger between the Company and TCI is a Milestone Project, which if approved by the court, would entitle Mr Flannigan to be issued 1 million Milestone Shares. In the circumstances, Mr Flannigan's employment agreement provides that promptly after the scheme of arrangement between the Company and its shareholders in connection with the merger is approved by the court and before the record date for determining the entitlements to TCI shares of the Company's shareholders under the scheme, the Company must issue to Mr Flannigan 1 million Milestone Shares (for no consideration), subject to shareholders of the Company approving the issue.
- (h) However, the employment agreement also provides that if the merger occurs as proposed, Mr Flannigan will cease to have any entitlement to any further Milestone Shares under his employment agreement. The reason for this is because under the proposed merger, it is intended that the Company will become a wholly-owned subsidiary of TCI, and all of the existing shareholders of the Company will transfer their shares to TCI in exchange for an issue of equivalent shares in TCI.

- (i) Accordingly, it is also a requirement of Mr Flannigan's employment agreement that in the event the merger occurs as proposed, the Company and Mr Flannigan use their reasonable endeavours to procure an agreement from TCI to issue shares in TCI to Mr Flannigan corresponding to the remaining entitlement to the Milestone Shares that he would otherwise have had under his employment agreement with the Company.
- (j) If the merger with TCI is not approved, any Milestone Shares which are required to be issued to Mr Flannigan due to the successful completion of another Milestone Project in the meantime, will be issued to him on the 5th business day after the last date by which the merger had to occur (or the date the Company determines it will not occur, if that is an earlier date).
- (k) Under his employment agreement, Mr Flannigan is entitled to 6 million options, which is the maximum number of options that may be acquired by him under his employment agreement.
- (l) There is no price payable for the options. Each option will entitle the holder to subscribe for 1 ordinary share in the Company (subject to adjustment for bonus and other pro rata issues and reorganisations of the Company's share capital) on and subject to the terms set out in schedule 3 of Mr Flannigan's employment agreement. Schedule 3 of Mr Flannigan's employment agreement is replicated at the end of this explanatory statement. Further, the options are to be divided into 12 different tranches and each tranche is to have the exercise price and vesting conditions specified opposite the tranche in the table in schedule 3.
- (m) The options are to be issued shortly after approval is given by shareholders at the 2006 Annual General Meeting, and will be issued regardless of the outcome of the scheme meeting for the merger with TCI. However, if the scheme for the merger with TCI is approved by the court, it is expected that these options will be exchanged for equivalent TCI options in accordance with the terms of the merger with TCI.
- (n) Mr Flannigan may nominate his family trust, controlled entity or superannuation fund to be issued (or to be entitled to be issued) any shares or options under his employment agreement.
- (o) Mr Flannigan (or his nominee) is the only person entitled to receive securities under his employment agreement, and at this stage no person has received any securities under the agreement. However, Mr Flannigan (or an associate of his) received the following options under his previous employment agreement with the Company (and there was no price payable for these options):

Number of options	Exercise price per option	Number of underlying shares	Expiry date
2.9 million	\$0.25	2.9 million	31 October 2009
800,000	\$0.375	800,000	31 October 2009
800,000	\$0.50	800,000	31 October 2009

- (p) Details of any securities issued under Mr Flannigan's employment agreement will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under rule 10.14.
- (q) No person other than Mr Flannigan (or his nominee) will be entitled to securities under Mr Flannigan's employment agreement until approval of the issue of securities to that person is obtained under rule 10.14.

Directors' recommendation on Resolutions 4 to 6

The purpose of Resolution 4 is to obtain the necessary shareholder approval under rules 10.14 and 10.15A of the ASX Listing Rules for the issue of the 1 million Milestone Shares to Mr Flannigan (or his nominee) before the record date for the scheme in connection with the merger with TCI in the event that it is approved by the court, so that those shares may be exchanged for TCI shares under the terms of the scheme.

The purpose of Resolution 5 is to obtain the requisite shareholder approval for the issue of up to 2 million Milestone Shares under Mr Flannigan's employment agreement where the merger does not proceed.

Even though shareholders pass Resolutions 4 and 5, only the Milestone Shares referred to in Resolution 4 or the Milestone Shares referred to in Resolutions 5 can be issued to Mr Flannigan (or his nominee), not all of these shares.

The purpose of Resolution 6 is to obtain the requisite shareholder approval for the issue of options of the Company under Mr Flannigan's employment agreement, which are to be issued whether or not the merger with TCI is approved (although if the merger is approved it is expected that these options will be exchanged for equivalent TCI options).

The Directors (except Mr Flannigan) recommend that shareholders vote in favour Resolutions 4 to 6.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolutions 4 to 6 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.4 Resolution 7 – Financial benefits under employment agreement with Mr Patrick Joseph Flannigan

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act sets out rules requiring shareholder approval for a public company (such as the Company) giving financial benefits to its directors and other related parties (such as Mr Patrick Flannigan). Under section 208, a financial benefit may be given by a public company to a director under a contract where the making of the contract is approved by the shareholders of the company in the way set out in sections 217 to 227 as a financial benefit given to the director and the contract was conditional on the approval being obtained.

Section 219 of the Corporations Act sets out the requirements for the explanatory statement in relation to the proposed financial benefits, and the following additional information is provided to satisfy those requirements:

- (a) Resolution 7, if passed, would permit financial benefits to be given to Mr Flannigan, a director of the Company.
- (b) The nature of the financial benefits are cash amounts, shares and options of the Company and leave entitlements under Mr Flannigan's employment agreement, details of which are summarised below.
- (c) No director, other than Mr Flannigan, has an interest in the outcome of Resolution 7 and Mr Flannigan's interest is as the recipient of the financial benefits under his employment agreement.

Summary of Mr Flannigan's employment agreement

Under the employment agreement between the Company and Mr Flannigan, Mr Flannigan, in exchange for carrying out his duties and responsibilities as managing director and chief executive officer of the Company, is entitled to the following benefits:

- (a) Annual remuneration (currently \$450,000), subject to review every September, plus fringe benefits tax of up to \$10,000 where the annual remuneration is taken in the form of a package as agreed between Mr Flannigan and the Company.

- (b) Reimbursement for all reasonable out-of-pocket expenses necessarily incurred in the performance of his duties.
- (c) Reasonable running costs of Mr Flannigan's vehicle.
- (d) A one off bonus payment of \$100,000 to satisfy all accrued or accruing bonus entitlements of Mr Flannigan under his previous employment agreement with the Company.
- (e) If certain key result indicators (KRIs) for a financial year ending on 30 June (Financial Year) are satisfied, Mr Flannigan will be entitled to a cash amount equivalent to 35% of his annual remuneration for that financial year provided that he remains employed by the Company at the end of the Financial Year.
- (f) However, in certain circumstances where his employment is terminated during the last six months of the Financial Year, and each of his KRIs relating to financial performance would be satisfied if the relevant financial performance for the first 6 months of the Financial Year were replicated in the last 6 months and at the date of termination of his employment there are no circumstances which would prevent any of the other KRIs for the Financial Year not being able to be satisfied, Mr Flannigan would be entitled to a cash payment equal to 35% of the remuneration paid to him for the first 6 months of the Financial Year.
- (g) Mr Flannigan's KRIs are to be set by the board of directors of the Company for each Financial Year, after the annual budget for that Financial Year has been approved by the board. The KRIs must be matters that Mr Flannigan is able to influence, must be measurable and may only be set after Mr Flannigan has been given a reasonable opportunity to discuss and comment on the proposed KRIs with the chairman of the board of directors of the Company.
- (h) Where Mr Flannigan becomes entitled to a payment due to the satisfaction of his KRIs for a financial year, he may elect to take ordinary shares in the Company in lieu of that payment, subject to shareholder approval under rule 10.14 of the ASX Listing Rules (and any other applicable rule or law).
- (i) As mentioned above, Mr Flannigan's employment agreement provides for the provision of milestone incentives of up to 2 million fully paid ordinary shares in the Company for no consideration, and 6 million options. However, due to the proposed merger between the Company and TCI, the milestone incentive share entitlements are to be deferred pending the outcome of the scheme meeting for the merger, and if the merger is to proceed Mr Flannigan will be immediately entitled to 1 million shares in the Company to be issued so they can be exchanged for TCI shares under the terms of the scheme.
- (j) It is also a requirement that in the event the merger occurs as proposed, the Company and Mr Flannigan use their reasonable endeavours to procure an agreement from TCI to issue shares in TCI to Mr Flannigan (or his nominee) corresponding to his milestone incentive entitlements to shares in the Company under his employment agreement with the Company.
- (k) Mr Flannigan's employment agreement contains provisions entitling him to 20 days annual leave each year, 10 days personal/carer's leave each year, 13 weeks long service leave after 10 years of service and 2 weeks recreation leave each year.
- (l) In addition to the Company's right to terminate Mr Flannigan immediately on usual grounds for summary dismissal, the Company may terminate his employment by giving him at least 12 months' notice (or paying him in lieu of notice) and Mr Flannigan may resign after giving at least 6 months' notice.

Value of and rationale for Milestone Shares and options

The table below sets out the security holding in the Company of Mr Flannigan (or his associate) before and after the proposed issue of securities referred to in this Notice of Meeting.

	Number of shares	Number of options	Total number of shares and options	Percentage holding on a fully diluted basis ¹
Before any options or shares referred to in this Notice of Meeting are issued ²	1,007,630	4,500,000	5,507,630	2.668%
After issue of 6 million options and 1 million Milestone Shares to Mr Flannigan (or his nominee) and 5.4 million options and 1 million Milestone Shares to Mr Doery (or his nominee) ³	2,007,630	10,500,000	12,507,630	5.689%
After issue of 6 million options and 2 million Milestone Shares to Mr Flannigan (or his nominee) and 5.4 million options and 2 million Milestone Shares to Mr Doery ⁴	3,007,630	10,500,000	13,507,630	6.089%

The value of Mr Flannigan's entitlement to Milestone Shares will vary depending on the Milestone Projects that may be achieved in the future and changes in the price of the Company's shares (for the 12 month period preceding 5 October 2006, shares in the Company traded at a high of \$0.55 per share and a low of \$0.22 per share). However, assuming a price of \$0.515 for the shares in the Company (being the ASX closing price of the Company's shares on 5 October 2006) and having regard to the applicable accounting standards for determining the value of share and option based payments, the Directors believe that the current value of Mr Flannigan's entitlement to the current proposed maximum of 2 million Milestone Shares is \$1,030,000. If the Company merges with TCI as proposed, Mr Flannigan's entitlement to Milestone Shares will be limited to 1 million shares, which the Directors believe would have a current value of \$515,000 (determined on the same basis as the 2 million maximum entitlement).

The value of the 6 million options to be issued to Mr Flannigan (or his nominee) will vary depending on satisfaction of the vesting conditions and fluctuations in the price of the Company's shares. However, assuming a price of \$0.515 for the shares in the Company and having regard to the applicable accounting standards for determining the value of share and option based payments, the Directors believe that the current value of Mr Flannigan's 6 million options is approximately \$677,000. This valuation is based on the Black & Scholes pricing model, the terms of the options and the following assumptions:

- (a) All vesting conditions will be satisfied (accordingly no discount has been attributed as a result of this uncertainty).
- (b) The market price of a share is \$0.515 cents (being the ASX closing price on 5 October 2006).
- (c) A common volatility factor of 20%.
- (d) An interest rate of 5.1% per annum.
- (e) A dividend yield of 3.6% per annum.

¹ Assumes all relevant options are converted to shares on a 1 for 1 basis.

² Assumes no change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options.

³ Assumes only change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options is the proposed issue of 11.4 million options and 2 million Milestone Shares to Mr Flannigan and Mr Doery (or their nominees).

⁴ Assumes only change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options is the proposed issue of 11.4 million options and 4 million Milestone Shares to Mr Flannigan and Mr Doery (or their nominees).

The rationale for providing Mr Flannigan with an entitlement to Milestone Shares based on the achievement of Milestone Projects and options subject to continuing employment and financial performance related vesting conditions, in addition to the other forms of remuneration mentioned above, is to reward him with a mixture of short term, long term and achievement base incentives which are focussed on business outcomes for the Company and its shareholders. The Directors believe that this multi-faceted approach reinforces the co-ownership mind-set of the Company's managing director and chief executive officer, provides appropriate incentives as he delivers valuable transactions and shareholder value to the Company and aligns his interests with the interests of shareholders.

Taxation consequences for Company

The Company is entitled to claim a tax deduction for the Annual Remuneration, out-of-pocket expenses, vehicle running costs and bonus entitlements paid to or on behalf of Mr Flannigan. The Company is not entitled to claim a deduction for the value of the securities issued to Mr Flannigan (or his nominee).

Directors' recommendation on Resolution 7

The purpose of Resolution 7 is to obtain shareholder approval under chapter 2E of the Corporations Act of Mr Flannigan's employment agreement under which financial benefits are to be provided to him by the Company.

Each Director of the Company (except for Mr Flannigan), recommends that shareholders vote in favour of Resolution 7. His reasons for so recommending are that he believes the financial benefits to be provided to Mr Flannigan are reasonable and appropriate having regard to the duties and responsibilities Mr Flannigan has as managing director and chief executive officer of the Company.

Mr Flannigan makes no recommendation to shareholders in relation to Resolution 7 because he feels that it would be inappropriate to do so as he is the recipient of the financial benefits referred to in that Resolution.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolution 7 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.5 Resolutions 8 to 10 – issue of securities to Mr Michael Edward Doery

Rules 10.14 and 10.15A of the ASX Listing Rules

Mr Michael Edward Doery is also a director of the Company and under his employment agreement with the Company he (or entity nominated by him) is entitled to shares and options of the Company on substantially the same terms as Mr Flannigan's employment agreement, except that Mr Doery is entitled to 5.4 million options (rather than 6 million options).

For the purposes of rules 10.14 and 10.15A of the ASX Listing Rules, the following additional information is provided:

- (a) The maximum number of Milestone Shares that may be acquired by Mr Doery under his employment agreement is 2 million fully paid ordinary shares in the Company (or such other maximum as may be approved by the shareholders of the Company). At the 2006 Annual General Meeting, the Company is seeking approval for the issue to Mr Doery of a maximum of 2 million Milestone Shares. However, the Company has agreed that if Mr Doery becomes entitled to acquire the maximum of 2 million Milestone Shares, it will seek shareholder approval for an increase in the maximum to another 2 million shares (i.e. a total of 4 million Milestone Shares).
- (b) The Milestone Shares will be issued to Mr Doery for no consideration, subject to the completion of certain milestone projects as noted above.
- (c) No Milestone Shares may be issued to Mr Doery under his employment agreement after 3 years from the date of the Company's 2006 Annual General Meeting (or the date of any subsequent general meeting of the Company) at which the issue of Milestone Shares to Mr Doery is approved by the shareholders of the Company in accordance with rules 10.14 and 10.15A of the ASX Listing Rules.

- (d) As mentioned above, the board of directors of the Company has determined that the proposed merger between the Company and TCI is a Milestone Project. Accordingly, as for Mr Flannigan, Mr Doery's employment agreement provides that promptly after the scheme of arrangement between the Company and its shareholders in connection with the merger is approved by the court and before the record date for determining the entitlements to TCI shares of the Company's shareholders under the scheme, the Company must issue to Mr Doery 1 million Milestone Shares (for no consideration), subject to shareholders of the Company approving the issue.
- (e) Further, if the merger occurs as proposed, Mr Doery will cease to have any entitlement to any further Milestone Shares, and until it is known whether or not the merger will proceed, his entitlement to Milestone Shares is deferred. If the merger with TCI is not approved, any Milestone Shares which are required to be issued to Mr Doery due to the successful completion of another Milestone Project in the meantime, will be issued to him on the 5th business day after the last date by which the merger had to occur (or the date the Company determines it will not occur, if that is an earlier date).
- (f) Under his employment agreement, Mr Doery is entitled to 5.4 million options, which is the maximum number of options that may be acquired by him under his employment agreement.
- (g) There is no price payable for the options. Each option will entitle the holder to subscribe for 1 ordinary share in the Company (subject to adjustment for bonus and other pro rata issues and reorganisations of the Company's share capital) on and subject to the terms set out in schedule 3 of Mr Doery's employment agreement. Further, the options are to be divided into 12 different tranches and each tranche is to have the exercise price and vesting conditions specified opposite the tranche in the table in schedule 3. Schedule 3 of Mr Doery's employment agreement is substantially the same as schedule 3 of Mr Flannigan's employment agreement except for the table. Accordingly, only the table from schedule 3 of the Mr Doery's employment agreement is replicated at the end of this explanatory statement.
- (h) The options are to be issued shortly after approval is given by shareholders at the 2006 Annual General Meeting, and will be issued regardless of the outcome of the scheme meeting for the merger with TCI. However, if the scheme for the merger with TCI is approved by the court, it is expected that these options will be exchanged for equivalent TCI options in accordance with the terms of the merger with TCI.
- (i) Mr Doery may nominate his family trust, controlled entity or superannuation fund to be issued (or to be entitled to be issued) any shares or options under his employment agreement.
- (j) Mr Doery (or his nominee) is the only person entitled to receive securities under his employment agreement, and at this stage no person has received any securities under the agreement. However, Mr Doery (or an associate of his) received the following options under his previous employment agreement with the Company (and there was no price payable for these options):

Number of options	Exercise price per option	Number of underlying shares	Expiry date
2.5 million	\$0.25	2.5 million	31 October 2009
800,000	\$0.375	800,000	31 October 2009
800,000	\$0.50	800,000	31 October 2009

- (k) Details of any securities issued under Mr Doery's employment agreement will be published in each annual report of the Company relating to a period in which securities have been issued, and that approval for the issue of securities was obtained under rule 10.14.
- (l) No person other than Mr Doery (or his nominee) will be entitled to securities under Mr Doery's employment agreement until approval of the issue of securities to that person is obtained under rule 10.14.

Directors' recommendation on Resolutions 8 to 10

The purpose of Resolution 8 is to obtain the necessary shareholder approval under rules 10.14 and 10.15A of the ASX Listing Rules for the issue of the 1 million Milestone Shares to Mr Doery (or his nominee) before the record date for the scheme in connection with the merger with TCI in the event that it is approved by the court, so that those shares may be exchanged for TCI shares under the terms of the scheme.

The purpose of Resolution 9 is to obtain the requisite shareholder approval for the issue of the Milestone Shares under Mr Doery's employment agreement where the merger does not proceed.

Even though shareholders pass Resolutions 8 and 9, only the Milestone Shares referred to in Resolution 8 or the Milestone Shares referred to in Resolution 9 can be issued, not all of these shares.

The purpose of Resolution 10 is to obtain the requisite shareholder approval for the issue of options of the Company under Mr Doery's employment agreement, which are to be issued whether or not the merger with TCI is approved (although if the merger is approved it is expected that these options will be exchanged for equivalent TCI options).

The Directors (except Mr Doery) recommend that shareholders vote in favour Resolutions 8 to 10.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolutions 8 to 10 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.6 Resolution 11 – Financial benefits under employment agreement with Mr Michael Edward Doery

Chapter 2E of the Corporations Act

For the purposes of chapter 2E of the Corporations Act the following additional information is provided in relation to the financial benefits under Mr Doery's employment agreement:

- (a) Resolution 11, if passed, would permit financial benefits to be given to Mr Doery, a director of the Company.
- (b) The nature of the financial benefits are cash amounts, shares and options of the Company and leave entitlements under Mr Doery's employment agreement. Mr Doery's employment agreement is substantially the same as Mr Flannigan's employment agreement (except that Mr Doery is entitled to 5.4 million options and his annual remuneration is currently \$380,000) and the financial benefits under Mr Flannigan's employment are summarised in section 2.4 above.
- (c) No director, other than Mr Doery, has an interest in the outcome of Resolution 11 and Mr Doery's interest is as the recipient of the financial benefits under his employment agreement.

Value of and rationale for Milestone Shares and options

The table below sets out the security holding in the Company of Mr Doery (or his associate) before and after the proposed issue of securities referred to in this Notice of Meeting.

	Number of shares	Number of options	Total number of shares and options	Percentage holding on a fully diluted basis ⁵
Before any options or shares referred to in this Notice of Meeting are issued ⁶	1,507,630	4,100,000	5,607,630	2.716%
After issue of 6 million options and 1 million Milestone Shares to Mr Flannigan (or his nominee) and 5.4 million options and 1 million Milestone Shares to Mr Doery (or his nominee) ⁷	2,507,630	9,500,000	12,007,630	5.462%
After issue of 6 million options and 2 million Milestone Shares to Mr Flannigan (or his nominee) and 5.4 million options and 2 million Milestone Shares to Mr Doery ⁸	3,507,630	9,500,000	13,007,630	5.863%

The value of Mr Doery's entitlement to Milestone Shares will vary depending on the Milestone Projects that may be achieved in the future and changes in the price of the Company's shares. However, assuming a price of \$0.515 for the shares in the Company (being the ASX closing price of the Company's shares on 5 October 2006) and having regard to the applicable accounting standards for determining the value of share and option based payments, the Directors believe that the current value of Mr Doery's entitlement to the current proposed maximum of 2 million Milestone Shares is \$1,030,000. If the Company merges with TCI as proposed, Mr Doery's entitlement to Milestone Shares will be limited to 1 million shares, which the Directors believe would have a current value of \$515,000 (determined on the same basis as the 2 million maximum entitlement).

The value of the 5.4 million options to be issued to Mr Doery (or his nominee) will vary depending on satisfaction of the vesting conditions and fluctuations in the price of the Company's shares. However, assuming a price of \$0.515 for the shares in the Company and having regard to the applicable accounting standards for determining the value of share and option based payments, the Directors believe that the current value of Mr Doery's 5.4 million options is approximately \$609,000. This valuation is based on the Black & Scholes pricing model, the terms of the options and the same assumptions for determining the value of Mr Flannigan's options which are noted in section 2.4 under the heading "Value of and rationale for Milestone Shares and options".

The rationale for providing Mr Doery with an entitlement to Milestone Shares based on the achievement of Milestone Projects and options subject to continuing employment and financial performance related vesting conditions, in addition to the other forms of remuneration mentioned above, is the same as the rationale for providing this mix to Mr Flannigan (see section 2.4 above). The value of Mr Doery's entitlements are appropriate having regard to Mr Doery's role as chief financial officer and executive director, and is a reflection that he has a broad base of responsibilities in the Company.

⁵ Assumes all relevant options are converted to shares on a 1 for 1 basis.

⁶ Assumes no change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options.

⁷ Assumes only change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options is the proposed issue of 11.4 million options and 2 million Milestone Shares to Mr Flannigan and Mr Doery (or their nominees).

⁸ Assumes only change to the current issued shares and options of the Company of 174,794,445 shares and 31,650,000 options is the proposed issue of 11.4 million options and 4 million Milestone Shares to Mr Flannigan and Mr Doery (or their nominees).

Taxation consequences for Company

The Company is entitled to claim a tax deduction for the Annual Remuneration, out-of-pocket expenses, vehicle running costs and bonus entitlements paid to or on behalf of Mr Doery. The Company is not entitled to claim a deduction for the value of the securities issued to Mr Doery (or his nominee).

Directors' recommendation on Resolution 11

The purpose of Resolution 11 is to obtain shareholder approval under chapter 2E of the Corporations Act of Mr Doery's employment agreement under which financial benefits are to be provided to him by the Company.

Each Director of the Company (except for Mr Doery), recommends that shareholders vote in favour of Resolution 11. His reasons for so recommending are that he believes the financial benefits to be provided to Mr Doery are reasonable and appropriate having regard to the duties and responsibilities Mr Doery has as an executive director and the chief financial officer of the Company.

Mr Doery makes no recommendation to shareholders in relation to Resolution 11 because he feels that it would be inappropriate to do so as he is the recipient of the financial benefits referred to in that Resolution.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolution 11 – refer to the proxy form accompanying the Notice of Meeting for more information.

2.7 Resolution 12 - Increase in maximum remuneration payable to Directors

Under clause 13.7 of the Company's Constitution, the maximum amount that the Directors may be paid by way of remuneration for their services as Directors of the Company must not exceed such fixed sum per annum as may from time to time be determined by the shareholders in general meetings.

At the Annual General Meeting of the Company held in 2005, this maximum was increased to \$400,000.

The Remuneration Committee and the Board have concluded a review of the Non-executive emoluments with the assistance from an independent remuneration specialist. The current remuneration levels have remained unchanged for two years.

The review concluded that the current level of fees paid was significantly below the levels paid by comparable companies.

The total proposed remuneration payable to the Directors based upon the review is currently just under \$400,000 per annum and, accordingly, the Directors feel that it is appropriate for there to be a modest increase in the maximum to give the Directors flexibility to increase Directors' remuneration and/or appoint additional Directors, with a view to having high calibre people fulfil the role of Director of the Company

The Directors are seeking approval from the shareholders to increase the maximum aggregate of fees that may be paid to Non-executive Directors of the Company for their overall Board responsibilities from the \$400,000 pa to \$500,000 pa.

The Directors stress that it is not their intention to distribute all of the maximum aggregate amount of \$500,000 approved in the current year.

Rule 10.17 of the ASX Listing Rules requires any increase in the total amount of Directors' fees payable by the Company to be approved by shareholders.

In the circumstances, the purpose of Resolution 12 is to increase the maximum remuneration payable to the Directors for the purpose of clause 13.7 of the Company's Constitution and to obtain shareholder approval of the increase under rule 10.17 of the ASX Listing Rules.

The Directors recommend that shareholders vote in favour of Resolution 12.

The Chairman of the meeting intends to vote undirected proxies held by the Chairman in favour of Resolution 12 – refer to the proxy form accompanying the Notice of Meeting for more information.

Extract from Mr Flannigan's employment agreement

Schedule 3 - Terms and conditions of Options

Tranche of Options	Exercise Price	Vesting Conditions	
Each of these Options...	have this exercise price...	and before the holder can exercise them, these financial performance conditions must be satisfied...	and the Executive must remain an employee of the Company until this date...
600,000	\$0.396	2007 EBIT is at least 7.5% more than 2006 EBIT	31 October 2007
400,000	\$0.396	2007 EBIT is at least 12.5% more than 2006 EBIT	31 October 2007
500,000	\$0.396	2007 EBIT is at least 18% more than 2006 EBIT	31 October 2007
500,000	\$0.396	2007 EBIT is at least 25% more than 2006 EBIT	31 October 2007
600,000	\$0.432	2008 EBIT is at least 7.5% more than 2007 EBIT	31 October 2008
400,000	\$0.432	2008 EBIT is at least 12.5% more than 2007 EBIT	31 October 2008
500,000	\$0.432	2008 EBIT is at least 18% more than 2007 EBIT	31 October 2008
500,000	\$0.432	2008 EBIT is at least 25% more than 2007 EBIT	31 October 2008
600,000	\$0.48	2009 EBIT is at least 7.5% more than 2008 EBIT	31 October 2009
400,000	\$0.48	2009 EBIT is at least 12.5% more than 2008 EBIT	31 October 2009
500,000	\$0.48	2009 EBIT is at least 18% more than 2008 EBIT	31 October 2009
500,000	\$0.48	2009 EBIT is at least 25% more than 2008 EBIT	31 October 2009

1. Definitions in this schedule

In this schedule, unless the context otherwise requires:

"Bonus Issue " means, with respect to any securities, a Pro Rata Issue of the securities for whose issue no consideration is payable to the issuing entity;

["Completion of the Merger" means when an office copy of the order of the court approving the scheme of arrangement between the Company and its shareholders for the merger with Total Communications Infrastructure Limited is lodged with ASIC and the scheme has otherwise become unconditional;]

"EBIT" means, with respect to a Financial Year, the earnings of the Group for the Financial Year before interest and tax, as disclosed in the audited financial accounts of the Group for that Financial Year;

"2006 EBIT" means EBIT for the Financial Year ended on 30 June 2006, namely \$7,194,000;

"2007 EBIT" means EBIT for the Financial Year ending on 30 June 2007;

"2008 EBIT" means EBIT for the Financial Year ending on 30 June 2008;

"2009 EBIT" means EBIT for the Financial Year ending on 30 June 2009;

["Eligible Termination Event " means:

- (a) the death of the Executive;
- (b) the incapacity of the Executive which renders him unable to perform the Duties;
- (c) a person's voting power in the Company increasing after the date of this agreement from 50% or below to more 50%, other than due to Completion of the Merger;
- (d) the Company disposes or agrees to dispose of the whole or a substantial part of its business or property;]

"Expiry Date " means, with respect to any Options, the last date on which they can be exercised, being 31 October 2011;

"Exercise Price " means, with respect to any Options, the price payable to exercise them, being the exercise price for each of the Options specified in the table above, subject to any adjustments made under clause 4 or 5 of this schedule;

["Financial Year " period of 12 months ending on 30 June;]

["Group " means the Company and its related bodies corporate;]

"Market Price " means, with respect to any securities quoted on the financial market of ASX, the closing price of the securities on SEATS (as defined in ASX's business rules), excluding special crossings, overnight sales and exchange traded option exercises and, with respect to any other securities, the market price of the securities as determined by the board of directors of the Company acting reasonably;

["Option " means an option to subscribe for 1 Share on and subject to the terms set out in this schedule;]

"Pro Rata Issue " means, with respect to any securities, an issue of the securities which has been offered or made to all holders of securities of the same class on a pro rata basis but does not include an issue of securities in lieu or in satisfaction of dividends or by way of dividend reinvestment;

"Share" means an ordinary share in the capital of the Company;

"Transmission Event " means, in relation to an Option holder:

- (a) the death of the individual;
- (b) the individual becoming of unsound mind; or
- (c) the individual becoming a person who is or whose estate is, liable to be dealt with under a law about mental health;

"Vesting Condition " means, with respect to any Options, a condition that needs to be met (including, without limitation, a requirement that something continues, or does not happen by a particular date) before the holder can exercise them, being a vesting condition for those Options specified in the above table, subject to clause 8 of this schedule;

2. Exercise

2.1 Notice of exercise

Subject to this clause 2, an exercise of any Options may only be effected by the holder completing and signing a notice of exercise of the Options in the form, or substantially in the form, of the notice of exercise set out in schedule 4 or in such other form prepared or approved by or on behalf of the Company for this purpose for the time being, and giving the notice to the Company together with payment of the Exercise Price for each Option exercised and, unless otherwise agreed by the Company, only upon receipt by the Company of that notice and payment will the Options be taken to have been duly exercised.

2.2 Exercise Price

Payment of the Exercise Price of any Options by cheque will be deemed to have been received by the Company at the time the cheque is received if and only if the amount of the cheque is subsequently paid by the drawer's bank to or for the account of the Company as cleared funds.

2.3 No exercise before Vesting Conditions met

No Options may be exercised, and the Company is not required to issue any Shares underlying any Options, unless and until each Vesting Condition for the Options has been met to the Company's satisfaction provided that this clause 2.3 will not apply if the Executive ceases to be an employee of the Company due to a notice of termination under [clause 11.1(b) of the Executive's employment agreement (12 months' notice given by the Company) or clause 11.2 (6 months' notice given by the Executive)] being given within 6 months after a person whose voting power in the Company increases after the date of this agreement from 50% or below to more than 50%, other than due to Completion of the Merger.

3. Issue of Shares

3.1 Issue

If any Options are duly exercised, the Company must issue to the holder of the Options one fully paid Share for each Option exercised within 14 days from the date of receipt by the Company of payment of the Exercise Price for those Options in cleared funds.

3.2 Ranking

Shares issued pursuant to the exercise of Options will rank for dividend from the date they are issued and will otherwise rank pari passu with all other Shares then on issue.

3.3 ASX quotation

If Shares are quoted on the financial market of ASX, the Company must apply for quotation on the financial market of ASX of all Shares issued pursuant to the exercise of Options as soon as reasonably practicable after their issue, but in any case within the time limit prescribed by the ASX Listing Rules.

4. Participation in new issues

4.1 Bonus Issue

If at any time after the issue of Options there is a Bonus Issue of Shares and if after that time a holder of the Options exercises any of the holder's Options, the Company must issue to the holder at the same time it issues under clause 3.1 of this schedule the Shares the subject of the exercised Options, the number of bonus Shares which the holder would have received if before the Bonus Issue the holder held the Shares the holder would have been entitled to had the holder duly exercised the Options.

4.2 Other Pro Rata Issue

If at any time after the issue of Options there is a Pro Rata Issue of Shares other than a Bonus Issue, the Exercise Price of each Option existing on the record date for determining entitlements in relation to the Pro Rata Issue will be reduced according to the following formula:

$$O' = O - \frac{E[P - (S + D)]}{N + 1}$$

where:

O' is the new Exercise Price of the Option;

O is the old Exercise Price of the Option;

E is one or such other number of Shares into which the Option is exercisable;

P is the average Market Price per Share (weighted by reference to volume) of the Shares during the 5 trading days ending on the day before the "ex rights date" or "ex entitlements date" in relation to the Pro Rata Issue;

S is the subscription price for a Share under the Pro Rata Issue;

D is the dividend (if any) due by the Company but not yet paid on the existing Shares (except those to be issued under the Pro Rata Issue); and

N is the number of Shares with rights or entitlements that must be held to receive a right to one new Share pursuant to the Pro Rata Issue.

4.3 No other issues

Except as set out in this clause 4, Options shall not entitle their holder to participate in any issue of securities in or in respect of the Company other than the Shares to be issued upon exercise of the Options in accordance with this schedule.

5. Reorganisation of Options

If at any time after the issue of Options:

- (a) the Shares are converted into a larger or smaller number of shares, the number of Options immediately prior to such conversion will be converted in the same ratio as the Shares and the Exercise Price will be adjusted in inverse proportion to that ratio;
- (b) the Company reduces its share capital by a return of capital to the holders of Shares, the number of Options will remain the same but the Exercise Price will be reduced by the same amount as the return of capital on each Share;
- (c) the Company reduces its share capital by a cancellation of capital that is either lost or not represented by available assets where no Shares are cancelled, the number of Options and the Exercise Price will remain unaltered;
- (d) there is pro rata cancellation of Shares, the number of Options will be reduced in the same ratio as the Shares and the Exercise Price will be amended in inverse proportion to that ratio; or
- (e) there is any other reconstruction or reorganisation of the Company's share capital, the number of Options or the Exercise Price or both will be reorganised in such manner as the directors of the Company consider necessary so that the holders of the Options will not receive a benefit in respect of the Options that the holders of Shares do not receive in connection with the reconstruction or reorganisation;

provided that all entitlements will be rounded down to the nearest whole number and fractions will be disregarded (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of holders of Shares approving the reconstruction or reorganisation of the Company's share capital) and in all other respects this schedule will remain unchanged as a consequence of any reconstruction or reorganisation.

6. Transfer and Transmission Event

6.1 Transfer of Options

(a) Subject to clause 6.2 of this schedule, a holder of Options may transfer each of them by:

- (1) an instrument in writing in any usual form or in a form approved by the Company which is signed by or on behalf of both the transferor and the transferee; and

7.4 Termination before or after Vesting Conditions met

If the Executive ceases to be employed by the Company due to termination by the Company under [clause 11.1(a) of the Executive's employment agreement (summary dismissal)], all Options remaining unexercised by the time of termination will lapse and terminate immediately after that time.

8. Vesting Conditions – postponement of termination and waiver

Despite anything else contained in this schedule:

(a) where a Vesting Condition for any Options requires the Executive to remain an employee of the Company until a particular time, and the Executive ceases to be an employee before that time other than due to termination by the Company under [clause 11.1(a) of the Executive's employment agreement (summary dismissal)], the termination of the Options under clause 7 of this schedule will be postponed for a period of:

(1) in the case of termination under [clause 11.1(b) of the Executive's employment agreement (12 months' notice)] or due to an Eligible Termination Event, 13 months from the date notice of termination is given to the Executive or the date of cessation of employment, whichever date occurs first; and

(2) in any other case, 1 month from the date of cessation of employment;

(but not beyond the Expiry Date) to allow exercise of the Options in that period, in which case the Options will not terminate until the end of that period and the Executive (or the Executive's legal personal representative) may exercise any of the Options before they terminate; and

(b) the Company may waive any Vesting Condition for any Options (even after the Vesting Condition has not been or cannot be met) either unconditionally or, with the approval of the Executive, on any conditions the Company decides (including, without limitation, the substitution of another condition in place of the Vesting Condition), in which case, the Options will be taken never to have been subject to that Vesting Condition and will not terminate, or be taken to have terminated, due to that Vesting Condition not being met subject, if the Company is admitted to the official list of ASX at the time of the waiver or postponement, to any requirements of the ASX Listing Rules which may apply in relation to the waiver or postponement.

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