



World Reach Limited

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22 November 2010

The Manager
Company Announcements Platform
Australian Securities Exchange

General Meeting

Please find attached the Notice of General Meeting, Explanatory Memorandum, Independent Experts Report and Proxy Form, for the meeting to be held on Thursday 23 December 2010 at 10.30am.

Yours faithfully

A handwritten signature in black ink, appearing to read "Dennis Payne".

Dennis Payne
Company Secretary



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22nd November 2010

The Shareholder

Dear Shareholder,

Please find enclosed a notice of a General Meeting of the company to be held on Thursday 23rd December 2010 at 10.30am.

I hope you can attend the meeting, however if you are unable to attend, I encourage you to complete the enclosed proxy form and return it by mail or fax to the company at the addresses noted on the instructions for completion of the proxy form no later than 10.30am on Tuesday 21st December 2010.

Yours faithfully

A handwritten signature in black ink, appearing to read "A P Bigum".

Mr A P Bigum
Chairman

WORLD REACH LIMITED
ACN 010 568 804

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of World Reach Limited (**Company**) will be held at the office of Cummings Flavel McCormack, Level 11, 390 St Kilda Road, Melbourne, Victoria on 23 December 2010 at 10.30am.

AGENDA

Extension of the Maturity date of Convertible Notes

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

THAT, for the purposes of Listing Rules 7.1, 10.1 and 10.11, and Chapter 6 and Chapter 2E of the Corporations Act and for all other purposes, approval is given to extend the maturity date of 58 Convertible Notes of \$25,000 each issued on 15 May 2009 (and announced on the ASX on 19 and 20 May 2009) from the 1 July 2011 to 1 July 2013

(the **Resolution**).

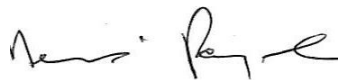
The Independent Expert has concluded that the extension of the maturity date of the 58 Convertible Notes from 1 July 2011 to 1 July 2013 (**Proposed Transaction**) is **not fair**, but is **reasonable**.

In coming to the opinion that the Proposed Transaction is not fair, the Independent Expert compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding. The Independent Expert estimated that in return for agreeing to extend the maturity date of the Convertible Notes by two years, Convertible Noteholders will receive an increase in value of their options of approximately \$7,000 per Convertible Note and the estimated reduction in funding costs as a result of extending the maturity date will be between \$4,000 to \$5,500 per Convertible Note.

However, after considering significant factors including the legal and other transaction costs that the Company would incur in obtaining alternate funding, and the additional management time that would be required in seeking alternate funding (factors not considered in the assessment of fairness), the Independent Expert concluded that the Proposed Transaction is reasonable. Further, the Independent Expert noted that if the Company was unable to pay the Convertible Noteholders the redemption monies, the Convertible Noteholders may elect to convert into Company shares. If this occurred and they proceeded to sell their shares, then the price of the Company's shares may fall significantly.

DATED this 22 day of November 2010

By order of the Board



D Payne
Secretary

WORLD REACH LIMITED

ACN 010 568 804

EXPLANATORY MEMORANDUM

The purpose of this Explanatory Memorandum (which is included in and forms part of this Notice of General Meeting to be held on the 23 December 2010) is to provide shareholders with further information and an explanation of the business of the meeting and of the Resolution to be proposed and considered at the meeting to assist shareholders to determine how they wish to vote on this Resolution.

Background

On 15 May 2009, the Company issued 58 secured Convertible Notes of \$25,000 each with the approval of shareholders at a meeting held on 7 May 2009 (**Convertible Notes**).

Each Note is convertible into 5,555,555 shares at a conversion price of \$0.0045 (a total of 322, 222, 222 shares) at the discretion of the individual noteholders on or before 1 July 2011.

The Convertible Notes are secured by a fixed and floating charge over the assets of the Company. CN Holder Pty Ltd holds the security as trustee on behalf of all of the Noteholders.

Each Convertible Note bears interest at a rate of the higher of:

- (i) 8.00%; or
- (ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%)

payable in arrears on the last day of each calendar month, from the date of issue of the Convertible Note up to and including the date on which the Convertible Note is converted.

Of these 58 Convertible Notes, 22 are held by related parties of the Company. These are held by the following parties in the proportions indicated:

Related Party	Number of convertible notes held
Biotec International Pty Ltd (Biotec)	6
Amy Capocchi	14
Makormak Investments Pty Ltd atf the McCormack Super Fund account (Makormak)	2

Mr Anthony Bigum, a Director of the Company is also a director of Biotec, Mrs Amy Capocchi is the spouse of a Director of the Company, Mr Michael Capocchi, and Mr John McCormack, a Director of the Company is also a director of Makormak.

In addition, 10 secured Convertible Notes are held by Killarney Properties Pty Ltd (**Killarney**), which is a substantial holder in the Company.

The Company considers that having regard to its recent financial performance and the present value of the Company's shares that there is no certainty that all of the holders of convertible notes will exercise their conversion entitlements on or before 1 July 2011 and the Company could have to fund the repayment of up to \$1,450,000 on that date.

The Company's cash flow projections do not indicate that the Company will have sufficient funds to meet the full amount payable in July 2011 if all noteholders require repayment. Alternative funding sources to meet this potential commitment are not certain and may be difficult and costly to put in place.

In order to provide financial stability, the Company has entered into further agreements under which all of the noteholders have agreed to an extension of the maturity date from 1 July 2011 to 1 July 2013.

Apart from the extension of the maturity date there are no other changes to the terms and conditions on which these notes were issued. The fixed and floating charge over the Company will remain in place until such time as the Convertible Notes are repaid.

Each Director, because he has a material personal interest in the convertible notes and the outcome of this Resolution, declines to make a recommendation in relation to the Resolution.

Key facts:

The following is a summary of key facts relating to the extension of the maturity date for the Convertible Notes.

(a) **Related Parties:**

- (i) Biotec
- (ii) Mrs Capocchi; and
- (iii) Makormak.

(b) **Number of Convertible Notes:**

The number of Convertible Notes affected by the extension of the maturity date is 58.

(c) **Date of issue and date proposed extension to take effect:**

The Convertible Notes were issued on 15 May 2009 and, if approved, the extension of the maturity date to 1 July 2013 for the Convertible Notes will take effect on the date of approval.

(d) **Price:**

The face value of each Convertible Note was \$25,000. There will not be any payments between the Convertible Noteholders and the Company in connection with extension of the maturity date of the Convertible Notes. The Convertible Notes may be converted to Shares at an issue price of \$0.0045 per Share. However, in the event that the Company issues additional securities at a price which is less than \$0.0045, the actual conversion price may be lower resulting in a greater number of Shares being issued on conversion as set out in Annexure B 1.2(c).

(e) **Noteholders:**

The following is a list of each of the Convertible Noteholders and the number of Convertible Notes they hold:

Noteholder	Number of convertible notes held
Killarney	10
Biotec	6
Mrs Capocchi	14
Makormak	2
Chris Eade	5
Colin McLean Adam	3
Richard Hedstrom	3
Maurice Venning	3
Reiny Gajewski	2
Roderick McNab and Jane Catherine McNab as trustees for the Duoscript Pty Ltd Super Account	2
Dennis Payne and Susan Payne as trustees of the Payne Super Fund	2
Tilstar Investments Pty Ltd as trustee for the Tilstar Investments Trust	2
Tim Don Nominees Pty Ltd	2
Rolf Graf as trustee for the Graf Superannuation Account	1
Bruce Hotton as trustee for the BG Hotton and Family Superannuation Account	1

(f) **Terms:**

Apart from extension of the maturity date from 1 July 2011 to 1 July 2013 there will be no change to the Terms of the Notes and the fixed and floating charge over the Company will remain in place until such time as the Convertible Notes are repaid. A summary of the terms is provided at Annexure B and the full terms of the Convertible Notes are set out at Annexure C. Please note that as WRR is **not** proposing to change the terms of the options attaching to the Convertible Notes issued on 15 May 2009, and exercisable before 1 July 2014 at \$0.006. In order to avoid confusion, references to the options have been removed from the terms at Annexure C.

(g) **Use of funds:**

Any funds raised on the exercise of the options that were granted on the issue of the Convertible Notes on 15 May 2009 will be applied as working capital.

ASX Listing Rule 7.1

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company can issue without Shareholder approval in any 12 month period to 15% of its issued securities.

Shareholder approval of an issue of securities pursuant to Listing Rule 10.11 is an exception to Listing Rule 7.1. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Approval was sought on 7 May 2009 for the purpose of Listing Rule 7.1 in relation to Convertible Notes issued to all Convertible Noteholders other than Biotec, Mrs Capocchi and Makormak (for which approval was sought under Listing Rule 10.11).

As an extension of the maturity date of the Convertible Notes is a change to a key term, Shareholder approval pursuant to the current Resolution is sought to confirm that notwithstanding the extension of the maturity date, the issue of the Convertible

Notes to all Convertible Noteholders will not be counted in the 15% calculation, giving the Company flexibility to issue Securities in the future in response to opportunities as they arise.

ASX Listing Rule 10.1

Pursuant to Listing Rule 10.1, the Company must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or substantial holder.

Pursuant to Listing Rule 10.2, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

Killarney is a substantial holder in WRR, and each of Biotec, Mrs Capocchi and Makormak are related parties of WRR.

As CN Holder Pty Ltd, as trustee for all of the Noteholders may acquire greater than 5% or more of the equity interests of the Company under the fixed and floating charge over the Company should the Company default on its obligation to repay the Noteholders, Shareholder approval was required for the issue of the secured Convertible Notes to Killarney, Biotec, Mrs Capocchi and Makormak under Listing Rule 10.1.

Listing Rule 10.10 requires that, where Shareholder approval is sought under Listing Rule 10.1, the notice of meeting must include a report from an independent expert stating whether the transaction is fair and reasonable to ordinary Shareholders of the Company. The Company has commissioned DMR Corporate Pty Ltd to review the extension of the maturity date for the Convertible Notes to 1 July 2013. A copy of this Independent Expert Report is attached at Annexure A.

As an extension of the maturity date of the Convertible Notes is a change to a key term, Shareholder approval pursuant to the current Resolution is sought to confirm that, notwithstanding the extension of the maturity date, for the purpose of Listing Rule 10.1, Shareholders approve the issue of Convertible Notes held by Killarney, Biotec, Mrs Capocchi and Makormak.

ASX Listing Rule 10.11

Pursuant to Listing Rule 10.11, the Company may not issue securities to a related party without the consent of the Shareholders. Consequently, Shareholder approval was sought for the issue of Convertible Notes to Biotec, Mrs Capocchi and Makormak on 7 May 2009.

Further, Shareholder approval of an issue of securities pursuant to Listing Rule 10.11 is an exception to Listing Rule 7.1. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Approval for the purpose of Listing Rule 7.1 was not required for the issue of Convertible Notes to Biotec, Mrs Capocchi or Makormak as approval was sought under Listing Rule 10.11.

As an extension of the maturity date of the Convertible Notes is a change to a key term which may be viewed as a new issue of Securities, Shareholder approval pursuant to the current Resolution is sought to confirm that, notwithstanding the extension of the maturity date, for the purpose of Listing Rule 10.11, Shareholders approve the issue of Convertible Notes held by Biotec, Mrs Capocchi and Makormak.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies.

The term *financial benefit* is widely defined and the term *related party* includes a Director of the Company, their spouses and entities controlled by Directors. Shareholder approval was sought on 7 May 2009 for the issue of Convertible Notes to each of Biotec, Mrs Capocchi and Makormak.

Section 219 of the Corporations Act requires the following information relating to the Resolution to be provided to Shareholders:

(a) **Related Parties:**

- (i) Biotec as an entity controlled by Director, Anthony Bigum;
- (ii) Mrs Capocchi is the spouse of Director, Michael Capocchi; and
- (iii) Makormak as an entity controlled by Director, John McCormack.

(b) **Nature of financial benefit:**

Extension of the maturity date from 1 July 2011 to 1 July 2013.

(c) **Directors' recommendation, reasons for recommendation and directors' interests:**

Each Director, because he has a material personal interest in the convertible notes and the outcome of this Resolution, declines to make a recommendation in relation to the Resolution.

(d) **Independent Expert Report**

The Company has commissioned DMR Corporate Pty Ltd to provide an Independent Expert Report in relation to the extension of the maturity date for the Convertible Notes proposed in the Resolution. This Independent Expert Report is attached at Annexure A. These Explanatory Notes and the Independent Expert Report aim to provide Shareholders with all the information that is reasonably required by Shareholders in order to decide whether or not it is in the Company's interests to pass the Resolution.

The Independent Expert has provided an opinion under sections 3, 10 and 11 of the Independent Expert Report that the proposed Resolution is not fair, but is reasonable for non-associated shareholders.

In coming to the opinion that the Proposed Transaction is not fair, the Independent Expert compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding. The Independent Expert estimated that in return for agreeing to extend the maturity date of the Convertible Notes by two years, Convertible Noteholders will receive an increase in value of their options of approximately \$7,000 per Convertible Note and the estimated reduction in funding costs as a result of extending the maturity date will be between \$4,000 to \$5,500 per Convertible Note.

However, after considering significant factors including the legal and other transaction costs that the Company would incur in obtaining alternate funding, and the additional management time that would be required in seeking alternate funding (factors not considered in the assessment of fairness), the Independent Expert concluded that the Proposed Transaction is reasonable. Further, the Independent Expert noted that if the Company was unable to pay the Convertible Noteholders the redemption monies, the Convertible Noteholders may elect to convert into Company shares. If this occurred and they proceeded to sell their shares, then the price of the Company's shares may fall significantly.

(e) **Trading History**

At the close of trading on the date preceding this Notice, the Share price of the Shares in the Company was \$0.006. In the 12 months prior to the date of this Notice, the Shares in the Company traded at:

(i) a high of \$0.018; and

(ii) a low of \$0.003.

(f) **Opportunity Cost**

The Directors do not consider that there are any material opportunity costs to the Company of benefits foregone by the Company in extending the maturity date for the Convertible Notes from 1 July 2011 to 1 July 2013 pursuant to the Resolution.

(g) **Taxation Consequences**

The Directors are not aware of any taxation consequences that will arise from the extension of the maturity date for the Convertible Notes from 1 July 2011 to 1 July 2013 pursuant to the Resolution.

(h) **Dilution effect**

If the Convertible Notes are issued pursuant to the Resolution and Biotec, Mrs Capocchi and Makormak elect to:

(i) convert all their Convertible Notes; and

(ii) exercise all the options they (or the relevant related director) currently hold¹,

the total Shares on issue will increase from 657,906,777 to 814,628,987 being an increase of 23.82%, and accordingly each Shareholder's shareholding in the Company will be diluted.

As an extension of the maturity date of the Convertible Notes is a change to a key term which may be viewed as a new issue of securities, Shareholder approval pursuant to the current Resolution will confirm, for the purpose of Chapter 2E of the Corporations Act, that Shareholders approve the issue of Convertible Notes held by Biotec, Mrs Capocchi and Makormak.

Chapter 6 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if, as a result of the acquisition, the shareholder's voting power in the company increases from:

(i) below 20% to more than 20%; or

(ii) a starting point above 20% and below 90%.

Shareholder approval under section 611 of the Corporations Act provides an exception to the section 606 prohibition.

Killarney currently has 121,224,436 Shares in the Company, being 18.43% of the Company's Shares. Killarney also has options to subscribe for 14,062,500 Shares and 10 Convertible Notes convertible into 55,555,550 Shares.

The following information is provided in accordance with section 611 and ASIC Regulatory Guide 74.

(a) **Voting rights**

¹ This includes the 18,000,000 options that may be issued to the Directors if Resolutions 2, 3 and 4 for the Annual General Meeting to be held on 26 November 2010 are approved by Shareholders.

- (i) *Voting rights Killarney may have on exercise of Convertible Notes if other Noteholders do **not** exercise their Convertible Notes or options*

If Killarney exercises all its options, it will have 135,286,936 Shares in the Company and (assuming no other option holders or Noteholders of the Company exercise their options or Notes) 20.13% of the Shares in the Company. Any exercise of Convertible Notes after the current maturity date of 1 July 2011 (without Shareholder approval to extend the maturity date to 1 July 2013) would be in breach of section 606.

If Killarney exercises all its options and all its Convertible Notes, it will have 190,842,486 Shares in the Company and (assuming no other option holders or Noteholders of the Company exercise their options or Notes) 26.23% of the Shares in the Company.

If Killarney does not exercise any of its options, but exercises all of its Convertible Notes, it will have 176,779,986 Shares in the Company and (assuming no other option holders or Noteholders of the Company exercise their options or Notes) 24.78% of the Shares in the Company.

- (ii) *Voting rights Killarney may have on exercise of Convertible Notes if other Noteholders **exercise all** their Convertible Notes and options*

If Killarney exercises all its options and all its Convertible Notes in the Company and all the other Noteholders of the Company exercise all their options and Notes, Killarney's resulting voting power will be 18.52%.

(b) **Directorship**

It is not intended that there be any change in the directorship of the Company as a result of the issue of Convertible Notes and options.

(c) **Killarney's intentions regarding the future of the Company**

As far as the Directors are aware, if the Resolution is passed and Killarney's relevant interest in the Company increases on conversion of the Convertible Notes and/or the exercise of its options, Killarney has no intention to:

- (i) change the business of the Company;
- (ii) other than through the exercise of existing options, inject further capital into the Company;
- (iii) change the future employment of the present employees of the Company;
- (iv) transfer any property between the Company and Killarney;
- (v) otherwise redeploy the fixed assets of the Company; or
- (vi) change significantly the financial or dividend policies of the Company.

Shareholder approval for the purpose of sections 606 and 611 of the Corporations Act was sought on 7 May 2009 for the issue of Convertible Notes to Killarney. Shareholder approval pursuant to the current Resolution will confirm that, for the purpose of sections 606 and 611 of the Corporations Act, Shareholders approve the proposed extension of the maturity date for Convertible Notes held by Killarney to 1 July 2013.

The Independent Expert has provided an opinion under sections 3, 10 and 11 of the Independent Expert Report that the proposed Resolution is not fair, but is reasonable for non-associated shareholders.

In coming to the opinion that the Proposed Transaction is not fair, the Independent Expert compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding. The Independent Expert estimated that in return for agreeing to extend the maturity date of the Convertible Notes by two years, Convertible Noteholders will receive an increase in value of their options of approximately \$7,000 per Convertible Note and the estimated reduction in funding costs as a result of extending the maturity date will be between \$4,000 to \$5,500 per Convertible Note.

However, after considering significant factors including the legal and other transaction costs that the Company would incur in obtaining alternate funding, and the additional management time that would be required in seeking alternate funding (factors not considered in the assessment of fairness), the Independent Expert concluded that the Proposed Transaction is reasonable. Further, the Independent Expert noted that if the Company was unable to pay the Convertible Noteholders the redemption monies, the Convertible Noteholders may elect to convert into Company shares. If this occurred and they proceeded to sell their shares, then the price of the Company's shares may fall significantly.

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by any of the Directors, and any other noteholders of the convertible notes the subject of the Resolution, and their associates. However the Company need not disregard a vote if

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

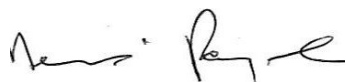
GENERAL NOTES

1. Voting by proxy

- (a) A shareholder entitled to attend and vote at the Annual General Meeting may appoint one proxy or, if the shareholder is entitled to cast two or more votes at the meeting, two proxies to attend and vote instead of the shareholder.
- (b) Where two proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the shareholder's voting rights at the Annual General Meeting.
- (c) A proxy need not be a shareholder of the Company.
- (d) A proxy form accompanies this notice. For the proxy form to be valid it must be received together with the power of attorney, or other authority (if any) under the Corporations Regulations under which the form is signed, or a certified copy of that power or authority by 10.30am, 21 December 2010:
 - (i) by post, to the Company's offices at Unit 5, 8 Anzed Court, Mulgrave, Victoria, 3170 Australia.
 - (ii) by delivery, to the Company's offices at Unit 5, 8 Anzed Court, Mulgrave, Victoria, 3170 Australia, or
 - (iii) by facsimile, to the Company's offices on (03) 9560 9055.
- (e) Unless a member specifically directs the proxy how to vote, the proxy may vote as they think fit or abstain from voting.

2. Voting entitlement

A determination has been made by the Board of Directors of the Company in accordance with Part 7.11 of the Corporations Regulations that those persons who are registered as the holders of shares in the Company at 7pm AEST on 21 December 2010 will be taken to be the holders of shares for the purposes of determining voting entitlements at the Meeting.



Dennis Payne
Company Secretary
22 November 2010

Annexure A

Independent Expert Report

Annexure B

Terms and conditions of Convertible Notes - Summary

1.1. Terms of Convertible Notes

The full terms and conditions of the Convertible Notes are set out at Annexure C. The following are a summary of the key terms of the Convertible Notes:

- (a) Each Convertible Note has a Face Value of \$25,000.00.
- (b) The Conversion Price of the Convertible Notes is calculated as follows:
 - (i) where the Company does not issue any further securities on or before the Maturity Date, the Conversion Price will be \$0.0045. Each Convertible Note may therefore be converted into 5,555,555 Shares;
 - (ii) where the Company issues Shares or Convertible Securities on or before the Maturity Date and:
 - (A) *the issue price of the Shares; or*
 - (B) *the conversion price into Shares of the Convertible Security,*is equal to or greater than \$0.0045 per Share, the Conversion Price will be \$0.0045 per Share; or
 - (iii) where the Company issues Shares or Convertible Securities on or before the Maturity Date and:
 - (A) *the issue price of the Shares; or*
 - (B) *the conversion price into Shares of the Convertible Security,*is less than \$0.0045 per Share, the Conversion Price will be:
 - (A) the issue price of the new Shares; or
 - (B) the conversion price into the new Shares of the Convertible Security, less 20%.
- (c) In the event:
 - (i) the Company undertakes an issue of Ordinary Shares on or before the Maturity Date pursuant to a Share Purchase Plan, the issue of these Ordinary Shares; or
 - (ii) any existing Convertible Security is converted or exercised in accordance with its terms, the issue of the resulting Ordinary Shares,will be disregarded for the purposes of calculating the Conversion Price under Section 1.1(b) above.
- (d) The Maturity Date of the Convertible Notes is 1 July 2013.
- (e) Each Convertible Note bears interest at a rate of the higher of:

- (i) 8.00%; or
- (ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%),

payable in arrears on the last day of each calendar month, from the date of issue of the Convertible Note up to and including the date on which the Convertible Note is converted.

(f) In the event the Convertible Notes are converted:

- (i) the principal amount of each Convertible Note will be deemed to have been repaid; and
- (ii) all Shares allotted will rank pari passu with other Shares at the allotment date.

(g) In the event that the Convertible Notes are not converted, each Convertible Note will entitle the Noteholder to receive from the Company the Face Value together with any accrued interest on the Maturity Date.

(h) The Convertible Notes are secured by a Charge. See Annexure D for further information of the terms of the Charge.

(i) The Convertible Notes are unlisted.

(j) In the event of a Bonus Issue or reconstruction:

- (i) if the Company makes a Bonus Issue to holders of Shares in the Company prior to the Convertible Notes being converted, it must allot Bonus Securities of the number which the Noteholder would have been entitled to receive by way of participation in the allotment of Bonus Securities if it had converted the Convertible Notes into Shares in the Company; and
- (ii) if the Company makes a reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company prior to the Convertible Notes being converted, then the entitlement of the Noteholder to convert the Convertible Notes must be reconstructed in the same proportion and manner as that reduction, repayment of reduction, consolidation or division of issued capital of the Company as are approved by the meeting of the Shareholders of the Company which approves the reconstruction of capital.

(k) The Company has provided a number of covenants in favour of the subscribers of the Convertible Notes including:

- (i) not to permit or allow any security interest over any of its property (other than existing security interests) without the consent of the Noteholders;
- (ii) not to amend its Constitution without the consent of the Noteholders;
- (iii) to notify the Noteholder immediately on becoming aware that the power to control more than 50% of the issued Shares in the Company will or is likely to change;
- (iv) to notify the Noteholder of any proposed sale of the whole or a substantial part of the Company's assets and undertaking;

- (v) to notify the Noteholder of any litigious matter or dispute or event of default that is threatened or pending; and
 - (vi) to notify the Noteholder of the occurrence of any breach or default by it or any other party to any of the Company's material contracts.
- (l) The terms and conditions of the Convertible Notes specify a number of usual events of default relating primarily to solvency and maintenance of assets. In the event of a default, the Noteholder may elect to either:
- (i) declare the principal amount of the Convertible Note and all accrued interest immediately payable; or
 - (ii) convert the Convertible Notes into Shares at a strike price of \$0.0045 to the extent of the Face Value of the Convertible Notes.
- (m) The Convertible Notes do not confer any voting rights.

1.2. **Impact of change in Conversion Price**

(a) **Conversion Price**

Pursuant to the terms of the Convertible Notes as set out in Section 1.1(b)(iii), where the Company does not issue any further securities on or before the Maturity Date, the Conversion Price will be \$0.0045, converting each Convertible Note into 5,555,555 Shares. Where the Company issues Shares or Convertible Securities on or before the Maturity Date where:

- (i) the issue price of the Shares; or
- (ii) the conversion price into Shares of the Convertible Security,

is less than \$0.0045 per Share, the Conversion Price will be reduced.

(b) **Trading history**

At the close of trading on the date preceding the date of this Notice, the share price of the Shares in the Company was \$0.006, which is \$0.0015 higher than the current Conversion Price of \$0.0045. Furthermore, in the 12 months prior to the date of this Notice, the Shares in the Company traded at a high of \$0.018 on 10 March 2010 and a low of \$0.003 on 29 January 2010, 10 December 2009, 9 December 2009, and 23, 20, 13 and 11 November 2009.

(c) **Examples of lower Conversion Price**

- (i) Conversion price of \$0.0032

By way of an example, in the event the Company issues Shares or Convertible Securities where:

- (A) *the issue price of the Shares; or*
- (B) *the conversion price into Shares of the Convertible Security,*

is \$0.004, the new Conversion Price will be \$0.0032. Where the Conversion Price is \$0.0032, each Convertible Note may therefore be converted into 7,812,500 Shares in the Company.

The table below represents the total number of Shares which are to be issued on conversion of a Convertible Note for a given number of Convertible Notes where the Conversion Price is \$0.0032:

Convertible Notes	Total Shares to be issued at a Conversion Price of \$0.0032
1	7,812,500
10	78,125,000
20	156,250,000
30	234,375,000
40	312,500,000
50	390,625,000
58	453,125,000

(ii) Conversion price of \$0.002

As an alternative example, in the event the Company issues Shares or Convertible Securities where:

(A) *the issue price of the Shares; or*

(B) *the conversion price into Shares of the Convertible Security,*

is \$0.002, the new Conversion Price will be \$0.002. Where the Conversion Price is \$0.002, each Convertible Note may therefore be converted into 12,500,000 Shares in the Company.

The table below represents the total number of Shares which are to be issued on conversion of a Convertible Note for a given number of Convertible Notes where the Conversion Price is \$0.002:

Convertible Notes	Total Shares to be issued at a Conversion Price of \$0.002
1	12,500,000
10	125,000,000
20	250,000,000
30	375,000,000
40	500,000,000
50	625,000,000
58	725,000,000

Annexure C

Full Terms of the Convertible Notes Subscription Agreement with proposed amendments to the maturity date. As the Resolution does not propose to change the terms of the free options attaching to the Convertible Notes, references in the terms to the free attaching options are not included in this Annexure C.

Terms

Introduction

- A. The Company is a listed public company.
- B. The Company wishes to borrow the Advance from the Subscriber by the issue of convertible notes on the terms and conditions set out in this Agreement.
- C. The Subscriber has agreed to subscribe for the Advance by way of loan on and subject to the terms and conditions set out in this Agreement.

It is agreed

DEFINITIONS

In this Agreement and all documents issued under this Agreement, unless the context otherwise requires:

- (a) *Advance* means the amount of \$[insert amount] advanced by the Subscriber to the Company;
- (b) *Agreement* means this convertible note subscription agreement;
- (c) *ASX* means ASX Limited (ACN 008 624 691);
- (d) *ASX Listing Rules* means the listing rules of ASX;
- (e) *Business Day* means a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne;
- (f) *Business Hour* means an hour in the period between 8:00 am to 6:00 pm on a Business Day;
- (g) *Conditions* in relation to a Note means the terms and conditions on which the Notes are issued and which are set out in Schedule 2;
- (h) *Corporations Act* means the Corporations Act 2001 (Cth);
- (i) *Event of Default* means any of the events listed in clause 7;
- (j) *Holder* means the holder of the Notes pursuant to this Agreement;
- (k) *Issue Date* means the date on which a Note is issued by the Company;
- (l) *Issue Price* means the issue price in respect to a Note;
- (m) *Maturity Date* means 1 July 2013;
- (n) *Moneys Owning* means, in relation to a Note, the principal amount, interest, and premium (if any) payable or repayable from time to time;

- (o) *Note* means a \$25,000 convertible note created and issued under this Agreement and for the time being outstanding (whether matured or not);
- (p) *Note Certificate* means a certificate issued by the Company:
 - (i) in accordance with this Agreement evidencing that the person named in that certificate is the Holder of a Note or Notes referred to in that certificate; and
 - (ii) in or to the effect of the form of the note certificate set out in Schedule 1;
- (q) *Ordinary Share* means (subject to any re-organisation or reconstruction of capital) one fully paid ordinary share in the capital of the Company;
- (r) *Register* means the register of Holders kept under this Agreement and includes any branch register;
- (s) *Subscription Date* means the date on which the Subscriber gives to the Company a letter of application pursuant to clause 3.2;
- (t) *Subscription Notes* means [insert number] Notes issued at the Issue Price;
- (u) *Subsidiary* has the meaning given in section 46 of the *Corporations Act*; and
- (v) *Tax* includes any present or future tax (including, without limitation, any income, sales, value added, consumption or goods and services tax), levy, impost, duty, charge, fee, deduction, compulsory loan, or withholding of whatever nature which is levied or imposed by a government or governmental authority, together with any interest, penalty, charge, fee, or other amount imposed or made on or in respect of any of the above.

1.3. Interpretation

Unless expressed to the contrary, in this Agreement:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) "includes" means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it; and
- (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced; and

- (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
- (v) time is to local time in Melbourne, Victoria, Australia;
- (vi) "\$" or "dollars" is a reference to Australian currency;
- (g) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded; and
- (h) headings do not affect the interpretation of this Agreement.

2. CONDITIONS PRECEDENT

Notwithstanding any other provision of this Agreement, the Subscriber is not obliged to pay (or procure the payment of) the Issue Price in respect of a Note unless:

- (a) the members of the Company pass (at a general meeting duly convened for that purpose) resolutions to approve the issue of the Notes under or in connection with this Agreement pursuant to the ASX Listing Rules and the Corporations Act; and
- (b) the Company obtains all other shareholder, regulatory and other consents and approvals necessary to issue the Notes, and the underlying Ordinary Shares (including those required under the Corporations Act or ASX Listing Rules or required by ASIC or ASX policy).

3. ISSUE OF NOTES AND CERTIFICATES

The Company hereby creates the Subscription Notes subject to the conditions and this Agreement.

- 3.1. The Subscriber agrees to subscribe for the Subscription Notes on the Subscription Date by delivering to the Company a letter of application for the Subscription Notes.
- 3.2. The Advance will be deemed to be the price payable for the Subscription Notes.
- 3.3. Upon receipt of the letter of application and Advance referred to in clause 3.1, the Company agrees to allot to the Subscriber the Subscription Notes subscribed for under clause 3.1.
- 3.4. The allotment of the Subscription Notes under clause 3.1 will be deemed to be a repayment of the Advance and upon such allotment, the Company will be released from any liability it may have to the Subscriber.

4. REPRESENTATIONS AND WARRANTIES

- 4.1. The Company represents and warrants to the Subscriber that as at the date of this Agreement and, separately, as at the Subscription Date:
 - (a) it is properly incorporated and validly existing under the laws of the State of Victoria;
 - (b) it is empowered to enter into this Agreement and to carry out any transaction or obligation contemplated by this Agreement; and

(c) no Event of Default has occurred.

4.2. The Subscriber warrants that the issue of Subscription Notes to the Subscriber by the Company is an issue that does not require the Company to lodge a disclosure document with ASIC for the purposes of Chapter 6D of the Corporations Act.

5. UNDERTAKINGS

The Company undertakes to the Subscriber that so long as any Note remains outstanding it will:

- (a) comply with the Conditions;
- (b) procure that neither the nominal amount of nor any rights (including but not limited to voting rights) attaching to any class of issued shares will be altered so as to prejudice any rights relating to the shares which are to be issued in consequence of the conversion of Notes without the prior written consent of the Holder;
- (c) notify the Holders in writing of the occurrence of any Event of Default as soon as the Company becomes aware of the occurrence; and
- (d) not sell or otherwise dispose of (or permit the sale or disposal of) all or substantially all of the assets of the Company.

6. EVENTS OF DEFAULT

For the purposes of this Agreement, an Event of Default occurs if:

- (a) any representation or warranty made by the Company proves to be incorrect or misleading in any material respect;
- (b) in respect of the Company:
 - (i) (application for winding up): an application (other than a frivolous or vexatious application) is made for the winding up or dissolution of the Company and such application has not been set aside, discharged, enjoined, stayed or withdrawn, as the case may be, within 7 days;
 - (ii) (winding up resolution or order): an order is made for the winding up or dissolution of the Company or a liquidator is appointed to the Company or a resolution is passed for winding up or dissolution of the Company (otherwise than in relation to a members' voluntary liquidation of the Company where the proceeds of such winding up or dissolution are distributed to the Company or a Subsidiary of the Company, or a winding up or dissolution for the purposes of a reconstruction or amalgamation on terms approved by the Subscriber) and such order or resolution has not been discharged, enjoined, stayed or withdrawn, as the case may be, within 14 days;
 - (iii) (receiver): a receiver or receiver and manager, official manager, trustee, administrator or similar officer is appointed, or is requested to be appointed by the Company, over all or any part of the assets or undertaking of the Company, and that appointment or request has not been discharged or withdrawn within 14 days;
 - (iv) (compositions): the Company enters into a composition or compromise with its creditors (except with the consent of the Subscriber) pursuant to the *Corporations Act*;

- (c) without the consent of the Subscriber the Company stops or threatens to stop carrying on its business; or
- (d) execution or distress takes place or is attempted or an order to execute a judgment (however described) is made against the Company or any of its material assets.

7. **COSTS**

Each party must bear its own costs of preparing and executing this Agreement, except that the Company must pay all stamp duty on this Agreement.

8. **NO WAIVER**

A failure of a party at any time to require full or partial performance of any obligation under this Agreement will not affect in any way the rights of that party to require that performance subsequently.

9. **NOTICE**

9.1. A notice or other communication required or permitted to be given by one party to another must be in writing and:

- (a) delivered personally;
- (b) sent by pre-paid mail to the address of the addressee specified in this Agreement;
- (c) sent by facsimile transmission to the facsimile number of the addressee with acknowledgment of receipt from the facsimile machine of the addressee; or
- (d) sent by email to the email address of a party as notified in this Agreement or such other email address notified as being the email address to use for the purposes of this clause.

9.2. A notice or other communication is taken to have been given (unless otherwise proved):

- (a) if sent by facsimile before 4 pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
- (b) if mailed from Australia to an address within Australia, on the second Business Day after posting;
- (c) if mailed from Australia to an address outside Australia or mailed from outside Australia to an address within Australia, on the fifth Business Day (at the address to which it is mailed) after posting; or
- (d) if sent by email:
 - (i) where the email is sent during a Business Hour on a Business Day, on return of a receipt produced by the system to which the email was sent which confirms successful transmission of the email to the email address of the recipient or, where no return receipt is produced by the recipient's email system, by the end of the last Business Hour on the day the email was sent;
 - (ii) where the email is sent after the end of the last Business Hour on a Business Day or on a non-Business Day, the email will be deemed to be received at the beginning of the first Business Hour on the next Business Day.

- 9.3. The address for service of each party is as set out in this Agreement. A party may change its address for service by giving notice of that change in writing to the other party.

10. **SEVERABILITY**

Part or all of any provision of this Agreement which is illegal or unenforceable may be severed from this Agreement and the remaining provisions of this Agreement will continue in force.

11. **GOVERNING LAW**

- 11.1. This Agreement is governed by and is to be construed in accordance with the laws applicable in Victoria.
- 11.2. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

SCHEDULE 1

CONVERTIBLE NOTES CERTIFICATE
WORLD REACH LIMITED
ACN 010 568 804

Register:

Certificate Number:

ISSUE OF CONVERTIBLE NOTES

1. This is to certify that [insert entity] of [insert address] is registered as the holder of [insert number] Notes on World Reach Limited's Notes Register:

Total Number of Notes: [insert number]
2. The Notes are issued with the benefits of, and subject to the terms of the Convertible Note Subscription Agreement dated [insert], including in particular, the Conditions set out in Schedule 2 of that agreement. The Conditions are attached to this Certificate.
3. Each Note may be converted into five million five hundred and fifty five thousand five hundred and fifty five [subject to adjustment under the Conditions] (5,555,555 [subject to adjustment]) Ordinary Shares in the capital of World Reach Limited in accordance with the Conditions at any time prior to 1 July 2013.
4. The Issue Price of each Note is \$25,000.
5. For value received, the Company promises to pay to the Holder of a Note the Money Owing on each Note on the Maturity Date (determined in accordance with the Conditions).
6. Each Note bears interest in accordance with the Conditions.
7. Each Note is governed by the laws of the State of Victoria.

CONVERSION NOTICE

To: World Reach Limited

[insert entity] gives notice of the exercise of its rights to convert _____ Note(s) included in this Certificate into _____ fully paid Ordinary Shares in the capital of World Reach Limited.

If this notice is signed by an attorney, the attorney declares that he has no notice of revocation of the power of attorney by authority of which this Conversion Notice is signed and the power of attorney must, if it has not already been produced to World Reach Limited, be forwarded with the Conversion Notice for noting and return.

SCHEDULE 2

CONDITIONS OF ISSUE OF THE NOTES

DEFINITIONS

- 1.1. Words and expressions defined in the convertible note subscription agreement (the Agreement) have the same meaning in these Conditions, unless the context otherwise requires.
- 1.2. In addition, in these Conditions, unless the context otherwise requires:
- (a) *Bonus Shares* means any shares allotted by the Company as Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves or share premium account or capital redemption reserve fund;
 - (b) *Conversion Date* means, in relation to a Note, the date with effect from which that Note is converted into Ordinary Shares following receipt by the Company of a Conversion Notice given in accordance with the provisions of Condition 3.1;
 - (c) *Conversion Notice* means a written notice, effective immediately, given by the Holder in the form printed on the Convertible Notes Certificate or in such other form as the Company may accept requiring the Company to convert the Note;
 - (d) *Conversion Price* has the meaning given to it in Condition 3;
 - (e) *Convertible Security* means a security which is convertible into Ordinary Shares if the holder may, by the exercise of rights attached to that security, have an Ordinary Share issued to it;
 - (f) *Escrow Period* means the period of time specified under section 707 of the Corporations Act where the Subscriber may not carry out any of the actions set out in Condition 6.1 in relation to a Note or Ordinary Shares issued pursuant to the conversion of a Note;
 - (g) *Interest Rate* means the higher of:
 - (i) 8.00%; or
 - (ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%);
 - (h) *Security* means an Ordinary Share or a Convertible Security; and
 - (i) *Share Purchase Plan* means an offer of Ordinary Shares to existing Shareholders not exceeding the maximum value as set out in the relevant ASIC Class Order which does not require the issue of a disclosure document or product disclosure statement in accordance with relief granted by ASIC.
- 1.3. The general interpretation provisions under Condition 1.2 of the Agreement are incorporated in these Conditions as if set out in full.

2. GENERAL TERMS OF ISSUE

- 2.1. Each Note:

- (a) has a principal amount of \$25,000; and
- (b) is convertible in the manner and at the times provided by Condition 3.1 and subject to Condition 7, into a number of Ordinary Shares equivalent to:

Number of Ordinary Shares = \$25,000

Conversion Price

- 2.2. The Company must, subject to Condition 2.3, pay simple interest accruing daily on each outstanding Note calculated on the principal amount of the Note at the rate of the Interest Rate per annum. Interest will be payable quarterly in arrears.
- 2.3. Interest on a Note converted into Ordinary Shares will cease to accrue on the earlier of:
 - (a) an interest payment date last occurring before the Conversion Date; or
 - (b) repayment or redemption of the Note.
- 2.4. Interest on a Note will cease to accrue upon conversion.

3. CONVERSION PRICE

- 3.1. The Conversion Price of the Notes is calculated as follows:
 - (a) where the Company does not issue Securities on or before the Maturity Date, the Conversion Price will be \$0.0045;
 - (b) where the Company issues Securities on or before the Maturity Date and:
 - (i) the issue price of the Ordinary Shares; or
 - (ii) the conversion price into Ordinary Shares of the Convertible Security,
 is equal to or greater than \$0.0045 per Ordinary Share, the Conversion Price will be \$0.0045 per Ordinary Share; or
 - (c) subject to Conditions 3.2 and 3.3 where the Company issues Securities on or before the Maturity Date and:
 - (i) the issue price of the Ordinary Shares; or
 - (ii) the conversion price into Ordinary Shares of the Convertible Security,
 is less than \$0.0045 per Ordinary Share, the Conversion Price will be:
 - (A) the issue price of the Ordinary Shares under Annexure B, Condition 1.1(b)(iii)(A); or
 - (B) the conversion price into Ordinary Shares of the Convertible Security under Annexure B, Condition 1.1(b)(iii)(B),
 less 20% as the case may be.

3.2. In the event:

- (a) the Company undertakes an issue of Ordinary Shares on or before the Maturity Date pursuant to a Share Purchase Plan, the issue of these Ordinary Shares; or
- (b) any existing Convertible Security is converted or exercised in accordance with its terms, the issue of the resulting Ordinary Shares,
- (c) will be disregarded for the purposes of calculating the Conversion Price under Condition 3.1.

3.3. To the extent shareholder approval is required to be obtained in accordance with ASX Listing Rule 7.1 for the increased number of Ordinary Shares that may be issued as a result of the Conversion Price being less than \$0.0045:

- (a) the Holder shall only be entitled to convert such number of Notes as determined by the Company, being not less than the number of Notes that would have been issued at a Conversion Price of \$0.0045; and
- (b) the Company must use its best endeavours to obtain shareholder approval as soon as possible following the conversion of the Notes referred to in Condition 3.3(a) for the balance of the Notes to be converted at the Conversion Price determined in accordance with Condition 3.1(c).

3.4. For the avoidance of doubt, Securities to be issued to third parties on substantially the same terms and conditions as these Notes where the Conversion Price is \$0.0045 shall not be taken into consideration for the purposes of adjusting this Conversion Price under this Condition 3.

4. **GENERAL RIGHTS OF CONVERSION**

4.1. A Note is convertible into the number of Ordinary Shares determined in accordance with Condition 2.1 at any time from the Issue Date to the Maturity Date (both dates inclusive) by delivery of a duly signed and completed Conversion Notice to the Company accompanied by the Convertible Notes Certificate (if any Convertible Notes Certificate for the Note has been issued) comprising or including the Note or Note to be converted.

4.2. Ordinary Shares issued to the Holder on conversion of a Note will be issued as fully paid.

5. **ALLOTMENT OF SHARES**

5.1. A notice given under Condition 3.1 is irrevocable.

5.2. The Company must allot the Ordinary Shares to which the Holder is entitled within 30 days of the Conversion Date. The allotment will have effect and be deemed to have been made on that Conversion Date.

5.3. Ordinary Shares allotted on conversion of a Note will rank equally in all respects and form one class with the Ordinary Shares on issue at the Conversion Date and without limitation, those Ordinary Shares will rank equally with all Ordinary Shares for any dividends declared or paid after that conversion.

5.4. Subject to the Corporations Act and the ASX Listing Rules, the Company must, upon allotment of Ordinary Shares pursuant to these Conditions, use its best endeavours to apply to the ASX for official quotation of such Ordinary Shares.

- 5.5. The Subscriber acknowledges that as the Notes (and resulting Ordinary Shares) are being issued without a disclosure document, an offer to sell the securities within 12 months after their issue may require disclosure to investors in accordance with Part 6D.2 of the Corporations Act.
- 5.6. The Subscriber acknowledges that it has received independent legal advice or has had the opportunity to seek independent legal advice in relation to the prohibitions against the on-selling the Notes or allotted shares.

6. ESCROW PERIOD

- 6.1. During the Escrow Period, the Holder must not do any of the following in relation to a Note or the Ordinary Shares issued on conversion of a Note (the Escrowed Securities):
- (a) sell, assign, transfer or otherwise dispose of, or agree or offer to sell, assign, transfer or otherwise dispose of, the Escrowed Securities or any legal, beneficial or economic interest in the Note;
 - (b) create, or agree to create, any security interest in the Note or any legal, beneficial or economic interest in the Escrowed Securities; or
 - (c) do, or omit to do, any act or omission if the act or omission would have the effect of transferring effective ownership or control of the Note or any legal, beneficial or economic interest in the Escrowed Securities.
- 6.2. For the avoidance of doubt, during the Escrow Period, the Holder may exercise in its discretion all voting rights attached to the Ordinary Securities issued on conversion of a Note and the Holder is entitled to all dividends and distribution rights in relation to the Escrowed Securities.

7. PARTICIPATION IN ISSUES

- 7.1. If and whenever on or prior to the Maturity Date there is made to the holders of Ordinary Shares an offer or invitation by the Company to subscribe for or purchase shares in the Company or of any other body corporate or unit trust controlled by the Company (and whether by way of renounceable or non-renounceable rights or otherwise), the Company will procure that there is extended to each Holder the same offer or invitation as that Holder would have received if, immediately before the relevant date (in this Condition, the Record Date) for determining entitlements of holders of Ordinary Shares in respect of the offer or invitation, that Holder had:
- (a) converted all Notes held by the Holder to Ordinary Shares under Condition 3.1; and
 - (b) become registered as the holder of the number of Ordinary Shares equivalent to the number of Ordinary Shares which the Holder would have been entitled to have allotted to the Holder on the basis referred to in Condition 2.1(b).
- 7.2. The Company must ensure that the Holder receives notice in writing of any offer or invitation referred to in Condition 7.1 at least 5 Business Days before the relevant Record Date.
- 7.3. So long as the Company has, in respect of a particular Holder, complied with its obligations under Condition 7.2, that Holder may (without limiting any other rights or entitlements it may have otherwise than under these Conditions) only participate in the relevant offer or invitation if and to the extent that the Holder has, prior to the Record Date for that offer or invitation, exercised its conversion rights in respect of the Notes held by it.

8. PARTICIPATION IN ISSUES OF BONUS SHARES AND CAPITAL RECONSTRUCTIONS

- 8.1. If prior to any Conversion Date, the Company makes an allotment of Bonus Shares, the Holder shall have allotted to it on the Conversion Date shares in the capital of the Company of the same class as the Bonus Shares on the same terms and conditions as the Bonus Shares were allotted.
- 8.2. If prior to the Maturity Date, the Company reduces its issued Ordinary Shares, the right of each Holder under Condition 2.1(b) will be reduced in the same proportion and manner as the issued Ordinary Shares of the Company are reduced (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of ordinary shareholders approving the reduction of capital) but in all other respects the terms of conversion of the Notes will remain unchanged.
- 8.3. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Ordinary Shares into which the Notes will be converted will be reconstructed in a manner which will not result in any benefit or detriment being conferred on the Holders which are not conferred on shareholders of the Company.

9. NATURE OF ORDINARY SHARES

Ordinary Shares to be allotted on conversion of the Notes will be shares with respect to which no provision is made (whether by the Constitution of the Company or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling a consolidation and division of all or any of the share capital of the Company or the subdivision of all or any of the shares in the capital of the Company in accordance with the Corporations Act.

10. MATURITY AND REPAYMENT

- 10.1. (a) Any Holder may, on giving at least 2 days' notice in writing to the Company (which may be given at any time), require the Company on or at any time after the Maturity Date to redeem any of the Holder's Notes which have not been converted in accordance with these Conditions; and
- (b) The Company may at any time elect to redeem all or any of the Notes which have not been converted in accordance with these Conditions,
- by the Company paying or repaying all Moneys Owning in relation to those Notes (including, without limitation, the Issue Price and all interest then accrued but unpaid on those Notes).
- 10.2. The Company must comply with any notice duly given by a Holder under paragraph (a) of Condition 10.1.

11. CANCELLATION OF NOTES

All Notes redeemed, converted or purchased by the Company will thereupon be cancelled and may not be re-issued.

12. REGISTERS

- 12.1. The Company:
- (a) will cause to be established and maintained in Victoria a Register of the issued and outstanding Notes;
- (b) will cause to be entered in the Register the names and addresses of the Holders whose Notes are carried on that Register, the amount of the Notes held by each Holder and any other particulars as the Company thinks fit;

- (c) will cause the Register to be open at all reasonable times during business hours for the inspection of any Holder and of any persons authorised in writing by them; and
 - (d) may from time to time close any relevant Register for any period or periods not exceeding in total in any one year the maximum period for the time being permitted by law or 30 days, whichever is the lesser period.
- 12.2. Any change of the name or address of a Holder must be notified immediately by the Holder in writing to the Company, accompanied, in the case of a change of name, by such evidence as the Company requires and the Register will be altered accordingly.

13. ENTITLEMENTS TO CERTIFICATES

A Holder, other than an allottee of Notes, may waive its entitlement to a Convertible Notes Certificate.

14. JOINT HOLDERS

- 14.1. Subject to Condition 14.2, joint Holders will be entitled to one Convertible Notes Certificate only in respect of Notes held by them jointly and the Convertible Notes Certificate will be delivered to that one of the joint Holders whose name stands first in the Register.
- 14.2. If several persons are entered in the Register as joint Holders in respect of a Note the receipt by any one of such persons for the payment or satisfaction of any principal or interest from time to time payable or repayable to the joint Holders will be as effective a discharge to the Company as if the person signing the receipt were a sole Holder in respect of that Note.

15. REPLACEMENT OF CONVERTIBLE NOTES CERTIFICATES

- 15.1. If any Convertible Notes Certificate is lost, stolen, defaced or destroyed it may be replaced at the registered office of the Company upon payment by the claimant of the relevant expenses incurred and on such terms as to evidence, indemnity and security as the Company may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.
- 15.2. Any stamp duty payable on a new Convertible Notes Certificate issued under this Condition 14 must be paid by the Holder.

16. TRANSFER OF NOTES

- 16.1. Subject to the Escrow Period under Condition 6, the Holder will otherwise be entitled, to transfer the Notes and Ordinary Shares issued pursuant to conversion of a Note by an instrument in writing.
- 16.2. The transferor Holder will be deemed to remain the owner of the Notes until the name of the transferee is entered in the Register in respect of the Notes.
- 16.3. No instrument of transfer need be registered by the Company during the 14 days immediately preceding any day fixed for the computation of interest.

17. TITLE OF NOTES, NON-RECOGNITION OF EQUITIES

Subject to these Conditions, the Company will recognise only the Holder whose name appears in the Register as the absolute owner of the Notes in respect of which it is entered in the Register, and the Company may act accordingly.

18. **DECEASED HOLDERS**

The legal personal representatives of a deceased Holder (not being one of joint Holders) will be the only persons recognised by the Company as having any title to that Holder's Notes. Any person becoming entitled to Notes in consequence of the death or winding up or other demise of any Holder may, on producing such evidence of that person's title as the directors of the Company think sufficient, be registered as the Holder of the Notes or, subject to the preceding Conditions as to transfer, may transfer those Notes. The Company may retain the principal and interest and any other moneys payable in respect of any Notes which any person under this Condition is entitled to or entitled to transfer until such person is registered or has duly transferred the Notes in accordance with these Conditions.

19. **INDEMNITY TO THE COMPANY**

19.1. Whenever in consequence of:-

- (a) the death, winding up, insolvency or demise of a Holder;
- (b) the non-payment of any income Tax or other Tax payable by a Holder; or
- (c) the non-payment of any stamp or other duty by the legal personal representatives of a Holder or his estate,

any law for the time being of Australia or any State or Territory or any other country or place, in respect of that Notes, imposes or purports to impose any liability of any nature whatever on the Company to make any payments to any government or governmental authority, the Company will in respect of that liability be indemnified by that Holder and his legal personal representatives and any moneys paid by the Company in respect of that liability may be recovered by action from that Holder and/or his legal personal representatives as a debt due to the Company and the Company will have a lien in respect of those moneys upon the Notes held by that Holder or his legal personal representatives and upon the principal and interest payable in respect of those Notes.

19.2. Nothing in this Condition 19 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Company.

Annexure D

Charge

1. Fixed and Floating Charge

In consideration of advances made or to be made by the parties set out in the Explanatory Notes, the Company proposes to grant a fixed and floating charge over the assets of the Company as security for payment of each of the Convertible Notes. The Charge is to be held by the Chargee, CN Holder Pty Ltd (ACN 128 460 882).

2. Fixed Charge

The fixed nature of the Charge is by way of a fixed charge over all of the Company's property, including but not limited to, the Company's estate and interest in any real and leasehold property, uncalled and called but unpaid capital plant and equipment (other than stock in trade) and goodwill, patents, trade marks and licences.

3. Floating Charge

The floating nature of the Charge is by way of a floating charge which shall automatically and immediately crystallise and the Charge shall operate as a fixed charge:

- (a) on the occurrence of an Event of Default;
- (b) on service by the Chargee upon the Company of a notice stating the Floating Charge has crystallised in respect of all or any part of the Charged Property as specified in the notice; or
- (c) in respect of any asset forming part of the Charged Property and not already subject to a fixed charge if the Company deals, or attempts, purports, or proposes to deal with that asset other than in accordance with the Charge Deed or in the ordinary course of business of the Company.

4. Event of Default

An Event of Default at the option of the Chargee shall have occurred where certain events, including but not limited to, the following occur:

- (a) the Company fails to pay monies payable to the Chargee within 3 days of the due date;
- (b) there is default by the Company and if the default is capable of remedy it is not remedied to the satisfaction of the Chargee;
- (c) the Company cannot pay, satisfy or discharge any Indebtedness or other obligation to any person when due;
 - (i) an application is made to a court or a meeting convened for the purpose of passing a resolution for the appointment of or there is appointed a receiver or receiver and manager or liquidator or provisional liquidator or trustee or inspector or official manager or similar person to the Company or to the Company's undertaking or any part thereof;
 - (ii) proceedings are initiated or an application is presented with a view to obtaining an order for the winding up or similar process of the Company or a meeting is called or threatened to be called for the purpose of considering or passing any resolution for the winding up or a similar process of the Company or an order is made or a resolution is passed for the winding up of the Company;

- (iii) the ASX listing of the Company is suspended or revoked and such suspension or revocation remains in force for a period greater than 14 days; or
- (iv) any representations, warranties, replies to requisitions or any financial or other information provided to the Chargee in connection with the Charge is or becomes untrue false or misleading.

5. Powers on Default

After the occurrence of an Event of Default, the Chargee may at its option do any or all of the following:

- (a) enter, take possession and assume control of the Charged Property;
- (b) carry on any business of the Company forming part of, or relating to, the Charged Property;
- (c) sell or agree to sell any Charged Property (whether or not the Chargee has taken possession) on such terms as the Chargee thinks fit;
- (d) appoint a Receiver on such terms as the Chargee deems fit notwithstanding that an order may have been made or a resolution passed for the winding up of the Company; or
- (e) pay out any monies owing to any other person in respect of the Charged Property.

16 November 2010

The Directors
World Reach Limited
5/8 Anzed Court
Mulgrave VIC 3170

Dear Sirs

Independent Expert's Report

1. Introduction

The directors of World Reach Limited ("World Reach" or "the Company") have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect of a proposed resolution to be put before the shareholders at a forthcoming General Meeting.

World Reach currently has 58 Convertible Notes on issue that mature on 1 July 2011. Each Convertible Note has a face value of \$25,000, a total of \$1,450,000 for the 58 Convertible Notes. The issue of these Convertible Notes was approved by shareholders on 7 May 2009. World Reach is now seeking shareholder approval to extend the maturity date of the Convertible Notes to 1 July 2013.

As the extension of the maturity date from 1 July 2011 to 1 July 2013 is a change in a material condition of the Convertible Notes, the proposed change in the maturity date requires shareholder approval pursuant to provisions of the Corporations Act 2001 ("the Act") and the Listing Rules of the Australian Securities Exchange ("ASX").

In our opinion the Proposed Transaction, as defined below, is **not fair but is reasonable**. The reasons for this opinion are summarised in Section 3.

2. The Proposed Transaction

2.1 Definition of the Proposed Transaction

Shareholders are being asked to vote on the following resolution:

"THAT, for the purposes of Listing Rules 7.1, 10.1 and 10.11, and Chapter 6 and Chapter 2E of the Corporations Act and for all other purposes, approval is given to extend the maturity date of 58 Convertible Notes of \$25,000 each issued on 15 May 2009 (and announced on the ASX on 19 and 20 May 2009) from the 1 July 2011 to 1 July 2013."

We refer to the above resolution as "the Proposed Transaction".

2.2 The Convertible Notes

The Convertible Notes were issued with the following key terms and conditions:

- (a) The maturity date of the Convertible Notes is 1 July 2011.
- (b) The Convertible Notes are secured by a fixed and floating charge over the assets of World Reach.
- (c) The Convertible Notes bear interest at the higher of:
 - i) 8.0% per annum; or
 - ii) the prevailing 90-day bank bill rate plus a margin of 3.0%.

Interest is payable monthly in arrears.

- (d) The Convertible Note holders are entitled to convert each Convertible Note into World Reach shares at any time up to their maturity as follows:
 - i) provided that World Reach has not issued any shares prior to conversion of the Convertible Note or if any shares were issued and the issue price was \$0.0045 per share or higher, each Convertible Note will convert into 5,555,555 shares, being a price of \$0.0045 per share.
 - ii) if World Reach issued any shares prior to conversion of the Convertible Note at a price below \$0.0045, each Convertible Note will convert at a 20% discount to the price at which such shares are issued.

Approval of the Proposed Transaction will result in an extension of the maturity date from 1 July 2011 to 1 July 2013. All other terms and conditions of the Convertible Notes will remain unchanged.

2.3 Impact on Share Capital and Voting Power

Set out in the table below are details of the holders of the Convertible Notes:

Noteholder	No of Convertible Notes held	Face Value \$	No of Shares on Conversion
Killarney Properties Pty Ltd (“Killarney”)	10	250,000	55,555,556
Biotec International Pty Ltd (“Biotec”)	6	150,000	33,333,333
Mrs Capocchi	14	350,000	77,777,778
Makormak Investments Pty Ltd (“Makormak”)	2	50,000	11,111,111
Chris Eade	5	125,000	27,777,778
Colin McLean Adam	3	75,000	16,666,667
Richard Hedstrom	3	75,000	16,666,667
Maurice Venning	3	75,000	16,666,667
Reiny Gajewski	2	50,000	11,111,111
R & JC McNab as trustees for the Duoscript Pty Ltd Super A/c	2	50,000	11,111,111
D & S Payne as trustees of the Payne Super Fund	2	50,000	11,111,111
Tilstar Investments Pty Ltd as trustee for the Tilstar Investments Trust	2	50,000	11,111,111
Tim Don Nominees Pty Ltd	2	50,000	11,111,111
Rolf Graf as trustee for the Graf Superannuation Account	1	25,000	5,555,556
Bruce Hotton as trustee for the BG Hotton and Family Superannuation Account	1	25,000	5,555,556
Total	<u>58</u>	<u>1,450,000</u>	<u>322,222,222</u>

World Reach’s largest shareholder is Killarney. Killarney currently holds 121,224,436 shares and 14,062,500 options to acquire World Reach shares. If Killarney was to exercise its options and no other options on issue were exercised, Killarney would hold 135,286,936 shares representing 20.13% of World Reach’s voting power. Killarney holds 10 Convertible Notes and should Killarney convert its Convertible Notes it would be issued a further 55,555,556¹ shares. Assuming that no other holders convert their Convertible Notes and World Reach does not issue any further shares, Killarney may hold up to 26.23% of World Reach’s voting power.

The directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

3. Summary Opinions

3.1 Fairness and Reasonableness

In our opinion the Proposed Transaction is **not fair**. In reaching this conclusion we compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding.

After considering the significant factors set out in Section 11, we concluded that the Proposed Transaction is **reasonable** to the Non-Associated Shareholders. These factors include the legal and other transaction costs that World Reach would incur in obtaining alternate funding and the additional management time that would be required in seeking alternate funding. Neither of these factors were incorporated into the assessment of fairness. Furthermore, if World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. If this occurred and they proceeded to sell their shares, then the price of World Reach shares may fall significantly.

¹ Assumes a conversion price of each Note of \$0.0045 per share. The actual conversion price could be lower resulting in a greater number of shares being issued on conversion – refer Section 2.2 (d) ii) above.

3.2 Related Parties - Financial Benefits

Approval of the Proposed Transaction will result in the following holders of Convertible Notes, each of whom is deemed to be a related party for the purposes of Chapter 2E of the Act, receiving a benefit of approximately \$11,000 per Convertible Note. The benefit accruing to each related party is:

Noteholder	No of Convertible Notes held	Value of Benefit \$
Biotec	6	66,000
Mrs Capocchi	14	154,000
Makormak	2	22,000

4. Structure of this Report

This report is divided into the following sections:

<u>Section</u>	<u>Page</u>
5 Purpose of the Report	4
6 World Reach - Key Information	8
7 Valuation of World Reach Shares	10
8 Evaluation of the Proposed Transaction	16
9 Control Premium	21
10 Assessment as to Fairness	22
11 Other Considerations	22
12 Related Parties - Financial Benefits	24
13 Financial Services Guide	24
<u>Appendix</u>	
A World Reach - 20 Largest Shareholders – 31 August 2010	27
B-1 World Reach – Consolidated Statements of Comprehensive Income	28
B-2 World Reach – Consolidated Statements of Cash Flows	29
B-3 World Reach – Consolidated Statements of Financial Position	30
C Sources of Information	31
D Declarations, Qualifications and Consents	32

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- Corporations Act 2001 – Chapter 6**

Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company from a starting point that is below 20% to above 20%.

Section 611 of the Act contains various exceptions to the Section 606 prohibition. For an acquisition of shares, pursuant to the Proposed Transaction, to fall within

the exceptions, the acquisition must be:

- (a) an acquisition that increases a shareholder's voting power by not more than 3% in each 6 month period; or
- (b) an acquisition that results from an issue of securities that satisfies all of the following conditions:
 - a company offers to issue securities in a particular class;
 - offers are made to every person who holds securities in that class to issue them with the percentage of the securities to be issued that is the same as the percentage of the securities in that class that they hold before the issue;
 - all of those persons have a reasonable opportunity to accept the offers made to them;
 - agreements to issue are not entered into until a specified time for acceptances of offers has closed; and
 - the terms of the offers are the same; or
- (c) an acquisition approved in advance by a resolution passed at a general meeting of the company, subject to the applicable voting restrictions.

As conversion of the Convertible Notes by Killarney may increase its voting power up to 26.23% (assuming no other Convertible Notes are converted), World Reach is seeking shareholder approval for the issue of shares following the conversion of the Convertible Notes under item 7 of Section 611 of the Act (exception (c)).

- **ASX - Listing Rules**

Listing Rule 10.1 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of a substantial asset is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

Listing Rule 10.2 defines a substantial asset as being an asset whose value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX under the listing rules. The Convertible Notes will continue to be secured by a fixed and floating charge over the assets of World Reach and this charge is deemed to be a substantial asset.

As each of Killarney, Biotec, Capocchi and Makormak is either a related party or a substantial shareholder and as each of them may benefit from the charge securing the Notes, Listing Rule 10.1 will apply to the Proposed Transaction.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

RG 111.21 An issue of shares by a company otherwise prohibited under S606 may be approved under item 7 of S611 and the effect on the company’s shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of S611 that are comparable to takeover bids under Ch 6 include:

- (a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company

RG111.24 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account in assessing whether the issue price is ‘reasonable’ if it has assessed the issue price as being ‘not fair’ applying the test in RG111.10.

RG111.9 It has long been accepted in Australian mergers and acquisitions practice that the words ‘fair and reasonable’ in S640 established two distinct criteria for an expert analysing a control transaction:

- (a) is the offer ‘fair’; and
- (b) is it ‘reasonable’?

That is, ‘fair and reasonable’ is not regarded as a compound phrase.

RG111.10 Under this convention, an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or ‘portfolio’ parcel of shares.

RG111.11 An offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

As Killarney may attain an interest of up to 26.23% in World Reach’s voting power, ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of World Reach.

In assessing a takeover bid Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both “fair” and “reasonable”.

- **General**

The terms fair and reasonable are not defined in the Act so we have defined them for the purpose of this report as:

Fairness - the Proposed Transaction set out in Section 2 is fair if the net benefit to World Reach through the extension of the maturity date of the Convertible Notes exceeds the increase in the value of the options over World Reach shares imbedded in the Convertible Notes.

Reasonableness - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as:

- (i) In determining whether the Proposed Transaction is fair, we have:
 - (a) valued the World Reach shares;
 - (b) valued the options over the World Reach shares and assessed the increase in the value of the options as a result of the extension of the maturity date of the Convertible Notes;
 - (c) assessed the value of the net benefit that will accrue to World Reach from an extension of the maturity date of the Convertible Notes; and
 - (d) compared the results of (b) and (c) above.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors, which the Non-Associated Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

- **Corporations Act 2001 – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company’s members if it gives a financial benefit to a related party unless, the benefit falls within the scope of an exception to the Act as set out in Sections 210 to 216 of the Act.,

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm’s length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 228 of the Act defines ‘related parties’ as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;
- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

As Biotec, Capocchi and Makormak are deemed to be Related Parties of World Reach pursuant to Section 228 of the Act, the extension of the maturity date of the Convertible Notes contemplated by the Proposed Transaction is deemed to be the giving of a financial benefit to these Related Parties by World Reach. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the Company’s interests to approve the giving of the financial benefit.

Section 229(1)(c) of the Act states:

“In determining whether a financial benefit is given you must disregard any consideration that is or may be given for the benefit, even if the consideration is adequate.”

The ASIC media release issued on 10 August 2004 has expressed the view that the financial benefit must be adequately valued. ASIC has gone on to state:

“An adequate valuation requires the basis of the valuation and the principal assumptions behind the valuation to be disclosed, and in some circumstances it may be necessary to provide a valuation by an independent expert.”

The Directors of World Reach have requested DMR Corporate to independently assess the value of this financial benefit.

6. World Reach - Key Information

6.1 Background

World Reach was listed on the ASX in 1996 as Pacific Arc Exploration NL, which was subsequently renamed Pacarc NL.

In 1999 Pacarc NL acquired a telecommunications and network management systems business and related assets from Martin Communications Pty Ltd. Following completion of this transaction Pacarc NL became a limited liability company and adopted the name Tele-IP.

Following the move into the telecommunications industry the Company made a number of acquisitions and grew to become a significant technology supplier to the service provider and corporate data network markets.

In the recent past the Company has divested the StratoSonde technology, which measures wind velocity patterns and air turbulence. In March 2007 the Company divested its Cabling and Installation Division and in March 2008 the Company sold the Network Services Division. At the same time the Company adopted its current name, World Reach.

The major remaining operating subsidiary of World Reach is Beam Communications Pty Ltd (“Beam”). The business of Beam is briefly described below:

Beam was established by World Reach in 2002, making a substantial investment in the development and manufacturing of Remote Satellite Communications solutions for the global telecommunications market.

Beam is a world leader in providing global communications solutions for the Iridium network across various vertical market segments and a wide range of specialist applications. Beam designs, builds and sells its satellite services, products and solutions through a worldwide network of more than 1,000 Resellers.

Beam was the first company to design and manufacture a fully compliant POTS emulation phone service for the Iridium Satellite network using its Remote Satellite Terminals. Now one of the leading global manufacturers of satellite communication equipment, Beam offers the widest range of Iridium solutions across all market segments.

Beam solutions are utilised by industries such as maritime, aviation, government/military, oil and gas, emergency/humanitarian services, mining, forestry, heavy equipment, transportation, utilities, telemetry and rural telephony.

Iridium provides a truly global satellite voice and data solution with complete coverage of the earth by its network of low orbit satellites.

Iridium delivers essential communications services to and from remote areas where no other form of communication is available.

The integration of Beam remote satellite terminal equipment with the Iridium satellite network provides complete global telecommunications access. The design of the Iridium network enables robust, reliable communications anywhere anytime using portable, mobile or fixed devices.

In the first quarter of the 2010/11 year Beam was appointed as the developer, manufacturer and distributor of docking units for handheld satellite phones to be released by Inmarsat PLC a leading provider of global mobile satellite communications services.

6.2 Share Capital

As at the date of this report World Reach had on issue 657,906,777 fully paid ordinary shares.

The major shareholders of World Reach on 31 August 2010 are presented in Appendix A. As at that date, the top 20 shareholders held 46.54% of the issued ordinary capital of World Reach.

World Reach also has 134,906,250 options on issue. The options were issued to employees pursuant to World Reach’s Share Option Incentive Plan and to investors who took up previous issues of convertible notes. The details of the options are:

No of Options	Expiry Date	Exercise Price \$
500,000	01/07/2011	0.0250
250,000	01/07/2011	0.0200
1,000,000	29/10/2011	0.0250
10,000,000	30/09/2012	0.0200
5,000,000	30/09/2012	0.0250
5,000,000	30/09/2012	0.0300
1,500,000	30/09/2012	0.0250
14,750,000	31/10/2012	0.0250
12,906,250	31/10/2012	0.0500
11,062,500	31/10/2012	0.0750
3,500,000	01/04/2013	0.0250
3,062,500	01/04/2013	0.0500
2,625,000	01/04/2013	0.0750
7,800,000	31/12/2013	0.0065
43,500,000	01/07/2014	0.0450
12,450,000	30/09/2014	0.0065
<u>134,906,250</u>		

6.3 Operating Performance

World Reach's consolidated statements of comprehensive income for the financial years ended 30 June 2008, 2009 and 2010 are set out in Appendix B-1.

6.4 Cash Flow Statements

World Reach's consolidated statements of cash flows for the financial years ended 30 June 2008, 2009 and 2010 are set out in Appendix B-2.

6.5 Financial Position

World Reach's consolidated statements of financial position as at 30 June 2008, 2009 and 2010 are presented in Appendix B-3.

7. Valuation of World Reach Shares

7.1 Value Definition

DMR Corporate's valuation of World Reach shares has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

7.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;

- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

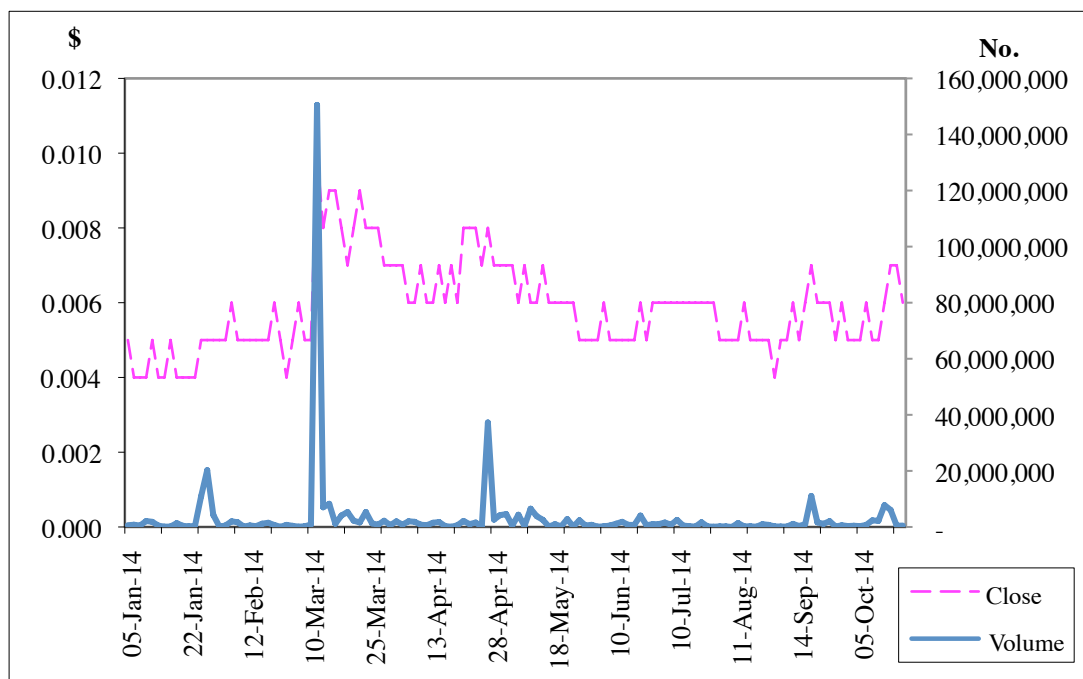
7.3 Share Price History

The share price history valuation methodology values a company based on the past trading in its shares.

The share price and trading volume history of World Reach from 1 January 2010 to 25 October 2010 in tabular form is as follows:

Month	Share Price			Volume	Value
	High \$	Low \$	Average \$		
2010					
January	0.005	0.003	0.005	19,905,700	93,165
February	0.008	0.004	0.005	34,408,717	174,009
March	0.018	0.004	0.010	193,769,726	1,848,611
April	0.011	0.006	0.008	64,459,894	486,329
May	0.007	0.005	0.006	24,882,375	149,319
June	0.006	0.005	0.005	10,734,643	57,965
July	0.007	0.005	0.006	9,682,820	58,097
August	0.006	0.004	0.005	4,347,733	21,822
September	0.008	0.005	0.006	20,117,914	130,251
1-25 October	0.007	0.005	0.006	20,341,148	123,721
				<u>402,650,670</u>	<u>3,143,288</u>

The following graph sets out the daily trading volumes and closing prices:



The following comments are made in relation to the shares traded between 1 January 2010 and 25 October 2010.

Share Volumes

The total volume of shares traded was 402,650,670 and this equates to approximately 61% of the shares on issue. As the period represented in the above table is approximately 10 months, this indicates that the stock is liquid, however approximately 150 million shares were traded on one day in March 2010. When that day's trading is excluded from the analysis, the stock is only moderately liquid.

Share Prices

The table shows that the price during the period varied from a low of \$0.003 to a high of \$0.018.

As can be seen from the above table, the low share price of \$0.003 occurred in January 2010 and the high price of \$0.018 was reached in March 2010. The high price occurred on the day when 150 million shares were traded. Excluding that day's trading the highest price achieved was \$0.011 in April 2010.

Set out below is the recent volume weighted average share price (based on closing daily prices) ("VWAP"):

Period	VWAP \$	Value Traded \$
90 days to 15 October 2010	0.006	287,074
60 days to 15 October 2010	0.006	266,244
30 days to 15 October 2010	0.006	238,347
Most recent trading day	0.006	3,000

Summary – Share Price History

We have formed the opinion that the World Reach shares have a market value of \$0.006 each.

7.4 Earnings Based Valuation

7.4.1 Description of Methodology

This methodology involves capitalizing the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business. Other variations to EBIT include 'Earnings Before Interest, Tax, Depreciation and Amortization' – EBITDA and 'Earnings Before Interest, Tax, and Amortization' – EBITA.

We have concluded that a valuation of World Reach should be based on a capitalisation of its EBITDA as this facilitates comparison with other listed companies.

7.4.2 Assessment of Maintainable Earnings

The financial results for the past 3 completed financial years are set out in Appendix B-1. Using this information we have calculated World Reach's EBITDA as:

	Year ended 30 June 2008 Audited \$000's	Year ended 30 June 2009 Audited \$000's	Year ended 30 June 2010 Audited \$000's
Profit before income tax	11	634	(369)
One-off Items:			
Discontinued operations	(150)	(293)	(82)
Depreciation	64	99	107
Foreign exchange loss/(gain)	187	(118)	132
Net interest expense	334	234	263
EBITDA	<u>446</u>	<u>556</u>	<u>52</u>

As can be seen from the above table, World Reach has reported a positive EBITDA in each year, however the actual level of EBITDA is low for a listed company.

After reviewing World Reach's forecasts for the year ending 30 June 2011, which has been made available to us on a commercial-in-confidence basis, we consider that World Reach's future maintainable EBITDA is in a range of \$600,000 to \$700,000.

7.4.3 Capitalisation Multiple

The maintainable earnings determined in the preceding paragraph need to be capitalised at an appropriate capitalisation rate or multiple. An appropriate capitalisation rate is usually derived by observing the capitalisation rates at which listed entities trade, which are considered to be comparable to the company being valued.

Whilst there are a number of Australian listed companies in the telecommunications sector, these are not directly comparable with World Reach as the majority of smaller companies in this sector supply internet based communication services.

We have considered deriving a capitalisation multiple by reference to comparable companies listed on international markets however as this taints the selected multiple by differences between international markets, we have concluded that this approach is not suitable to a company of the size of World Reach.

Due to the matters discussed in the preceding two paragraphs we have reviewed the capitalisation multiples at which the following Australian companies trade whose business profiles may be compared to World Reach. These are:

Company	ASX Code	Enterprise Value \$000's	EBITDA \$000's	EBITDA Multiple
Newsat	NWT	26,032	* 2,470	10.5
TSV Holdings	TSV	7,092	1,317	5.4
QRSciences	QRS	3,486	1,230	2.8

* Based on results for the six months ended 30 June 2010

Each of the above companies is a supplier of electronic equipment however their operations are not directly comparable to World Reach.

Given the relatively small scale of World Reach's operations, we have reviewed a range of past transactions and other valuations involving private companies. These cover a range of industries and businesses of different scope and risk profile.

Based on the above evidence and our general valuation experience we have concluded that World Reach should be valued at an EBITDA multiple in a range of 4.0 to 4.25.

7.4.4 Enterprise Value

In Section 7.4.2 above we concluded that World Reach's future maintainable EBITDA is in a range of \$600,000 to \$700,000 and in Section 7.4.3 above we concluded that World Reach should be valued at an EBITDA multiple of 4.0 to 4.25.

Based on the above, we have assessed the enterprise value of World Reach as follows:

	Low	High
Estimated future maintainable EBITDA	\$600,000	\$700,000
Multiple	4.0	4.25
Enterprise value	<u>\$2,400,000</u>	<u>\$2,975,000</u>

7.4.5 Valuation Adjustments

The enterprise value must be increased by the value of surplus assets and reduced by the value of interest bearing debt in order to determine the value of World Reach's equity under this methodology.

Surplus assets are those identified as being "surplus" to the needs of the business and which are not required for the business to generate its income. A review of World Reach's statement of financial position as at 30 June 2010 did not identify any surplus assets.

World Reach's statement of financial position as at 30 June 2010 shows that net debt was approximately \$2,120,000 at that date. (World Reach also had an advance of \$1,420,000 from Immasat Plc, however as this is interest free and repayable from future sales, we do not consider that this advance should be included as part of net debt).

Based on this methodology the equity value of World Reach is:

	EBITDA Low \$	EBITDA High \$
Enterprise value	2,400,000	2,975,000
Net debt	(2,120,000)	(2,120,000)
Equity value	<u>280,000</u>	<u>855,000</u>

7.4.6 Conclusion

In our opinion, based on the capitalisation of earnings valuation methodology, the equity value of World Reach is in a range of \$280,000 to \$855,000. World Reach has 657,906,777 shares on issue and based on the capitalisation of maintainable earnings methodology the value per World Reach share is in a range of \$0.0004 to \$0.0013.

7.5 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As World Reach has not prepared a budget beyond 30 June 2011, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value the World Reach shares.

7.6 Asset Based Methods

This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net Assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

(b) Orderly Realisation of Assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of Assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

As can be seen from Appendix B-3, as at 30 June 2010 World Reach's statement of financial position shows that at that date World Reach had negative net assets of \$863,546. After reviewing the statement of financial position, we have concluded that based on the assets based methods the value of the World Reach shares is nil.

7.7 Comparable Market Transactions

Theoretically this is a sound valuation methodology as it is based on tangible evidence of other similar transactions (this is the methodology generally adopted in valuing real estate). We consider that this methodology is not an appropriate methodology to value the World Reach shares as we have not identified any companies that can be directly compared with World Reach.

7.8 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire World Reach is a relevant valuation methodology to be considered. In this instance we are not aware of any alternative offer for World Reach and we can see no reason as to why an offer would be initiated prior to the Proposed Transaction taking place.

7.9 Conclusion

A summary of the valuation methodologies that we considered to be applicable in valuing the World Reach shares is as follows:

VALUATION METHODOLOGY	Low \$ Per Share	High \$ Per Share
Share Price History	0.0060	0.0060
Earnings based Valuation	0.0004	0.0013

Having regard to the results of the applicable valuation methodologies, we have concluded that the value based on the share price history methodology should be preferred as this is based on actual market evidence for World Reach shares. We have therefore valued the World Reach shares at \$0.006 per share.

8. Evaluation of the Proposed Transaction

8.1 Approach to the Evaluation

We have considered the following factors when evaluating the Proposed Transaction:

- each Convertible Note can be converted into World Reach shares, at the option of the Convertible Note holder, at any time up to its maturity as follows:
 - i) provided that World Reach has not issued any shares prior to conversion of the Note or if any shares were issued and the issue price was \$0.0045 per share or higher, each Note will convert into 5,555,555 shares, being a price of \$0.0045 per share.
 - ii) if World Reach issued any shares prior to conversion of the Note at a price below \$0.0045, each Note will convert at a 20% discount to the price at which such shares are issued.

The effect of the Proposed Transaction is to extend the expiry date of the option to acquire World Reach shares at a price not exceeding \$0.0045 per share from 1 July 2011 to 1 July 2013.

- the Convertible Notes earn interest at a rate of 8.0% per annum or the prevailing 90-day bank bill rate plus a margin of 3.0%. Interest is payable monthly in arrears;
- the Convertible Notes are secured by a charge over World Reach's assets;
- if a holder of a Convertible Note has not elected to convert the note into shares by its maturity date, then World Reach is obliged to redeem the Note;

The Proposed Transaction does not alter any of the above features of the Convertible Notes.

Based on the above points we believe that the value of each Convertible Note can best be thought of as comprising of two distinct components, namely:

- (i) the value of the right to convert a "loan" of \$25,000 into 5,555,555 shares. This right is equivalent to an issue of 5,555,555 free options exercisable at \$0.0045 (issue price of \$25,000 convertible into 5,555,555 shares) at any time up to the extended maturity date of 1 July 2013; and
- (ii) the value of a loan of \$25,000 for a period of 24 months, which carries interest at 8.00% per annum (whilst a higher interest is payable if the 90-day bank bill rate exceeds 5%, as the rate is currently 4.84% (29 October 2010), we have assumed that the higher rate will not become payable during the life of the Convertible Notes).

The option component of the Convertible Notes can be valued by reference to the value of World Reach shares as determined in Section 7.9 and using an option pricing model. The value of the options is considered in Section 8.2 below.

The loan component can be assessed by comparing the net present value of the loan based on the effective cost of the loan with the net present value of alternate sources of finance that may be available to World Reach. Our enquiries indicate that the interest cost of 8.0% per annum is less than a market rate of interest. Furthermore, we understand that due to its history of low profitability and poor financial position, World Reach has not been able to obtain funding from conventional sources. Evaluation of the loan component is considered in Section 8.3 below.

8.2 Valuation of the Option Component

8.2.1 Approach to the Option Valuation

The right to convert is effectively an option to acquire World Reach shares. At present the Convertible Note holders have a right to convert up to the current maturity date of 1 July 2011. The Proposed Transaction will extend the conversion period by two years.

There are a number of option pricing models that can be used to value the options embedded within the Convertible Notes. After reviewing the Convertible Note Deed, we have concluded that the options should be valued using the Black-Scholes Option valuation model.

The Black-Scholes Option valuation model determines the value of an option as a function of the following variables:

- 1) the current share price of the underlying shares
- 2) exercise price of the option
- 3) volatility of the share price
- 4) time to expiry
- 5) risk free rate of interest
- 6) expected dividend yield

Each of the above variables is discussed below.

8.2.2 Assumptions Used

The share price of the underlying shares

In Section 7.9 above we valued the World Reach shares at \$0.006 per share. We have used this value in assessing the value of the options.

The exercise price of the options

Each Convertible Note can be converted into ordinary shares at \$0.0045 per share.

The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualized standard deviation of daily share price returns on the underlying security over a specified period.

The historical volatility information for Australian listed companies can be sourced from the Australian Graduate School of Management – Centre for Research in Finance Risk (“CRIF”) Measurement Service statistics.

The June 2010 CRIF estimated the volatility of World Reach shares to be 112.58%. As this is unusually high, a basket of similar companies was considered and their volatilities, along with that of World Reach, are set out below:

Company	ASX Code	Market Capitalisation (\$mil)	Volatility (%)
Fulcrum	FUL	2	90.07
Wavenet	WAL	4	70.32
TSV Holdings	TSH	9	65.13
Ambertech	AMO	13	39.49
Engin Ltd	ENG	5	58.89
World Reach	WRR	3	112.58
AVERAGE			72.75

We have concluded that a share price volatility of 73% is appropriate when valuing the World Reach options.

Time to expiry

The right to convert expires on 1 July 2013, or two years after the current maturity of the Convertible Notes.

Risk free rate of interest

We have used a risk free rate of 4.86% in valuing the options. This rate is based on the current Treasury Bond yields with a maturity approximating 1 July 2013.

Expected dividend yield

World Reach does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

8.2.3 Assessment of the Value of the Maturity Date Extension to the Convertible Note Holders

Based on the assumptions set out above and using the Black-Scholes option-pricing model, we have assessed the value of each option by comparing the value of their existing option, which expires on 1 July 2011, with the value of an option expiring on 1 July 2013.

Based on the inputs discussed in Section 8.2.2 above we valued the option component of the Convertible Notes as at the proposed date of the meeting assuming that the Proposed Transaction is not approved. This calculation resulted in a value of approximately \$11,300 and this is the remaining option value to the current expiry date of 1 July 2011.

We then prepared an identical calculation but assuming that the Proposed Transaction is approved. This calculation resulted in a value of approximately \$18,300 and this will be the value of the option to the extended expiry date of 1 July 2013. The difference between the two values of \$7,000 is the incremental value that approval of the Proposed Transaction will generate in respect of each Convertible Note.

We have concluded that the existing Convertible Note holders will receive a benefit of approximately \$7,000 per Convertible Note in return for agreeing to extend the maturity date of the Convertible Notes by two years. A benefit of \$7,000 over two years represents an implied annual funding cost in the range of 14.0%.

8.3 Evaluation of the Loan Component

8.3.1 Approach to the Evaluation

In order to assist shareholders in understanding our approach to assessing the value of the net benefit that will accrue to World Reach from an extension of the maturity date of the Convertible Notes, we set out below our reasoning.

Each Convertible Note provides World Reach with a loan of \$25,000. The Convertible Note holders receive monthly interest at the rate of 8.0% per annum. We concluded that the above arrangements, given World Reach's poor financial position, effectively provide funding to World Reach at a discount to normal commercial terms. The present arrangement provides a benefit to World Reach which equals the difference between the cost of the Convertible Notes and the cost of alternate market based funding.

8.3.2 Assessment of Alternate Funding Costs

The current Commonwealth Bank overdraft reference rate is 10.4%. The overdraft reference rate is subject to customer margins, depending on the customer's financial position. In our opinion, given World Reach's poor net asset position, it is most unlikely to be able to raise sufficient funding in the normal commercial market to be able to re-finance the Convertible Notes.

We have reviewed the terms of other recent loan note and convertible note funding arrangements reported by a range of small cap ASX listed companies. As each funding arrangement is tailored to the specific circumstances, the terms and pricing of the arrangements is difficult to compare. Nevertheless we found that convertible notes typically carry an interest cost in the range of 5% to 12.5%, are for a term of 2 to 3 years and can be converted at a discount of 10% to 20% to the then prevailing share price. We have concluded that any replacement arrangement would carry an effective funding cost of not less than 16% per annum. It should be noted that usually the convertible note facility is provided by one party who stands to gain control or significant influence over the borrower if conversion takes place. The pricing therefore includes a degree of premium for control.

World Reach may also be able to fund repayment of the Convertible Notes from the proceeds of a capital raising. A review of a number of recent capital raisings by small cap listed companies revealed that placements of new shares were made at discounts ranging from 13% to 22%. The average discount to the current share price is approximately 17.5%.

After reviewing the various potential sources of funding, we have concluded that if World Reach was able to obtain alternate funding this is likely to attract funding costs of between 16% and 19% per annum. The above funding costs exclude legal and other transaction costs that would also be borne by World Reach.

8.3.3 Assessment of the Value of the Net Benefit Accrue to World Reach from an Extension of the Maturity Date of the Convertible Notes

In Section 8.3.2 above we concluded that, if World Reach were able to secure alternate funding, this is likely to attract funding costs of between 16% and 19% per annum. As the existing Convertible Notes carry an interest cost of 8% per annum, extension of the maturity date will provide a net benefit to World Reach of 8% to 11% per annum per Convertible Note. As each Convertible Note has a face value of \$25,000, the reduction in funding costs per Convertible Note will be in a range of \$2,000 to \$2,750 per annum, or \$4,000 to \$5,500 for the two year deferral of the maturity of the Convertible Notes².

9. Control Premium

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 20% to 30%³ above the value of a minority share. The actual control premium paid is transaction specific and depends on a range of factors, such the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets.

As explained in Section 2, if Killarney was to exercise its options and no other options on issue were exercised, Killarney would hold 135,286,936 shares representing 20.13% of World Reach's voting power. Killarney holds 10 Convertible Notes and should Killarney convert its Convertible Notes it would be issued a further 55,555,556⁴ shares. Assuming that no other holders convert their Convertible Notes and World Reach does not issue any further shares, Killarney may hold up to 26.23% of World Reach's voting power.

The above represents the maximum percentage that Killarney could end up owning and assumes:

- (a) Killarney elects to convert all 10 Convertible Notes into 55,555,550 shares, rather than electing to have the Convertible Notes redeemed;
- (b) Killarney exercises the 7,500,000 options at an exercise price of \$0.006 per share before their expiry date on 1 July 2014;
- (c) Killarney exercises the 6,562,500 options that it already holds at an exercise price of up to \$0.075 before their expiry date on 31 October 2012;
- (d) World Reach will not issue any further shares in the intervening period; and
- (e) no other Convertible Notes will be converted or other options exercised.

Whilst a voting power of 26.23% would place Killarney in a position of significant influence over World Reach, we consider it unlikely that all four assumptions listed above will occur and consequently Killarney may end up with a lower percentage of the issued capital.

² It should be noted that, given World Reach's substantial carry forward tax losses, this assessment assumes that World Reach does not obtain any benefit from the tax deductibility of interest.

³ RSM Bird Cameron Control Premium Study – September 2010.

⁴ Assumes a conversion price of each Note of \$0.0045 per share. The actual conversion price could be lower resulting in a greater number of shares being issued on conversion – refer Section 2.2 (d) ii) above.

The most likely outcomes are that either all note holders will convert their notes into shares, or no notes will be converted. In case of all note holders exercising their conversion right, Killarney's voting power would in fact reduce from its present level.

As explained above we regard it as unlikely that Killarney will in fact increase its shareholding as a result of the Proposed Transaction. Furthermore, at the time the Convertible Notes were originally issued shareholders permitted Killarney to increase its voting power to 27.68% and the Proposed Transaction merely extends the maturity date of the Convertible Notes. Nevertheless the guidance provided by RG111.21 (a) (refer Section 5 above) requires that the Proposed Transaction be evaluated as if it was a takeover of World Reach as the shareholding of Killarney may increase from 20.13% to 26.23%, a level at which Killarney would be in a position of significant influence over World Reach and Killarney should pay a premium for this right.

10. Assessment as to Fairness

In Section 8.2.3 above we concluded that the Convertible Note holders will receive an increase in the value of the options over World Reach shares in return for agreeing to extend the maturity date of the Convertible Notes by two years. We have valued this increase at approximately \$7,000 per Convertible Note.

In Section 8.3.3 above we estimated that extending the maturity date of the Convertible Notes by two years will result in a reduction in funding costs compared to likely alternative sources of funding in a range of \$4,000 to \$5,500 per Convertible Note.

As the increase in the value of the options (approximately \$7,000 per Convertible Note) exceeds the reduction in funding costs compared to likely alternative sources of funding (in a range of \$4,000 to \$5,500 per Convertible Note), we have concluded that **the Proposed Transaction is not fair.**

11. Other Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the shareholders should consider the following factors:

- Whilst in Section 10 above we concluded that the Proposed Transaction is not fair, the assessment of fairness does not take into account the following factors:
 - the legal and other transaction costs that World Reach would incur in obtaining alternate sources of funding.
 - the increased option value of \$7,000 is based on World Reach's current share price of \$0.006 per share. The conversion of all 58 Convertible Notes would result in the issue of 322,222,222 new shares. As explained in Section 7.3 above, the World Reach shares are only moderately liquid and the holders of the Convertible Notes could not dispose of the newly issued shares without significantly depressing World Reach's share price. This is usually referred to as a blockage discount and this has not been taken into account in our assessment of the option value as the size of the discount cannot be quantified at this point in time.

- as referred to in Section 8.3.2 above, comparable convertible note facilities are usually provided by one party who stands to gain control or significant influence over the borrower if conversion takes place. The pricing of comparable transactions therefore includes a degree of premium for control. As we are unable to quantify the impact of any control premium on pricing, this has not been taken into account in assessing the cost of alternate sources of funding.
- If the Non-Associated Shareholders do not approve the Proposed Transaction management will need to seek alternate funding in case the Convertible Note holders request a redemption of the Convertible Notes. This is likely to take up considerable management time and will deflect management from the day to day running of the business.
- World Reach could attempt to raise capital in order to redeem the Convertible Notes. Based on recent capital raisings by small cap ASX listed companies and capital raising is likely to be at a substantial discount to the current share price, thus diluting the interests of the Non-Associated Shareholders.
- If the Non-Associated Shareholders do not approve the Proposed Transaction and World Reach cannot obtain funding from alternate sources, the Convertible Note holders would have a right to enforce their security and appoint a receiver to World Reach. As the majority of the Convertible Note holders are also shareholders or associates of existing shareholders of World Reach, on balance we believe that this is not likely to be to their net benefit. Furthermore as the World Reach shares are trading at \$0.006 per share and the Convertible Notes convert at \$0.0045 per share, we believe that the Convertible Note holders are more likely to agree to convert than to enforce their security. This opinion however assumes that there is no deterioration in the financial position of World Reach between the present time and the maturity of the Convertible Notes on 1 July 2011. Unless World Reach can secure alternate funding, the consequences of the Convertible Note holders seeking redemption is likely to be the appointment of a receiver and a significant erosion in the value of the Non-Associated Shareholders' interests in World Reach would occur.
- If World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. If this occurred and they proceeded to sell their shares, then the price of World Reach shares may fall significantly.
- There can be no guarantee that World Reach can secure an alternate source of funding, or that any alternate funding would be on terms that are more favourable than the existing Convertible Notes.
- Approval of the Proposed Transaction will result in Killarney being given the right to increase its voting power in World Reach up to 26.23%. We believe that at that level of voting power Killarney will have significant influence over World Reach and Killarney is not paying a control premium to achieve this outcome.

After reviewing the above significant factors we consider that **the Proposed Transaction is reasonable.**

12. Related Parties - Financial Benefits

Approval of the Proposed Transaction will result in the holder of each Convertible Note receiving:

- an increase in the value of the options over World Reach shares that in Section 8 above we assessed to be approximately \$7,000 per Convertible Note; and
- interest of 8% per annum on the face value of \$25,000 of each Convertible Note, or \$4,000 over the additional two years until the proposed new maturity date of the Convertible Notes.

On this basis the following holders of Convertible Notes, each of whom is deemed to be a related party for the purposes of Chapter 2E of the Act, receiving a benefit of approximately \$11,000 per Convertible Note. The benefit accruing to each related party is:

Noteholder	No of Convertible Notes held	Value of Benefit \$
Biotech	6	66,000
Mrs Capocchi	14	154,000
Makormak	2	22,000

13. Financial Services Guide

13.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

13.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

13.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

13.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

13.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with World Reach, Killarney, Biotec, Capocchi, Makormak or any of their associates.

Drafts of this report were provided to and discussed with the Company Secretary of World Reach and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 October 2007.

13.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$19,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

13.7 Compensation Arrangements and Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom
Director



Derek Ryan
Director

World Reach Limited

20 Largest Shareholders as at 31 August 2010

Name	Number of Fully Paid Ordinary Shares
Killarney Properties Pty Ltd	121,224,436
Barrios Pty Ltd	17,696,943
W&K Associates Pty Ltd	14,000,000
Biotech International Pty Ltd <Bigum Super Fund A/C>	12,866,000
Yuejin Li & David Shuo Li	12,600,000
Keaco Corporation Pty Ltd	10,655,404
Lily Yan Hong Li	10,607,093
Mr. Bruce George Hotton, Mr. Geoffrey Bruce Hotton & Ms Suzanne Ruth Hotton <BG Hotton & Family S/F A/C>	10,595,000
Mr. Dennis Frank Payne	10,023,693
Tim Don Nominees Pty Ltd	10,000,000
Valutech Pty Ltd	9,130,701
Dane W Reid & Gavin J Reid	8,857,278
Mr. Judd Ferguson	8,637,431
Middendorp Electric Co Pty Ltd	7,959,687
Makormak Investments Pty Ltd	7,323,299
Orange Sun Investments Ltd	7,224,951
Vecvin Corporation Pty Ltd	6,875,000
JBD Enterprises Pty Ltd	6,730,000
Galvin Durward <The Durward Family A/C>	6,600,000
Paul Stocker <The Stocker Family A/C>	6,600,000
	<u>306,206,916</u>
The percentage of the total holding of the twenty largest holders of ordinary shares was 46.54%	

World Reach Limited

Consolidated Statements of Comprehensive Income

	30/6/08 Audited \$	Year Ended 30/6/09 Audited \$	30/6/10 Audited \$
Revenue	9,068,465	9,121,456	7,809,725
Changes in inventories of raw materials, finished goods and work in progress	891,481	36,220	96,341
Raw materials, consumables and other costs of sale	(6,042,243)	(5,177,200)	(4,908,892)
Employee benefits expense	(2,196,726)	(2,080,899)	(1,882,139)
Depreciation expense	(63,930)	(99,125)	(107,339)
Finance costs expense	(333,889)	(234,343)	(263,236)
Auditor remuneration expense	(82,511)	(67,324)	(57,342)
Accounting, share registry and secretarial expense	(267,959)	(117,836)	(83,047)
Consultancy and contractor expense	(80,230)	(136,734)	(110,466)
Legal and insurance expense	(227,365)	(93,945)	(92,080)
Other expenses	(804,292)	(809,265)	(852,594)
Profit/(loss) before income tax	(139,199)	341,005	(451,069)
Income tax benefit	-	-	-
Profit/(loss) from continuing operations	(139,199)	341,005	(451,069)
Profit from discontinuing operations	150,055	293,275	82,000
Profit /(loss) for the year attributable to owners of the company	<u>10,856</u>	<u>634,280</u>	<u>(369,069)</u>
Source: World Reach 30 June 2009 and 2010 annual report			

World Reach Limited
Consolidated Statements Cash Flows

	30/6/2008 Audited \$	Year Ended 30/6/2009 Audited \$	30/6/2010 Audited \$
Cash Flows from Operating Activities			
Receipts from customers	20,023,876	9,783,560	8,150,945
Payments to suppliers and employees	(18,388,770)	(10,211,578)	(8,384,405)
Interest received	19,560	13,885	442
Interest and finance charges paid	(310,847)	(290,998)	(263,236)
Research & development tax offset refund	-	-	-
Export market development grant	-	-	103,755
Net Cash Provided By/(Used in) Operating Activities	<u>1,343,819</u>	<u>(705,131)</u>	<u>(392,499)</u>
Cash Flows from Investing Activities			
Purchases of plant & equipment	(136,161)	(25,226)	(264,397)
Proceeds from sale of plant & equipment	-	-	164
Proceeds on disposal of subsidiary assets	-	-	-
Development costs capitalised	-	-	(764,589)
Proceeds on sale of Network Services division	744,543	195,433	-
Settlement of balance due for purchase of Communication businesses	(793,000)	-	-
Net Cash Provided By/(Used in) Investing Activities	<u>(184,618)</u>	<u>170,207</u>	<u>(1,028,822)</u>
Cash Flows from Financing Activities			
Proceeds on share purchase plan	-	155,000	-
Proceeds on issue of secured convertible notes	1,475,000	1,725,000	-
Repayment of secured convertible notes upon default	(750,000)	-	-
Repayment of secured convertible notes upon maturity	-	(1,825,000)	-
Payments on 2009 share buy back	-	(53,526)	(9,323)
Net cash proceeds/(payments) – unsecured loans	307,562	(7,573)	1,319,278
Net proceeds from hire purchase facilities	(66,091)	-	-
Net Cash Provided By/(Used In) Financing Activities	<u>658,909</u>	<u>(6,099)</u>	<u>1,309,955</u>
Net Increase/(Decrease) in Cash Held	1,818,110	(541,023)	(111,368)
Cash at Beginning of the Period	(1,535,563)	282,547	(258,476)
Cash at End of the Period	<u>282,547</u>	<u>(258,476)</u>	<u>(369,844)</u>
Source: World Reach 30 June 2009 and 2010 annual report			

World Reach Limited

Consolidated Statements of Financial Position

	Audited 30/6/2008 \$	Audited 30/6/2009 \$	Audited 30/6/2010 \$
CURRENT ASSETS			
Cash and cash equivalents	647,894	233,686	406,853
Trade and other receivables	1,032,701	850,580	1,037,350
Inventories	<u>1,684,120</u>	<u>1,720,340</u>	<u>1,816,681</u>
TOTAL CURRENT ASSETS	<u>3,364,715</u>	<u>2,804,606</u>	<u>3,260,884</u>
NON CURRENT ASSETS			
Trade and other receivables	43,000	-	-
Intangible assets	-	-	764,590
Plant and equipment	<u>281,674</u>	<u>197,155</u>	<u>351,201</u>
TOTAL NON CURRENT ASSETS	<u>324,674</u>	<u>197,155</u>	<u>1,115,791</u>
TOTAL ASSETS	<u>3,689,389</u>	<u>3,001,761</u>	<u>4,376,675</u>
CURRENT LIABILITIES			
Trade and other payables	2,317,587	804,024	979,067
Other financial liabilities	547,920	514,499	2,210,705
Short-term provisions	<u>504,281</u>	<u>419,228</u>	<u>263,318</u>
TOTAL CURRENT LIABILITIES	<u>3,369,788</u>	<u>1,737,751</u>	<u>3,453,090</u>
NON CURRENT LIABILITIES			
Other financial liabilities	1,600,000	1,750,000	1,750,000
Long-term provisions	<u>33,136</u>	<u>45,938</u>	<u>37,131</u>
TOTAL NON CURRENT LIABILITES	<u>1,633,136</u>	<u>1,795,938</u>	<u>1,787,131</u>
TOTAL LIABILITIES	<u>5,002,924</u>	<u>3,533,689</u>	<u>5,240,221</u>
NET ASSETS	<u>(1,313,535)</u>	<u>(531,928)</u>	<u>(863,546)</u>
EQUITY			
Issued capital	19,790,798	19,869,935	19,869,935
Reserves	394,597	395,938	299,174
Accumulated losses	(21,498,930)	(20,797,801)	(21,032,655)
TOTAL EQUITY	<u>(1,313,535)</u>	<u>(531,928)</u>	<u>(863,546)</u>
Source: World Reach 30 June 2009 and 2010 annual report			

Sources of Information

- the Explanatory Memorandum which this report accompanies;
- audited financial statements of World Reach for the financial years ended 30 June 2009 and 2010;
- World Reach's announcements to the ASX since 1 January 2010;
- forecast profit and loss account of World Reach for the financial year ending 30 June 2011;
- World Reach's listing of top 20 shareholders as at 31 August 2010;
- World Reach's options register as at 30 September 2010;
- World Reach's share price and trade volumes for the period from 1 January 2010 to 25 October 2010 supplied by Commonwealth Securities Limited;
- DMR Corporate research as to comparable EBITDA multiples, and cost of alternate sources of funding; and
- discussions with the Company Secretary of World Reach.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of World Reach pursuant to Chapter 2E and Section 611 of the Act, and ASX Listing Rule 10.10 to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr Paul Lom and Mr Derek M Ryan, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia and a Registered Company Auditor with more than 30 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.



World Reach Limited

ABN 39 010 568 804

Please return your Proxy forms to:

World Reach Limited
5 / 8 Anzed Court, Mulgrave,
Victoria, Australia 3170
Telephone: 03 8588 4500
Fax: 03 9560 9055
ASX Code: WRR
Website: www.worldreach.com.au

APPOINTMENT OF PROXY

If you would like to attend and vote at the General Meeting, please Bring this form with you. This will assist in registering your attendance.

I/We being a member(s) of World Reach Limited and entitled to attend and vote hereby appoint

A The Chairman
of the Meeting
(mark box)

☐

OR if you are **NOT** appointing the
Chairman of the Meeting as your proxy,
please write the name of the person or

body corporate (excluding the registered security holder) you are appointing as your proxy or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the General Meeting of the Company to be held at 10:30am on 23 December 2010, at the Office of Cummings Flavel McCormack, Level 11, 390 St Kilda Road, Melbourne, Victoria and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

And if the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box: ☐

By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of the resolution and that votes cast by the Chairman for those resolutions other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

B To direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below

Resolution

Extension of the Maturity Date of Convertible Notes

For

☐

Against

☐

Abstain*

☐

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C SIGNATURE AND NAME OF SECURITYHOLDERS-THIS MUST BE COMPLETED

Securityholder 1 (Individual)
Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)
Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)
Director

Name:.....

Name:.....

Name:.....

Holding Identification No. (if known):

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth).

How to complete this Proxy Form

1. Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. Please note: you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in section A. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

3. Votes on Items of Business

You should direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4. Appointment of Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company or you may copy this form.

To appoint a second proxy you must:

- (a) On each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) Return both forms together.

5. Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, either securityholder may sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10:30am on 21 December 2010, being no later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged:

By posting or facsimile to World Reach Limited as follows:
World Reach Limited
5/8 Anzed Court, Mulgrave,
Victoria, Australia 3170
Facsimile: 03 9560 9055
Delivering it to the above address