



11 October 2013

ASX Market Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

2013 NOTICE OF ANNUAL GENERAL MEETING

Emerchants Limited (**emerchants**) (ASX:EML) advises that the Notice of Annual General Meeting, Explanatory Statement and Proxy Form have been mailed to emerchants' shareholders today in relation to the Annual General Meeting of emerchants to be held at 10.00am (Sydney time) on Wednesday, 13 November 2013, at the Sofitel Sydney Wentworth, 61 – 101 Phillip Street, Sydney, New South Wales.

Please find attached a copy of the Notice of Annual General Meeting, Explanatory Statement and Proxy Form, which are also available on emerchants' website at www.emerchants.com.au

Emerchants' 2013 Annual Report has also been mailed today to emerchants' shareholders who have elected to receive a printed copy. The 2013 Annual Report was previously lodged with ASX and is available on emerchants' website.

ABOUT EMERCHANTS

emerchants is a payments solutions provider of prepaid financial card products and services in Australia. By using their proprietary Secure Account Management (SAM) system, the Company provides its clients with innovative financial service payment solutions for reloadable and non-reloadable pre-paid card programs. emerchants are able to adapt to meet the expense management and funds disbursement needs of any organisation. Their corporate expense, petty cash, per diem, social payments and staff rewards programs are easy to implement and reduce administration burden and costs. emerchants is focused on the twin goal of delivering high quality payment systems to its customers and superior returns to its shareholders.

For more information please visit: www.emerchants.com.au

For further information please contact:
Rod North, Managing Director

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Emerchants Limited ACN | 104 757 904

www.emerchants.com.au

Emerchants Limited

ABN 93 104 757 904

Notice of 2013 Annual General Meeting

To be held on Wednesday, 13 November 2013 at 10.00am (Sydney time) at Sofitel Sydney Wentworth, 61 – 101 Phillip Street, Sydney, New South Wales, Australia

This Notice of Meeting and the included Explanatory Statement should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your accountant, lawyer or other professional adviser.
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EMERCHANTS LIMITED
ABN 93 104 757 904

NOTICE OF ANNUAL GENERAL MEETING

Emerchants Limited (the **Company**) gives notice that the annual general meeting of the Company will be held at Sofitel Sydney Wentworth, 61 – 101 Phillip Street, Sydney, New South Wales, Australia, on Wednesday, 13 November 2013 at 10.00am (Sydney time) (**Annual General Meeting or Meeting**).

The Explanatory Statement, which accompanies and forms part of this Notice of Meeting, provides additional details about the matters to be considered at the Meeting. This Notice of Meeting, including the Explanatory Statement, should be read in its entirety.

BUSINESS

1. ACCOUNTS AND REPORTS

To receive and consider the financial report of the Company, the Directors' report and the Auditor's report for the year ended 30 June 2013.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

"That the remuneration report, which forms part of the Directors' report for the year ended 30 June 2013, be adopted."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement for Resolution 1

The Company will disregard any votes cast on Resolution 1 (in any capacity) by or on behalf of a member of key management personnel of the Company's consolidated group (at the date of the Meeting or whose remuneration is disclosed in the remuneration report) (**KMP**) and their closely related parties (such as close family members and controlled companies), unless the vote is cast:

- (a) as proxy for a person entitled to vote in accordance with a direction on the proxy appointment; or
- (b) by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of KMP.

3. RESOLUTION 2 – RE-ELECTION OF MR JOHN TOMS AS DIRECTOR

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

"That Mr John Toms, who retires in accordance with the Company's constitution, and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

4. RESOLUTION 3 – APPOINTMENT OF NEW AUDITOR

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

"That Deloitte Touche Tohmatsu be appointed as auditor of the Company to take effect from the time at which the resignation of HLB Mann Judd as auditor takes effect."

5. **RESOLUTION 4 – ISSUE OF OPTIONS TO MR THOMAS CREGAN**

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

"That, for the purposes of Listing Rule 10.14 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 1,212,121 options to acquire ordinary shares in the Company to Mr Thomas Cregan, the Company's Managing Director and Chief Executive Officer, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting and under the Company's Employee Share Option Plan, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 4

The Company will disregard any votes cast on Resolution 4 by, or on behalf of:

- (a) Mr Thomas Cregan and any other Director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and their associates; and
- (b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

6. **RESOLUTION 5 – ISSUE OF OPTIONS TO MR ROBERT BROWNING IN LIEU OF DIRECTOR'S FEES**

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

"That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 706,522 options to acquire ordinary shares in the Company in lieu of \$132,481 of Director's fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 to Mr Robert Browning, the Non-Executive Chairman of the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 5

The Company will disregard any votes cast on Resolution 5 by, or on behalf of:

- (a) Mr Robert Browning and any of his associates; and
- (b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

7. **RESOLUTION 6 – ISSUE OF OPTIONS TO MR JOHN TOMS IN LIEU OF DIRECTOR'S FEES**

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

"That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 465,839 options to acquire ordinary shares in the Company in lieu of \$87,350 of Director's fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 to Mr John Toms, a Non-Executive Director of the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 6

The Company will disregard any votes cast on Resolution 6 by, or on behalf of:

- (a) Mr John Toms and any of his associates; and

(b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

8. **RESOLUTION 7 – ISSUE OF OPTIONS TO MR PETER MARTIN IN LIEU OF DIRECTOR'S FEES**

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

"That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 427,019 options to acquire ordinary shares in the Company in lieu of \$80,071 of Director's fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 to Mr Peter Martin, a Non-Executive Director of the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 7

The Company will disregard any votes cast on Resolution 7 by, or on behalf of:

(a) Mr Peter Martin and any of his associates; and

(b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

9. **RESOLUTION 8 – ISSUE OF OPTIONS TO MR DAVID LIDDY IN LIEU OF DIRECTOR'S FEES**

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

"That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 450,310 options to acquire ordinary shares in the Company in lieu of \$84,438 of Director's fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 to Mr David Liddy, a Non-Executive Director of the Company, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 8

The Company will disregard any votes cast on Resolution 8 by, or on behalf of:

(a) Mr David Liddy and any of his associates; and

(b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

10. **RESOLUTION 9 – ISSUE OF OPTIONS TO MR TONY ADCOCK IN LIEU OF DIRECTOR'S FEES**

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

"That, for the purposes of Listing Rule 10.11 and Chapter 2E of the Corporations Act and for all other purposes, the issue by the Company of 450,310 options to acquire ordinary shares in the Company in lieu of \$84,438 of Director's fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 to Mr Tony Adcock, a Non-Executive Director of the Company, on the terms and conditions set out in the Explanatory

Statement accompanying this Notice of Meeting, and the issue of ordinary shares on exercise of any such options, is approved."

Voting Exclusion Statement for Resolution 9

The Company will disregard any votes cast on Resolution 9 by, or on behalf of:

- (a) Mr Tony Adcock and any of his associates; and
- (b) a member of KMP (and their closely related parties) acting as a proxy,

unless the vote is cast as proxy for a person entitled to vote in accordance with a direction on the proxy appointment, or by the Chairman of the Meeting as proxy for a person entitled to vote and the proxy appointment expressly authorises the Chairman of the Meeting to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

11. **RESOLUTION 10 – APPROVAL OF PRIOR ISSUE OF SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS**

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

"That, for the purposes of Listing Rule 7.4, the prior issue by the Company of 22,730,000 fully paid ordinary shares in the Company to institutional and sophisticated investors as described in the Explanatory Statement accompanying this Notice of Meeting, is approved."

Voting Exclusion Statement for Resolution 10

The Company will disregard any votes cast on Resolution 10 by, or on behalf of, any person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12. **RESOLUTION 11 – APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY**

To consider and, if thought fit, pass the following special resolution:

"That, pursuant to Listing Rule 7.1A, additional capacity to issue equity securities equal to a number at the time of issue which does not exceed 10% of the Company's ordinary securities on issue, calculated in accordance with Listing Rule 7.1A.2, is approved on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion Statement for Resolution 11

The Company will disregard any votes cast on Resolution 11 by, or on behalf of, any person who may participate in the proposed issue and persons who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 11 is passed and any of their associates. However, the Company need not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

13. **RESOLUTION 12 – ADOPTION OF PROPORTIONAL TAKEOVER PROVISIONS**

To consider and, if thought fit, pass the following special resolution:

"That, with effect from the close of the Meeting and in accordance with section 136 of the Corporations Act, the constitution of the Company be altered by inserting and adopting as rule 38 of the constitution of the Company the proportional takeover approval provisions in the form they took as rule 38 of the constitution of the Company immediately before they ceased to apply on 22 July 2013."

By order of the Board



Yasmin Broughton
Company Secretary
3 October 2013

NOTES

These Notes form part of the Notice of Meeting.

Intention of Chairman

The Chairman of the Meeting (where appropriately authorised) intends to vote all available undirected proxies in favour of all Resolutions.

Restrictions applicable to KMP

KMP and their closely related parties are prohibited under the *Corporations Act 2001* (Cth) (**Corporations Act**) from voting as proxy in a manner contrary to the voting restrictions described above.

Eligibility to vote

The Company has determined that persons who are registered holders of Shares at 10.00am (Sydney time) on Monday, 11 November 2013 will be entitled to attend and vote at the Annual General Meeting.

Appointment of proxies

Each Shareholder entitled to vote at the Annual General Meeting may appoint a proxy to attend and vote at the Annual General Meeting. A proxy need not be a member of the Company and can be an individual or a body corporate.

A Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not specify this proportion, each proxy may exercise half the votes.

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. Generally, these sections mean that if proxy holders vote, they must cast all directed proxies as directed, and any directed proxies that are not voted will automatically default to the Chairman of the Meeting, who must vote the proxies as directed. If the proxy has two or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands.

The following addresses are specified for the purposes of receipt of proxy appointments and any authorities under which proxy appointments are signed (or certified copies of those authorities):

- By Mail:** Emerchants Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
- By Facsimile:** +61 2 9287 0309 (within or outside Australia)
- Online:** www.linkmarketservices.com.au
Login to the Link website using the holding details as shown on the proxy form. Select "Voting" and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).
- In person:** delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes, NSW, 2138.

For an appointment of a proxy for the Annual General Meeting to be effective, the proxy's appointment, and, if the appointment is signed by the Shareholder's attorney, the authority under which the appointment is signed (or a certified copy of the authority), must be received by the Company at least 48 hours before the commencement of the Meeting.

The enclosed proxy form provides further details on appointing proxies and lodging the proxy forms.

Bodies corporate

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of the Company's members. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution. The representative will need to bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

EXPLANATORY STATEMENT

This Explanatory Statement provides Shareholders an explanation of, and information about, the proposed Resolutions set out in the Notice of Meeting to assist Shareholders decide how they wish to vote on those proposed Resolutions. This Explanatory Statement forms part of, and should be read in together with, the Notice of Meeting.

1. ACCOUNTS AND REPORTS

The Company's financial report, the Directors' report and the Auditor's report for the year ended 30 June 2013 will be tabled at the Annual General Meeting. A copy of the Company's 2013 Annual Report is available on the Company's website at www.emerchants.com.au and on ASX's website www.asx.com.au.

There is no requirement for Shareholders to approve these reports. Shareholders will be given a reasonable opportunity to ask questions or make comments about these reports and the management of the Company. Shareholders will also be given a reasonable opportunity to ask the Company's auditor questions about the conduct of the audit and the preparation and content of the Auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The remuneration report of the Company for the year ended 30 June 2013 is set out in the Directors' report in the Company's 2013 Annual Report.

The Corporations Act requires the Company to put a resolution to Shareholders that the remuneration report be adopted. While the vote on the Resolution is advisory only and does not bind the Directors or the Company, the Board will take into consideration the outcome of voting on this resolution when assessing the remuneration policy in the future.

Directors' recommendation: The Board recommends that Shareholders vote in favour of the adoption of the remuneration report.

3. RESOLUTION 2 – RE-ELECTION OF MR JOHN TOMS AS DIRECTOR

Mr John Toms joined the Board as a Non-Executive Director in July 2011. Mr Toms retires at the Annual General Meeting by rotation, and being eligible, offers himself for re-election as a Director in accordance with the Company's constitution.

With an initial degree in Economics, Econometrics and Accounting, Mr Toms undertook post graduate study courses at Cambridge in the United Kingdom and Princeton in the United States of America. His experience includes 17 years as chief executive officer of an Approved Deposit-taking Institution (ADI), non-executive director for 17 years of Australian Payments Clearing Association, non-executive director of Mercer Nominees, executive director of Insurance Agents Association of Australia, consulting director to the government and senior Commonwealth public servant.

Mr Toms is also an independent member of the audit committee of the Australian Veterinarians Association.

Mr Toms is the chair of the Board's Audit Committee.

Directors' recommendation: The Board, other than Mr Toms whose re-election is the subject of the Resolution, is of the view that it has benefited and will continue to benefit from the skills, knowledge and experience that Mr Toms

brings to the Company and recommends that Shareholders vote in favour of Resolution 2.

4. **RESOLUTION 3 – APPOINTMENT OF NEW AUDITOR**

Subject to shareholder approval at the Meeting, the Company has selected Deloitte Touche Tohmatsu (**Deloitte**) to become the new external auditor of the Company from the 2013-2014 financial year. That selection followed the completion of a tender process undertaken by the Company.

HLB Mann Judd has been the auditor of the Company since its listing in 2006, and the Directors would like to thank them publicly for their work over that period. HLB Mann Judd has tendered its resignation as auditor to the Company and has advised the Company that it has applied to the Australian Securities and Investments Commission (**ASIC**) for consent to resign effective on the date of AGM 2013. It is anticipated that HLB Mann Judd's resignation will take effect from the later of that date and the day on which ASIC gives its consent. The Company's expectation is that ASIC's consent will be forthcoming prior to the date of the AGM.

In accordance with section 328B of the Corporations Act, the Company has received a notice of nomination from a Shareholder for Deloitte to be appointed as the Company's auditor. A copy of this notice of nomination is attached in Annexure A to this Explanatory Statement. Deloitte has also formally consented to act as auditor of the Company.

If Shareholder approval is obtained, Deloitte will commence as auditor of the Company from the date of the Meeting or the date that ASIC consents to HLB Mann Judd's resignation, whichever is later.

5. **RESOLUTIONS 4, 5, 6, 7, 8 AND 9 – ISSUE OF OPTIONS TO DIRECTORS**

5.1 **Resolution 4: Issue of Executive Options to Mr Cregan**

Resolution 4 seeks Shareholder approval for the issue of 1,212,121 nil exercise price performance options to acquire ordinary shares in the Company (**Executive Options**) to Mr Cregan, the Company's Managing Director and Chief Executive Officer under the Company's Employee Share Option Plan (which was approved by Shareholders at the Company's general meeting on 29 June 2011, a summary of which is set out in Schedule 1 of this Explanatory Statement) (**ESOP**).

The Executive Options are proposed to be issued on the terms and conditions set out below and otherwise on the terms of the ESOP:

- (a) Each Executive Option is, subject to vesting, an option to acquire one ordinary share in the Company for nil consideration, which is only exercisable in the period between 1 September 2016 and 30 September 2016 inclusive. Any Executive Option that is not exercised before 5.00pm (Sydney time) on 30 September 2016 will automatically expire.
- (b) The Executive Options, even though issued to Mr Cregan, will not vest and be capable of exercise until the Performance Hurdles set out below have been met AND the Board determines in its absolute discretion to allow the Executive Options to vest.

(c) The Executive Options will only vest and become exercisable if the following Performance Hurdles are satisfied as at the date the Company's 2016 annual report is published (expected to be during September 2016):

(A) Mr Cregan has not resigned as Chief Executive Officer and Managing Director of the Company on or before 1 September 2016 (or otherwise is terminated as a "Bad Leaver" for the purposes of the ESOP); and

(B) the Company has achieved three or more of the Performance Hurdles set out below (one of which must be either the performance hurdle in sub-section (dd) or (ee)):

(aa) total loads for the financial year ending 30 June 2016 (**FY16**) exceeding \$450,000,000;

(bb) gross margin percentage for FY16 in excess of 85%;

(cc) total active accounts at the end of FY16 in excess of 1,100,000;

(dd) earnings before interest, tax, depreciation and amortisation (**EBITDA**) for FY16 being equal to or greater than \$4,480,000; and

(ee) earnings before tax (**EBT**) for FY16 being equal to or greater than \$2,940,000,

together the **Performance Hurdles**. However, should any of the three applicable Performance Hurdles not be fully achieved, the Executive Options will be pro rata vested on a sliding scale, provided the total percentage of the three Performance Hurdles achieved is greater than 90% of the target amount.

(d) The Board will also retain the discretion to require that, upon the Executive Options vesting, some or all of the Executive Options will be cancelled (without the issue of shares) in exchange for the Company making a cash payment equal to the number of Shares that would be issued on vesting of those Executive Options multiplied by the closing share price of the Company on ASX on the date the Board determines the Executive Options vest.

(e) The Executive Options are not transferable and are subject to an escrow period from their issue date until 1 September 2016 (inclusive).

The primary purpose for issuing the Executive Options to Mr Cregan is to reward him for his services and contribution to the Company in his role as Managing Director and Chief Executive Officer of the Company, to incentivise and further align his interests with those of Shareholders, as well as to give him the opportunity to increase his investment in the Company which will provide him with a further incentive to work towards the Company's objectives.

As described in more detail below, the Company has valued the Executive Options proposed to be issued to Mr Cregan (based on an assessed mid-value option value of \$0.455 per Executive Option and a share price of \$0.455 at grant date) at \$551,515.

Additional information about the proposed issue of the Executive Options is provided in sections 5.3 to 5.6 below.

5.2 **Resolutions 5, 6, 7, 8 and 9: Issue of Director Options to Non-Executive Directors**

In order to preserve the cash reserves of the Company, the Board has agreed, subject to obtaining Shareholder approval, to issue the following options to acquire ordinary shares in the Company (**Director Options**) to the Non-Executive Directors in lieu of Director's fees that would otherwise be payable to them for the period from 1 March 2013 to 30 June 2014 (**Relevant Period**) as outlined in the following table.

Resolution	Director	Number of Director Options, each with an exercise price of \$0.10	Total Director Option value (based on an assessed option value of \$0.31 per Director Option and a share price of \$0.455 at grant date)	Total Directors' Fee foregone for the Relevant Period
Resolution 5	Mr Robert Browning	706,522 Director Options	\$219,022	\$132,481
Resolution 6	Mr John Toms	465,839 Director Options	\$144,410	\$87,350
Resolution 7	Mr Peter Martin	427,019 Director Options	\$132,376	\$80,071
Resolution 8	Mr David Liddy	450,310 Director Options	\$139,596	\$84,438
Resolution 9	Mr Tony Adcock	450,310 Director Options	\$139,596	\$84,438
Total		2,500,000 Director Options	\$775,000	\$468,778

The Director Options are proposed to be issued on the following terms and conditions as described in more detail in Schedule 2 to this Explanatory Statement:

- (a) Each Director Option is an option to acquire one ordinary share in the Company on payment of an exercise price of \$0.10 and is only exercisable during the period from 1 March 2016 to 31 March 2016 inclusive.
- (b) The exercise price for each Director Option is \$0.10 per Director Option.
- (c) The Director Options will be subject to voluntary escrow from their issue date until 29 February 2016 (inclusive) (**Escrow Period**). This means that the Non-Executive Directors will not be able to transfer the Director Options during the Escrow Period without the Company's consent.

- (d) Subject to the relevant Non-Executive Director remaining a director of the Company, the Director Options will vest in 7 tranches over the period from 31 December 2013 to the end of the Relevant Period, being 30 June 2014 (**Vesting Period**). Tranche 1 will vest on 31 December 2013 and will comprise of the number of Director Options detailed in column 2 of the table below (in lieu of the Non-Executive Director's entitlement to Director's fees for the period from 1 March 2013, being the start of the Relevant Period, up to 31 December 2013). The remaining 6 tranches of Director Options will vest in equal tranches on the last day of each month over the remaining Vesting Period and each tranche will comprise one sixth of the number of Director Options as detailed in column 3 of the table below. Tranche 7 will vest on 30 June 2014.

Director	Number of Director Options for Tranche 1	Number of Director Options for Tranches 2 – 7 in total
Mr Robert Browning	148,092 of the 706,522 Director Options	558,430 Director Options
Mr John Toms	97,643 of the 465,839 Director Options	368,196 Director Options
Mr Peter Martin	89,506 of the 427,019 Director Options	337,513 Director Options
Mr David Liddy	94,388 of the 450,310 Director Options	355,922 Director Options
Mr Tony Adcock	94,388 of the 450,310 Director Options	355,922 Director Options
Total	524,017 Director Options	1,975,983 Director Options

- (e) A Director Option, even though issued, will not be capable of exercise until it has vested in accordance with the above table. Once vested, each Director Option will still only be exercisable by the relevant Non-Executive Director during the period from 1 March 2016 to 31 March 2016 (inclusive). Any Director Option that is not exercised before 5.00pm (Sydney time) on 31 March 2016 will automatically expire.
- (f) While the Director Options are not being granted under the ESOP, to the extent that the rules of the ESOP are capable of applying to the Director Options and are not otherwise inconsistent with the terms described in this Explanatory Statement, the Director Options are also subject to the terms and conditions of the ESOP. For the avoidance of doubt, the good leaver/bad leaver provisions of the ESOP do not apply to the Director Options.

The Non-Executive Directors have agreed to this arrangement and, subject to Shareholder approval, to be issued Director Options in substitution for receiving cash payment for their respective Director's fees that would otherwise be payable over the Relevant Period.

The Board had in March 2013 provisionally determined a number of Director Options proposed to be issued to each Non-Executive Director which related to the Director's fees that would otherwise be payable for the Relevant Period. At the time of that provisional determination, the share price of the Company was \$0.20 and the exercise price that the Board had determined appropriate for the Director Options was \$0.10. This provided the Non-Executive Directors with some upside in exchange for replacing cash income with a long term option grant.

However, given the strength in the Company's share price since March 2013, the Board has subsequently determined it appropriate to approximately halve the number of Director Options to the number which is proposed in Resolutions 5, 6, 7, 8 and 9. Whilst the Board considers it appropriate that the exercise price of the Director Options remain at \$0.10, the effect of approximately halving the number of Director Options to be granted is to approximately halve the impact of the grant of the Director Options on the Company's profit and loss statement in the coming years as the Director Options costs are expensed.

The Company has continued to accrue Director's fees as a liability in its accounts. In the event that the Director Options proposed to be granted to the Non-Executive Directors are approved by Shareholders, the accrual will be reversed and no Director's fees will be paid or accrued for the Relevant Period.

If Shareholder approval is not obtained for any of Resolutions 5, 6, 7, 8 or 9, the Company intends to pay the Director's fees that are owing to the relevant Non-Executive Directors for the Relevant Period and resume payment of the relevant Director's fees in cash in accordance with past usual practice as soon as practical following close of the Meeting, and in any event no later than 1 July 2014.

It is the view of the Board that the proposed Director Option grants to the Non-Executive Directors are in the interest of Shareholders, ensuring cash reserves can be used to drive business growth and that Directors and Shareholders interests are aligned in driving returns for Shareholders.

Resolutions 5, 6, 7, 8 and 9 each seek Shareholder approval for the issue of the relevant Director Options to the respective Non-Executive Director.

Additional information about the grant of the Director Options is provided in sections 5.3 to 5.6 below.

5.3 Reasons Shareholder approval is being sought

Listing Rule 10.14 in respect of Resolution 4: Issue of Executive Options to Mr Cregan

Listing Rule 10.14 requires a listed company to obtain shareholder approval prior to the issue of securities under an employee incentive scheme to a director of a company. As Mr Cregan is a Director of the Company, approval is being sought for the purposes of Listing Rule 10.14, and for all other purposes, to issue 1,212,121 Executive Options to Mr Cregan (and any Shares on exercise of any such Executive Options) in accordance with the terms and conditions set out in this Explanatory Statement and the ESOP.

Approval under Listing Rule 7.1 is not required as the proposed issue of Executive Options will fall within Exception 9 of Listing Rule 7.2 on the basis that the ESOP was approved for those purposes by Shareholders at the Company's general meeting on 29 June 2011.

Listing Rule 10.11 in respect of Resolutions 5, 6, 7, 8 and 9: Issue of Director Options to Non-Executive Directors

Listing Rule 10.11 requires prior shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, unless an exception in Listing Rule 10.12 applies. Messrs Browning, Toms, Martin, Liddy and Adcock are each a Director of the Company and therefore a related party of the Company for the purposes of Listing Rule 10.11. Accordingly, the proposed issue of Director Options (and any Shares issued on exercise of any such Director Options) to each of Messrs Browning, Toms, Martin, Liddy and Adcock require separate Shareholder approval under Listing Rule 10.11.

Listing Rule 7.1 imposes a limit on the number of equity securities that a company can issue or agree to issue without shareholder approval. Generally, a company may not without shareholder approval issue in any 12 month period a number of equity securities that is more than 15% of the number of fully paid ordinary shares on issue 12 months before the issue.

Listing Rule 7.2 Exception 14 sets out an exception to Listing Rule 7.1. It effectively provides that securities issued with the prior shareholder approval under Listing Rule 10.11 are not included in the calculation of the 15% limit for Listing Rule 7.1 purposes. Accordingly, if Resolutions 5, 6, 7, 8 and 9 are passed, approval will not be required under Listing Rule 7.1 and the issue of the Director Options (and any Shares issued on exercise of any Director Options) to the relevant Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

Chapter 2E of the Corporations Act in respect of Resolutions 4, 5, 6, 7, 8 and 9

Shareholder approval for the grant of both the Executive Options and the Director Options is also being sought for the purposes of Chapter 2E of the Corporations Act. Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party (such as a director) unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained for the giving of the financial benefit and the benefit is given within 15 months after that approval.

The proposed issue of Executive Options to Mr Cregan, and the proposed issue of Director Options to Messrs Browning, Toms, Martin, Liddy and Adcock, constitute giving a financial benefit, and as Directors of the Company, Messrs Cregan, Browning, Toms, Martin, Liddy and Adcock are each a related party of the Company for the purposes of Chapter 2E of the Corporations Act.

Accordingly, the proposed issue of Executive Options and Director Options (and any Shares on exercise of such options, or in the case of Mr Cregan if the Board determines, the payment of cash or a combination of cash and Shares in lieu of the issue of Shares on vesting and exercise of his Executive Options) to the Directors will constitute the Company providing a financial benefit to a related party of the Company.

The Directors have determined that it is appropriate to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act, and for all other purposes, for the provision of these benefits to Messrs Cregan, Browning, Toms, Martin, Liddy and Adcock, respectively.

5.4 **Information required by Listing Rule 10.15 with respect to the proposed issue of Executive Options under Resolution 4**

In accordance with Listing Rule 10.15, the Company provides the following information with respect to Resolution 4:

- (a) The Executive Options will be issued to Mr Cregan, the Company's Managing Director and Chief Executive Officer.
- (b) The maximum number of securities to be issued by the Company to Mr Cregan pursuant to the approval sought by Resolution 4 is 1,212,121 Executive Options (which upon vesting and exercise, may result in the issue of up to 1,212,121 Shares).
- (c) The Executive Options will be granted to Mr Cregan for nil cash consideration and Mr Cregan will not be required to pay any amount on vesting or exercise of the Executive Options.
- (d) Since 29 June 2011 (the date the ESOP was last approved by Shareholders):
 - (i) Mr Robert Browning has been issued 2,600,000 options under the ESOP. This grant was approved by Shareholders at the Company's general meeting held on 29 June 2011 and the options were issued for nil cash consideration.
 - (ii) Mr Bryant Plavsic was issued 2,000,000 options under the ESOP. This grant was approved by Shareholders at the Company's general meeting held on 29 June 2011 and the options were issued for nil cash consideration.
 - (iii) Mr John Toms was issued 200,000 options under the ESOP. This grant was approved by Shareholders at the Company's general meeting held on 29 June 2011 and the options were issued for nil cash consideration.
 - (iv) Mr Thomas Cregan was issued 1,750,000 options under the ESOP. This grant was approved by Shareholders at the Company's 2012 annual general meeting and the options were issued for nil consideration.

No other person of the kind referred to in Listing Rule 10.14 has been issued securities under the ESOP since it was approved by shareholders at the Company's general meeting on 29 June 2011.

- (e) The names of all persons of the kind referred to in Listing Rule 10.14 who are entitled to participate in the ESOP are Messrs Thomas, Cregan Browning, Toms, Martin, Liddy and Adcock and any other Director of the Company. However, any future grants to these Directors will remain subject to shareholder approval under Listing Rule 10.14.
- (f) No loan is being made available in connection with the grant of the Executive Options to Mr Cregan.
- (g) If Resolution 4 is approved, the Executive Options will be issued to Mr Cregan as soon as practicable after the date of the Meeting and in any event within 12 months of the date of the Meeting and it is anticipated that the Executive Options will be issued to Mr Cregan on one date.

- (h) The Shares to be issued on exercise of the Executive Options will rank equally in all respects with the then existing Shares on issue.

5.5 Information required by Listing Rule 10.13 with respect to the proposed issue of Director Options under Resolutions 5, 6, 7, 8 and 9

In accordance with Listing Rule 10.13, the Company provides the following information with respect to Resolutions 5, 6, 7, 8 and 9:

- (a) The relevant Director Options are proposed to be issued to the Non-Executive Directors of the Company, Messrs Browning, Toms, Martin, Liddy and Adcock.
- (b) The maximum number of securities to be issued to the Non-Executive Directors in lieu of their respective Directors' fees that would otherwise be payable for the Relevant Period in connection with Resolutions 5, 6, 7, 8 and 9 is set out in the table below. Subject to the Director Options vesting, each Director Option entitles the relevant Non-Executive Director to acquire one Share on payment of the exercise price during the period from 1 March 2016 to 31 March 2016. If all Director Options issued to a Non-Executive Director vest and are duly exercised, the maximum number of Shares that could be issued to each Non-Executive Director (subject to adjustments in accordance with the ASX Listing Rules for capital reconstructions) is shown below.

Director	Maximum number of Director Options to be issued	Maximum number of Shares to be issued on exercise of Director Options
Mr Robert Browning	706,522 Director Options	706,522 Shares
Mr John Toms	465,839 Director Options	465,839 Shares
Mr Peter Martin	427,019 Director Options	427,019 Shares
Mr David Liddy	450,310 Director Options	450,310 Shares
Mr Tony Adcock	450,310 Director Options	450,310 Shares
Total	2,500,000 Director Options	2,500,000 Shares

- (c) If Resolution 5, 6, 7, 8 and 9 are approved, the relevant Director Options are expected to be issued on 1 December 2013 (**Issue Date**) and in any event no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Director Options will be issued to each of Messrs Browning, Toms, Martin, Liddy and Adcock on one date.

- (d) The Director Options are being issued to the Non-Executive Directors in lieu of their respective Director's fees that would otherwise be payable for the Relevant Period. As such, the Director Options will be granted for nil cash consideration. However, the issue of the Director Options will relieve the Company from the obligation to pay the relevant Non-Executive Directors their Director's fees in cash for the Relevant Period (the amounts of which are set out in the table in section 5.2 above).
- (e) There will be no funds raised from the issue of the Director Options as they are being issued to Messrs Browning, Toms, Martin, Liddy and Adcock in lieu of Director's fees that would otherwise be payable for the Relevant Period. However, the issue of the Director Options will relieve the Company from the obligation to pay the relevant Non-Executive Directors their Director's fees in cash for the Relevant Period (the amounts of which are set out in section 5.2 above). These funds will instead be used for the Company's corporate purposes and general working capital. Any funds raised from the exercise of the Director Options are also intended to be used for the Company's corporate purposes and general working capital.

5.6 **Additional information required by Chapter 2E of the Corporations Act**

In accordance with the requirements of Chapter 2E and, in particular, section 219 of the Corporations Act, the Company provides the following additional information:

Related party and nature of the financial benefit

- (a) Each of Messrs Cregan, Browning, Toms, Martin, Liddy and Adcock are Directors of the Company and are therefore each a related party of the Company (by virtue of section 228(2)(a) of the Corporations Act) who, if Resolutions 4, 5, 6, 7, 8 and 9 (respectively) are passed, would receive the financial benefit of being issued options (and the issue of Shares on exercise of any such options) in the Company.
- (b) The nature of the financial benefit to be given is the issue of:
 - (i) in relation to Resolution 4, 1,212,121 Executive Options and either or a combination of:
 - (A) the issue of Shares on exercise of such Executive Options; or
 - (B) to the extent that the Board exercises its discretion to require that the Executive Options be cancelled on vesting, a cash payment equal to the number of Shares that would be issued on vesting and exercise of those Executive Options multiplied by the closing share price of Shares in the Company traded on ASX on the date the Board determines the Executive Options vest; and
 - (ii) in relation to Resolutions 5, 6, 7, 8 and 9, the Director Options to the Non-Executive Directors as detailed in section 5.2 above (and the issue of Shares on exercise of any such Director Options),

in each case on the terms and conditions set out in this Explanatory Statement.

- (c) The table below sets out the interests Messrs Cregan, Browning, Toms, Martin, Liddy and Adcock each have in securities of the Company as at the

date of this Notice of Meeting and the interests in securities they will hold if Shareholders approve Resolutions 4, 5, 6, 7, 8 and 9 respectively.

	Securities held as at the date of this Notice of Meeting					Securities held post-Meeting if Resolutions 4, 5, 6, 7, 8 and 9 are approved and all proposed Executive Options and Director Options are granted				
	Number of Shares			Number of Unlisted Options		Number of Shares			Number of Unlisted Options	
	Direct interest	Indirect interest	% interest to Shares on issue	Direct interest	Indirect interest	Direct interest	Indirect interest	% interest to Shares on issue	Direct interest	Indirect interest
Mr Tom Cregan	3,888,888	5,555,555 (subject to escrow until 3 August 2014) 1,666,666	8.9%	2,000,000 expiring on 5 January 2015 1,750,000 expiring on 30 September 2015	-	3,888,888	5,555,555 (subject to escrow until 3 August 2014) 1,666,666	8.9%	1,212,121 (in escrow until 1 September 2016 expiring 30 September 2016) 2,000,000 expiring on 5 January 2015 1,750,000 expiring on 30 September 2015	-
Mr Robert Browning	761,424	838,951	1.3%	2,600,000 expiring on 18 July 2014	-	761,424	838,951	1.3%	2,600,000 expiring on 18 July 2014 706,522 expiring on 31 March 2016 (in escrow until 29 February 2016 expiring 31 March 2016)	-
Mr John Toms	-	-	-	-	-	-	-	-	465,839 expiring on 31 March 2016 (in escrow until 29 February 2016 expiring 31 March 2016)	-
Mr Peter Martin	9,486,320	-	7.6%	-	-	9,486,320	-	7.6%	427,019 expiring on 31 March 2016 (in escrow until 29 February 2016 expiring 31 March 2016)	-
Mr David Liddy	1,000,000	-	0.8%	-	-	1,000,000	-	0.8%	450,310 expiring on 31 March 2016 (in escrow until 29 February 2016 expiring 31 March 2016)	-

Mr Tony Adcock	80,549	-	0.06%	-	-	80,549	-	0.06%	450,310 expiring on 31 March 2016 (in escrow until 29 February 2016 expiring 31 March 2016)	-
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- (d) As at the date of this Notice of Meeting, the Company's capital structure consists of 124,668,047 Shares and 23,266,668 unlisted options.
- (e) If Shareholders approve each of Resolutions 4, 5, 6, 7, 8 and 9, and the Executive Options and Director Options the subject of Resolutions 4, 5, 6, 7, 8 and 9 are issued, the Company's capital structure will consist of 124,668,047 Shares and 26,978,880 unlisted options.
- (f) If Shareholders approve each of Resolutions 4, 5, 6, 7, 8 and 9 and the Executive Options and Director Options the subject of Resolutions 4, 5, 6, 7, 8 and 9 are issued:
- (i) there will be no dilutive effect of the Executive Options to be issued pursuant to Resolutions 4 and the Director Options to be issued pursuant to Resolutions 5, 6, 7, 8 and 9 until they are exercised and Shares are issued; and
 - (ii) if the Executive Options the subject of Resolution 4 and the Director Options the subject of Resolutions 5, 6, 7, 8 and 9 are exercised, but no other options on issue are exercised, the dilutive effect of the issues on Shareholders' existing shareholdings will be as shown in Column "A" (assuming no other options are exercised and no other Shares are issued).

Director	Number of securities to be issued if Resolutions 4, 5, 6, 7, 8 and 9 are approved		"A" Total securities on issue if relevant Executive Options or Director Options are exercised (assuming no other options are exercised and no other Shares are issued)
	Shares	Unlisted Options	Dilutive effect on Shares
Mr Tom Cregan	N/A	1,212,121	1,212,121 / 124,668,047 = 0.97%
Mr Robert Browning	N/A	706,522	706,522 / 124,668,047 = 0.57%
Mr John Toms	N/A	465,839	465,839 / 124,668,047 = 0.37%
Mr Peter Martin	N/A	427,019	427,019 / 124,668,047 = 0.34%
Mr David Liddy	N/A	450,310	450,310 / 124,668,047 = 0.36%
Mr Tony Adcock	N/A	450,310	450,310 / 124,668,047 = 0.36%
TOTAL	N/A	3,712,121	2.97%

Value of Executive Options and Director Options

- (g) The Company has commissioned a valuation report by an independent expert, Crowe Horwath Corporate Finance (Aust) Ltd, to value both the Executive Options to be issued to Mr Cregan and the Director Options to be issued to Messrs Browning, Toms, Martin, Liddy and Adcock. This report is set out in Schedule 3 of this Explanatory Statement.

Value of Executive Options the subject of Resolution 4

- (h) In relation to the issue of Executive Options to Mr Cregan the Company has determined the most appropriate option value to adopt is the mid-value valuation of \$0.455 per Executive Option. The marketability discount reflects that the Executive Options are non-transferable.
- (i) The indicative fair value of the Executive Options to be issued to Mr Cregan based on this valuation has been calculated as the amount set out in the "Total Executive Option Value " column below:

Number of Executive Options with a nil exercise price	Total Executive Option Value (based on an assessed option value of \$0.455 per Executive Option and a share price of \$0.455 at grant date)
1,212,121 Executive Options	\$551,515

- (j) This valuation is based on the Black-Scholes model and is based on the following assumptions and parameters.
- (i) Underlying Share price of \$0.455 per Share (as the Executive Options have yet to be granted, the valuation assumes that the share price at grant date to be the most recent closing share price, being \$0.455 on 12 September 2013).
- (ii) The exercise price per Executive Option is nil.
- (i) Time to expiry is 2.88 years.
- (iii) A risk free interest rate of 2.92% per annum.
- (iv) A volatility value of 100%.
- (v) No dividends will be declared or paid by the Company during the term of the Executive Options.
- (k) Further information regarding the value of the Executive Options to be granted to Mr Cregan and the assumptions used as the basis of valuation is set out in valuation report in Schedule 3 of this Explanatory Statement.

Value of Director Options with respect to Resolutions 5, 6, 7, 8 and 9

- (l) In relation to the issue of Director Options to Messrs Browning, Toms, Martin, Liddy and Adcock the Company has determined the most appropriate option value to adopt is the mid-value valuation of \$0.31 per Director Option. The marketability discount reflects that the Director Options are non-transferable.

- (m) The indicative fair value of the Director Options to be issued to each Non-Executive Director based on this valuation has been calculated as the amount set out in the "Total Director Option Value " column below:

Resolution	Director	Number of Director Options with an exercise price of \$0.10	Total Director Option Value (based on an assessed option value of \$0.31 per Director Option and a share price of \$0.455 at grant date)	Total Directors' Fee foregone for the Relevant Period
Resolution 5	Mr Robert Browning	706,522 Director Options	\$219,022	\$132,481
Resolution 6	Mr John Toms	465,839 Director Options	\$144,410	\$87,350
Resolution 7	Mr Peter Martin	427,019 Director Options	\$132,376	\$80,071
Resolution 8	Mr David Liddy	450,310 Director Options	\$139,596	\$84,438
Resolution 9	Mr Tony Adcock	450,310 Director Options	\$139,596	\$84,438
Total		2,500,000	\$775,000	\$468,778

- (n) This valuation is based on the Black-Scholes model and is based on the following assumptions and parameters.
- (i) Underlying Share price of \$0.455 per Share (as the Director Options have yet to be granted, the valuation assumes that the share price at grant date to be the most recent closing share price, being \$0.455 on 12 September 2013).
 - (ii) The exercise price per Director Option is \$0.10.
 - (ii) Time to expiry is 2.38 years.
 - (iii) A risk free interest rate of 2.92% per annum.
 - (iv) A volatility value of 100%.
 - (v) No dividends will be declared or paid by the Company during the term of the Director Options.
- (o) Further information regarding the value of the Director Options to be granted to Messrs Cregan, Browning, Toms, Martin, Liddy and Adcock and the assumptions used as the basis of valuation is set out in valuation report in Schedule 3 of this Explanatory Statement.

Remuneration details of Mr Cregan in relation to Resolution 4

- (p) Pursuant to the executive services agreement with the Company, Mr Cregan is entitled to receive a fixed remuneration package of \$416,000 per annum (comprising base salary and superannuation benefits and other entitlements). Mr Cregan received \$416,000 as total remuneration for financial year ended 30 June 2013.

Remuneration details of Non-Executive Directors in relation to Resolutions 5, 6, 7, 8 and 9

- (q) Mr Browning is entitled to receive \$99,418 per annum inclusive of superannuation for his services as Non-Executive Director and Chairman.
- (r) Mr Liddy is entitled to receive \$63,365 per annum inclusive of superannuation and other benefits for his services as Non-Executive Director.
- (s) Mr Martin is entitled to receive \$60,088 per annum inclusive of superannuation and other benefits for his services as Non-Executive Director.
- (t) Mr Toms is entitled to receive \$65,550 per annum inclusive of superannuation and other benefits for his services as Non-Executive Director.
- (u) Mr Adcock is entitled to receive \$63,365 per annum inclusive of superannuation and other benefits for his services as Non-Executive Director.
- (v) The Non-Executive Directors are also entitled to be reimbursed for reasonable expenses incurred as a Director of the Company such as travel and accommodation expenses. Other than as described in this section, the Directors receive no other remuneration from the Company.
- (w) The remuneration details (inclusive of superannuation contributions and other benefits) of the Non-Executive Directors for the financial year ended 30 June 2013 is set out below:

Director	Remuneration paid FY13 (excluding Directors' fees not yet paid for the Relevant Period)	Directors' fees payable for Relevant Period applicable to FY13 but not paid	Total remuneration FY13
Mr Robert Browning	\$275,213	\$33,063	\$308,276
Mr John Toms	\$42,700	\$21,800	\$64,500
Mr Peter Martin	\$54,522	\$19,983	\$565,505
Mr David Liddy	\$41,783	\$21,073	\$62,856
Mr Tony Adcock	\$41,792	\$21,073	\$62,865

Reasons for the issue of Executive Options to Mr Cregan the subject of Resolution 4

- (x) The primary purpose for issuing the Executive Options to Mr Cregan is to reward him for his services and contribution to the Company in his role as Managing Director and Chief Executive Officer of the Company, to incentivise and further align his interests with those of Shareholders, as well as to give him the opportunity to increase his investment in the Company which will provide him with a further incentive to work towards the Company's objectives.
- (y) The Directors (other than Mr Cregan), after having considered other alternatives, determined that issuing the Executive Options to Mr Cregan at nil cash consideration (but subject to the requirement to forfeit those Executive Options if the Performance Hurdles described in section 5.1 are not satisfied) was an appropriate means to assist in retaining and incentivising Mr Cregan. The Directors determined this having regard to the high calibre of Mr Cregan, his qualifications and expertise, and the Company's desire to retain Mr Cregan's overall contribution and benefit of his skill set over the long term.
- (z) The value of the Executive Options forms part of Mr Cregan's annual remuneration for his services as Managing Director and Chief Executive Officer of the Company. The number of Executive Options, and their terms, was determined by the Board with assistance of an independent remuneration adviser having regard to remuneration paid to managing directors and chief executive officers of similar size companies and the exceptional performance of Mr Cregan in managing and growing the Company.

Reasons for the issue of Director Options to Non-Executive Directors the subject of Resolutions 5, 6, 7, 8 and 9

- (aa) The primary purpose for issuing the Director Options to the Non-Executive Directors is to provide cost effective consideration to Messrs Browning, Toms, Martin, Liddy and Adcock for their commitment and contribution to the Company in their respective roles as Non-Executive Directors of the Company in lieu of the Director's fees for the Relevant Period that they would otherwise be entitled to.
- (bb) The number of Director Options, and their respective exercise prices, was determined with reference to the Non-executive Directors' annual cash based remuneration having regard to the share price at that time, with the number of Director Options to be issued closely linked to the cash based remuneration foregone. At the time the Board resolved to forego director cash fees in lieu of Director Options, the Company's share price was \$0.20 and a capital raising had not been undertaken.

Costs to the Company

- (cc) Other than as disclosed in this Explanatory Statement, the Directors do not consider that from an economic and commercial perspective, there are any costs or detriments of any significance (including opportunity or taxation costs) for the Company or benefits foregone by the Company in issuing the Executive Options to Mr Cregan and the Director Options to Messrs Browning, Toms, Martin, Liddy and Adcock on the terms set out in this Explanatory Statement other than as noted in sub-section (dd) below.

(dd) In relation to the proposed grant of Executive Options and Director Options:

- (i) The indicative profit and loss effect attributable to each grant of options the subject of Resolutions 4, 5, 6, 7, 8 and 9 is detailed in the table below. It should be noted that under AASB2 the fair value of the Executive Options and Director Options will be amortised over their respective vesting periods from the grant date to the vesting date and the fair value of the Executive Options and Director Options can only be determined on the grant date, which will be the date of the Annual General Meeting, if the Resolutions are approved by Shareholders. The independent valuation report set out in Schedule 3 of this Explanatory Statement has assumed certain variables at the date of the report in providing an indicative fair value, but if those variables change the fair value of the Executive Options and Director Options will change. The table below has used the inputs in the independent valuation report.
- (ii) Furthermore, under AASB2 the Executive Options that are proposed to be awarded under Resolution 4 are subject to the achievement of certain Performance Hurdles. If the Company considers it unlikely that the Performance Hurdles will be achieved then any cumulative expense recognised at that time will be reversed. Similarly, if the Company subsequently considers that the Performance Hurdles will be achieved, the cumulative expense that should have been recognised up until that date will need to be recognised. It has been assumed that the Performance Hurdles will be achieved in preparing the indicative profit and loss effect in the table below. The table below also includes the impact of foregone Director's fees that have been accrued but not paid. If the Director Options are awarded, the accrued expense will be reversed and no further expense incurred for the Director's fees and this has been included in the table below for comparative purposes.

		FY14	FY15	FY16	FY17
		\$	\$	\$	\$
	Director Options - Share based amortisation under AASB2 payment under				
Resolution 5	Mr Robert Browning	219,022	-	-	-
Resolution 6	Mr John Toms	144,410	-	-	-
Resolution 7	Mr Peter Martin	132,376	-	-	-
Resolution 8	Mr David Liddy	139,596	-	-	-
Resolution 9	Mr Tony Adcock	139,596	-	-	-

	Total	775,000	-	-	-
	Director's Fees foregone for the Relevant Period				
	Mr Robert Browning	(132,481)	-	-	-
	Mr John Toms	(87,350)	-	-	-
	Mr Peter Martin	(80,071)	-	-	-
	Mr David Liddy	(84,438)	-	-	-
	Mr Tony Adcock	(84,438)	-	-	-
	Total	(468,778)	-	-	-
	Executive Options - Share based amortisation under AASB2				
Resolution 4	Mr Tom Cregan	123,821	196,815	197,356	33,523
	Total \$551,515 from FY14 to FY17				
	Total net annual profit and loss effect of grant of Director Options and Executive Options	430,043	196,815	197,356	33,523

- (iii) The market price for Shares during the exercise period for the Executive Options and Director Options would normally determine whether or not those options are exercisable. If at the time any of the Executive Options or Director Options are exercised, the Shares are trading on ASX at a price that is higher than the applicable exercise price of the relevant options, there may be a perceived cost of dilution to the Company and Shareholders of the Company.
- (ee) The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the Company's interests to pass Resolutions 4, 5, 6, 7, 8 and 9.

5.7 **No Directors' recommendation**

Each Director does not make a recommendation on Resolutions 4, 5, 6, 7, 8 and 9 because:

- (a) in relation to the Resolution that relates to him, he has a material personal interest in the outcome of the Resolution (as indicated below); and
- (b) in relation to the Resolutions that relate to the Directors other than him, because, having regard to ASIC's guidance in Regulatory Guide 76 that it is good practice for directors to avoid making a recommendation for resolutions about each other's remuneration as there may be a conflict of interest, he considers it appropriate in the circumstances not to make a recommendation.

The following Directors have a material personal interest in the outcome of the Resolution listed next to their name below and did not participate or vote in any Board approvals of the option issue contemplated by the Resolution.

- (a) Mr Cregan in relation to Resolution 4.
- (b) Mr Browning in relation to Resolution 5.
- (c) Mr Toms in relation to Resolution 6.
- (d) Mr Adcock in relation to Resolution 7.
- (e) Mr Martin in relation to Resolution 8.
- (f) Mr Liddy in relation to Resolution 9.

6. **RESOLUTION 10 – APPROVAL OF PRIOR ISSUE OF SHARES TO INSTITUTIONAL AND SOPHISTICATED INVESTORS**

As announced on 26 August 2013, the Company issued 22,730,000 Shares to institutional and sophisticated investors at an issue price of \$0.33 per Share to raise a total of approximately \$7.5 million (**Placement Shares**). As the Company announced, the capital raising facilitates an acceleration of sales, marketing and product development initiatives to take advantage of favourable market conditions.

Listing Rules 7.1 and 7.1A impose limits on the number of equity securities (including ordinary shares) that a company can issue or agree to issue without shareholder approval. Generally, the Company can issue without shareholder approval, in any 12 month period, the number of equity securities:

- (a) up to 15% of its issued equity securities under Listing Rule 7.1; and
- (b) up to a further 10% of its issued equity securities under Listing Rule 7.1A provided Shareholder approval under that Listing Rule has been obtained.

7,577,293 of the Placement Shares were issued within the Company's additional 10% capacity under Listing Rule 7.1A while 15,152,707 Placement Shares were issued within the Company's 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.4 provides that an issue by a company of equity securities made without shareholder approval is treated as having been made with approval if the

issue did not breach Listing Rule 7.1 when made and shareholders subsequently approve it.

Resolution 10 seeks Shareholder approval under Listing Rule 7.4 to approve the prior issue of the Placement Shares to institutional and sophisticated investors made without approval under Listing Rule 7.1. Resolution 10 is proposed to provide the Company with the maximum flexibility to issue further securities (if necessary) under Listing Rules 7.1 and 7.1A without shareholder approval. The requirement to obtain shareholder approval for a future issue, at the time of issue, could limit the Company's ability to take advantage of opportunities that may arise.

The effect of approval of Resolution 10 will be that:

- (a) the issue of the Placement Shares will not be counted towards reducing the number of securities that the Company can issue in the future without shareholder approval under the 15% limit imposed by Listing Rule 7.1 or the additional 10% limit imposed by Listing Rule 7.1A. This, in effect, means that the 15% limit under Listing Rule 7.1, and the additional 10% limit under Listing Rule 7.1A, will be "refreshed" to the extent of the approval so that the Company has a renewed ability to issue securities up to those respective limits; and
- (b) the Placement Shares issued will be counted in the base number of Shares on which the 15% limit under Listing Rule 7.1, and the additional 10% limit under Listing Rule 7.1A, is based.

Information required by Listing Rule 7.5

In accordance with Listing Rule 7.5, the Company provides the following information:

- (a) A total of 22,730,000 Shares were issued by the Company on 30 August 2013.
- (b) The Placement Shares were issued for an issue price of \$0.33 per Share, being a 9.36% discount to the 15 day volume weighted average price of Shares traded on ASX over the 15 trading days up to and including 21 August 2013.
- (c) The Placement Shares issued are fully paid ordinary shares in the Company and rank equally with all other fully paid ordinary shares on issue.
- (d) The Placement Shares were issued to institutional and sophisticated investors. Such institutional and sophisticated investors are not associated with a Director or a related party of the Company as that term is defined in the Listing Rules.
- (e) The Company intends to use the funds raised from the issue of the Placement Shares to fund:
 - (i) *IT capital expenditure* – expanding network capacity and bandwidth to meet growing cardholder and transaction volumes;
 - (ii) *Sales and marketing* – business development hires to build a presence in New South Wales and Western Australia and provide additional capacity in the Queensland core market; marketing program to build brand and public awareness; investment in search

engine optimisation to drive website traffic; engage lobbyists to build awareness with governance agencies;

- (iii) *Product development* – IT investment to enable the Company to perform additional fee-generating functions; offer additional product features; fund legal and set-up costs in preparation for new market entry; development of mobile device applications;
- (iv) *Internal audit* – enhance the internal audit function to exceed contractual probity requirements and meet world's best practice financial controls and processes; and
- (v) *Working capital* – the Company continues to expend working capital in excess of revenues – provide additional balance sheet capacity and strength in support of larger sales opportunities.

Directors' recommendation: The Board recommends that Shareholders vote in favour of Resolution 10.

7. **RESOLUTION 11 – APPROVAL OF 10% ADDITIONAL PLACEMENT CAPACITY**

Resolution 11, if passed, would give the Company additional capacity to issue a number of equity securities equal to 10% of the number of ordinary securities on issue (at the time of issue), in addition to the 15% permitted under Listing Rule 7.1 without shareholder approval (**Additional Placement Facility**).

As at the date of this Notice of Meeting, the Company has on issue 124,668,047 Shares. As the Company announced on 29 August 2013 following the issue of the Placement Shares, it has:

- zero remaining issue capacity under Listing Rule 7.1; and
- 2,604,511 remaining issue capacity under Listing Rule 7.1A.

If all Resolutions are approved by Shareholders at the Meeting, the Company will have the capacity to issue:

- 18,762,025 equity securities under Listing Rule 7.1; and
- subject to Shareholders approving Resolution 11, 12,588,016 Shares under Listing Rule 7.1A.

The information below provides more background on Listing Rule 7.1A and the disclosure required by Listing Rule 7.3A.

7.1 **Additional Placement Facility**

Under Listing Rule 7.1A, an eligible entity may seek approval from members by special resolution at its annual general meeting to have the Additional Placement Facility to issue equity securities.

If approved, the Additional Placement Facility will allow the Company for a period of 12 months from the date of the Annual General Meeting to issue equity securities equal to 10% of the number of ordinary securities on issue on a non-pro rata basis (ie by placement). The Company currently believes that it has sufficient capital for the foreseeable future and does not have specific plans to raise additional capital, but considers it prudent to maintain such flexibility.

7.2 Eligible entity

Under the Listing Rules, an "eligible entity" is an entity which, as at the date of the relevant resolution, is not included in the S&P/ASX300 Index and has a market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) equal to or less than \$300 million. The Company is an eligible entity as at the date of this Notice of Meeting.

7.3 Special resolution

The Additional Placement Facility requires members' approval by special resolution. This requires at least 75% of the votes cast in favour of the resolution by the members entitled to vote.

7.4 Securities which may be issued under the Additional Placement Facility

Type of securities

Under the Additional Placement Facility, the Company must issue equity securities belonging to an existing quoted class of the Company's equity securities. As at the date of this Notice of Meeting, the Company has on issue the following classes of equity securities, of which only the ordinary shares are quoted:

Security	Number on issue
Ordinary Shares	124,668,047
Unlisted Options*	23,266,668

* Unlisted options do not belong to an existing quoted class of securities.

10% limit

The Additional Placement Facility allows the Company to issue or agree to issue during the 12 months following member approval a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A = The number of fully paid ordinary securities on issue 12 months before the date of issue or agreement,

- (i) plus the number of fully paid ordinary securities issued in the 12 months under an exception in Listing Rule 7.2,
- (ii) plus the number of partly paid ordinary securities that became fully paid in the 12 months,
- (iii) plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under Listing Rule 7.1 or Listing Rule 7.4. This does not include an issue of fully paid shares under the Company's 15% placement capacity without Shareholder approval,
- (iv) less the number of fully paid ordinary securities cancelled in the 12 months.

D = 10%

E = The number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under Listing Rule 7.1 or Listing Rule 7.4.

The amount calculated in accordance with the above formula is in addition to the 15% permitted under Listing Rule 7.1.

7.5 **Information required under Listing Rule 7.3A**

What is the minimum issue price?

The issue price of each security issued under the Additional Placement Facility must be no less than 75% of the volume weighted average price (**VWAP**) for the securities in that class.

The VWAP is to be calculated over the 15 trading days on which trades of securities in that class were recorded immediately before:

- (a) the date on which the issue price is agreed for the securities under the Additional Placement Facility; or
- (b) if the securities are not issued under the Additional Placement Facility within 5 trading days of the date in sub-section (a) above, the date on which the securities are issued.

The Company will disclose this information when equity securities are issued under the Additional Placement Facility.

What is the date by which the Company may issue equity securities?

Under Listing Rule 7.1A.1, the approval for the Additional Placement Capacity must be for a period (**Additional Placement Period**) commencing on the date of the annual general meeting and expiring on the earlier of:

- (a) the date that is 12 months after the date of the annual general meeting (being 13 November 2014); or
- (b) if the Company receives an approval for a proposed transaction under Listing Rule 11.1.2 (significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking), the date of that approval.

The Company will only issue the equity securities during the Additional Placement Period. The approval under Resolution 11 for the issue of equity securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 or Listing Rule 11.2.

Dilution risks

If equity securities are issued under the Additional Placement Facility, there is risk of economic and voting dilution of existing members, including the following risks:

- (a) the market price for equity securities in the class of securities issued under the Additional Placement Facility may be significantly lower on the

issue date than on the date of the approval under Listing Rule 7.1A (ie the date of the annual general meeting, if Resolution 11 is approved); and

- (b) the equity securities may be issued under the Additional Placement Facility at a discount to the market price for those equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlement offer or securities issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		Issue Price: \$0.235 (closing share price at latest practicable date x 0.5) 50% decrease in Issue Price	Issue Price: \$0.47 (closing share price at latest practicable date) No change in Issue Price	Issue Price: \$0.94 (closing share price at latest practicable date x 2) 100% increase in Issue Price
Scenario A No change in the number of ordinary securities on issue = 124,668,047 Shares	10% Voting Dilution	12,466,804 Shares	12,466,804 Shares	12,466,804 Shares
	Funds raised	\$2,929,698 12,466,804 x \$0.235	\$5,859,398 12,466,804 x \$0.47	\$11,718,796 12,466,804 x \$0.94
Scenario B 50% increase in	10% Voting	18,700,207 Shares	18,700,207 Shares	18,700,207 Shares

the number of ordinary securities on issue = 187,002,070 Shares	Dilution			
	Funds raised	\$4,394,549 18,700,207 x \$0.235	\$8,789,097 18,700,207 x \$0.47	\$17,578,195 18,700,207 x \$0.94
Scenario C 100% increase in the number of ordinary securities on issue = 249,336,094 Shares	10% Voting Dilution	24,933,609 Shares	24,933,609 Shares	24,933,609 Shares
	Funds raised	\$5,859,398 24,933,609 x \$0.235	\$11,718,796 24,933,609 x \$0.47	\$23,437,592 24,933,609 x \$0.94

The examples in the above table are based on the following assumptions and bases:

- (a) The Company issues Shares for cash under the Additional Placement Facility and no other types of quoted equity securities.
- (b) The Company issues the maximum number of equity securities allowed under the Additional Placement Facility (being 10% of the number of Company's Shares on issue).
- (c) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (d) The Company issues Shares under the Additional Placement Facility to new investors who have previously held no interests in the Company's securities (ie. the table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Facility, based on that Shareholder's holding at the date of the meeting).
- (e) Other than as indicated in the table, the Company does not issue any additional equity securities during the Additional Placement Period.
- (f) The table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the existing 15% placement capacity under Listing Rule 7.1.
- (g) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Facility based on that Shareholder's holding at the date of the Meeting.
- (h) No unlisted options over Shares are exercised during the Additional Placement Period and before the date of the issue of the equity securities.
- (i) The issue price is \$0.47, being the closing share price of the Shares on ASX on 3 October 2013.

For what purpose will the Company issue equity securities?

Although no such plans exist at this time, the Company seeks to maintain some flexibility in its capital raising ability so that it may issue equity securities under the Additional Placement Facility for the following purposes:

- (a) to provide non-cash consideration for new asset purchases or investments; or
- (b) to raise cash to fund:
 - (i) continuing increases to the Company's information technology development capacity;
 - (ii) the increase in marketing spend to build brand awareness and increase future sales pipelines of reloadable pre-paid opportunities;
 - (iii) continued expenditure on the Company's current assets;
 - (iv) new acquisitions or investments (including their associated expenses); and
 - (v) general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue in reliance on Listing Rule 7.1A of any equity securities. If equity securities are issued for non-cash consideration, the Company will at the time of issue of the equity securities provide a valuation of the non-cash consideration that demonstrates that the issue price of the securities are at or above the minimum issue price, in accordance with the Note to Listing Rule 7.1A.3. The Company intends to have the ability to issue securities under Listing Rule 7.1A for non-cash consideration.

What is the allocation policy?

The Company's allocation policy and the identity of the allottees of equity securities issued under the Additional Placement Facility will be determined on a case-by-case basis at the time of issue.

No decision has been made in relation to an issue of equity securities under the Additional Capacity as to whether the Company will engage with new investors or existing members of the Company, and if so whom.

However, determination of the allocation policy and the identity of the allottees will have regard to the following considerations:

- (a) the financial situation and solvency of the Company;
- (b) impacts of the placement on control;
- (c) other methods of raising capital; and
- (d) advice from corporate, financial and broking advisers (if applicable).

Allottees may include existing Shareholders or new investors, but not persons who are related parties or associates of related parties of the Company. If the issue is made in connection with the acquisition of assets, the allottees may be the sellers of those assets.

Details of approvals under Listing Rule 7.1A previously obtained by the Company

The Company obtained member approval for an Additional Placement Facility under Listing Rule 7.1A at the 2012 annual general meeting held on 13 November 2012.

The total number of equity securities issued in the 12 months preceding the date of this Meeting is 30,588,888 (comprising of 26,738,888 Shares and 3,850,000 unlisted options), which represents 20.68% of the total number of equity securities that were on issue as at 13 November 2012, being the date that is 12 months before this Meeting, which was 147,930,558 equity securities (comprising of 97,929,159 Shares, 26,079,731 listed options and 23,921,668 unlisted options).

In accordance with Listing Rule 7.3A.6, details of all issues of equity securities by the Company under the Additional Placement Facility during the 12 months preceding the date of this Meeting is set out in Schedule 4 of this Explanatory Statement.

Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the Company has not approached any existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of equity securities under Listing Rule 7.1A. Accordingly, it is expected that no existing Shareholder's votes will be excluded under the voting exclusion in the Notice of Meeting.

8. RESOLUTION 12 – ADOPTION OF PROPORTIONAL TAKEOVER PROVISIONS

Under the Corporations Act, a company is empowered to include in its constitution a provision to enable the company to refuse to register shares acquired under a proportional takeover bid unless a resolution is passed by shareholders in general meeting approving the offer.

It is a requirement of the Corporations Act that proportional takeover bid approval rules apply for a maximum period of three years unless renewed. The Company's constitution previously contained proportional takeover bid approval rules in rule 38 (**Proportional Takeover Provisions**). As the Proportional Takeover Provisions were inserted into the constitution at the Company's general meeting on 22 July 2010, they ceased to apply (and were deemed to be omitted from the Company's constitution) on 22 July 2013.

In the Directors' view, it is now appropriate to consider the reinsertion of the Proportional Takeover Provisions (in the same form as they were previously included in rule 38) into the Company's constitution. The proposed Proportional Takeover Provisions are in identical terms to the previous provision which is currently contained in the copy of the Company's constitution available from ASX's website www.asx.com.au.

Resolution 12 is a special resolution which means that a vote to pass this Resolution is decided on a 75% majority of the votes cast by Shareholders entitled to vote on this Resolution.

If Resolution 12 is passed, then for 21 days after the meeting the Shareholders holding 10% or more of the Company's Shares would have the right to apply to the court to have the resolution set aside. The court may set aside the

resolution if the court is satisfied in all the circumstances that it is appropriate to do so.

If Resolution 12 is passed and not set aside by the court, then the Proportional Takeover Provisions would operate for three years, and would then cease to apply unless renewed by a further special resolution of Shareholders.

The Corporations Act requires certain information to be included in the notice of meeting where the approval of members is sought to adopt proportional takeover provisions. That information is set out below.

(a) Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each Shareholder is only for a proportion of that Shareholder's shares. If a shareholder accepts, the shareholder disposes of that specified portion and retains the balance.

(b) Effect of the proposed Proportional Takeover Provisions

The effect of the Proportional Takeover Provisions are that:

- (i) If a bidder makes a proportional takeover bid for any class of shares in the Company, the Directors must ensure that a meeting of members of that class is convened where a resolution to approve the proportional takeover bid is voted upon. The vote is decided on a simple majority. The bidder and its associates are excluded from voting on that approving resolution.
- (ii) The meeting and the vote on the approving resolution must take place more than 14 days before the last day of the bid period.
- (iii) If the approving resolution is rejected before the deadline, the bid cannot proceed and the offer will be taken to have been withdrawn. Any transfers giving effect to takeover contracts for the bid will not be registered and all offers under the takeover bid are taken to be withdrawn and all takeover contracts must be rescinded.
- (iv) If the approving resolution is not voted on, the bid will be taken to have been approved.
- (v) If the approving resolution is passed (or taken to have been approved), the transfers must be registered (subject to other provisions of the Corporations Act and the Company's constitution).

The Proportional Takeover Provisions do not apply to full takeover bids.

(c) Reasons for Proportional Takeover Provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all of their shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of not being able to exit their investment in the Company by selling their entire shareholding and consequently being left as a minority shareholder in the Company. The bidder may be able to acquire control of the Company without payment of an adequate control premium.

The Board believes that the Proportional Takeover Provisions are desirable to give Shareholders protection from these risks inherent in proportional takeover bids – this is protection that the Corporations Act provisions are intended to provide.

The Proportional Takeover Provisions allow Shareholders to decide if a proportional takeover bid is acceptable in principle, and may assist in ensuring that any proportional takeover bid is appropriately priced.

To assess the merits of the Proportional Takeover Provisions, Shareholders should make a judgement as to what events are likely to occur in relation to the Company during the three year life of the proposed Proportional Takeover Provisions.

(d) Potential advantages and disadvantages

The Directors consider that the Proportional Takeover Provisions have no potential advantages or disadvantages for any of them, and that they remain free to make a recommendation on whether or not an offer under a proportional takeover bid should be accepted.

The Directors note that it could be argued that the Proportional Takeover Provisions are an advantage to them as a takeover defence mechanism that could be exploited to entrench the incumbent board of Directors. However, the Board believes this argument ignores the basic objects of the Proportional Takeover Provisions which is to empower Shareholders, not the Board.

The potential advantages for Shareholders of the Proportional Takeover Provisions include the following:

- (i) Shareholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (ii) the provisions may assist Shareholders and protect them from being locked in as a minority;
- (iii) they increase the bargaining power of Shareholders and may assist in ensuring that any proportional takeover bid is adequately priced; and
- (iv) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders and assist in deciding whether to accept or reject an offer under a proportional takeover bid.

The potential disadvantages for Shareholders include the following:

- (i) proportional takeover bids for shares in the Company may be discouraged;
- (ii) Shareholders may lose an opportunity to sell some of their Shares at a premium;
- (iii) individual Shareholders may consider that the Proportional Takeover Provisions would restrict their ability to deal with their shares as they see fit; and

- (iv) the likelihood of a proportional takeover bid succeeding may be reduced.

(e) **Previous operation of rule 38**

While rule 38 was in effect, there were no takeover bids for the Company, either proportional or full. So the Directors cannot point to any more specific advantages or disadvantages evident from the operation of the provision during that period. The Directors are not aware of any potential takeover bid that was discouraged by the Proportional Takeover Provisions previously included in the Company's constitution.

(f) **Knowledge of any acquisition proposals**

Apart from the above general considerations, as at the date on which this Notice of Meeting was prepared, no Director of the Company is aware of any proposal by any person to acquire or to increase the extent of a substantial interest in the Company.

Those Directors who are also Shareholders have the same interest in Resolution 12 as all Shareholders have. Details of the shareholdings of Directors are contained in the Company 2013 Annual Report.

(g) **Directors' recommendation**

The Board recommends that Shareholders vote in favour of Resolution 12.

SCHEDULE 1

SUMMARY OF THE KEY TERMS OF THE ESOP

Purpose of the ESOP	The purpose of the ESOP is to: (a) assist in the reward, retention and motivation of Eligible Employees; (b) link reward to a shareholder value creation; and (c) align the economic interests of Eligible Employees with those of Shareholders by providing an opportunity for Eligible Employees to invest via an equity interest in the form of options.
Eligible Employee	Eligible Employees for the purposes of the ESOP are any person who is a full time or permanent part time employee or a Director of any member of the Company and each Associated Body Corporate of the Company (Group), and who is declared by the Board in its sole and absolute discretion to be eligible to receive grants of options under the ESOP. Associated Body Corporate of the Company means each: (a) related body corporate of the Company (within the meaning of section 50 of the Corporations Act); (b) body corporate that has voting power (as that term is defined in the Corporations Act) in the Company of not less than 20%; or (c) body corporate in which the Company has voting power (as that term is defined in the Corporations Act) of not less than 20%.
Invitations to participants	The Board may from time to time in its sole and absolute discretion determine that an Eligible Employee may participate in the ESOP and make an invitation inviting Eligible Employees to participate in the ESOP. The terms and conditions of options offered or granted under the ESOP to each participant will be determined by the Board (and set out in an invitation to the participant) in its sole and absolute discretion. The invitation will set out, amongst other things, the number of options, the grant date, the exercise price (if any), the vesting conditions (if any), forfeiture conditions (if any) and any rights or restrictions attaching to the plan shares.
No option fee	Unless otherwise determined by the Board in its sole and absolute discretion, no consideration will be paid for the issue of the options.
Exercise price and minimum exercise	The exercise price for options (if any) will be as determined by the Board in its sole and absolute discretion. Options must be exercised in multiples of 1,000 unless fewer than 1,000 options are held by a participant or the Board otherwise agrees.

Cashless exercise of Options	The Board may determine in its sole and absolute discretion that a participant will not be required to provide payment of the applicable exercise price for an option by cash, cheque or some other method acceptable to the Company, but that on exercise of the options the Company will only allot and issue or transfer that number of Shares to the holder which are equal in value to the difference between the exercise price otherwise payable in relation to the options and the then market value of the Shares as at the time of the exercise (with the number of Shares rounded down).
Non-transferability	The options cannot be transferred, assigned, encumbered with a security interest in or over them, or otherwise disposed of by the holder without the prior consent of the Board which consent may impose certain terms and conditions as the Board sees fit, unless such transfer or assignment occurs by force of law upon the death of the participant.
Restrictions on Shares	The Board may determine in its sole and absolute discretion whether there will be any restrictions on the disposal or transfer of plan shares held by any participant. No plan share may be transferred unless any disposal restrictions determined by the Board or which apply to the plan shares ceases to apply and any forfeiture conditions (if any) cease to apply. At all times participants must comply with any share trading policy.
Unquoted Options	Unless determined otherwise by the Board in its sole and absolute discretion, the options will not be quoted on the ASX.
No voting right	Holders of options have no rights to vote at meetings of the Company in respect of their options.
No dividend right	Holders of options have no rights to receive any dividends declared by the Company in respect of their options.
Lapse of Options	Unless the Board determines otherwise in its sole and absolute discretion, options will lapse and be incapable of exercise on the earlier of: (a) the applicable expiry date for the options; (b) subject to Bad Leaver / Good Leaver provisions below, the participant ceasing to be an Eligible Employee; (c) the Board determines in its reasonable opinion that a holder has acted fraudulently, dishonestly or has wilfully breached his or her duties to the Group and has deemed that all options held by that participant automatically lapse; or (d) the Board determines in its reasonable opinion that the vesting conditions (if any) have not been met and cannot be met prior to the applicable expiry date.
Bad Leave / Good Leaver provisions	Where a participant ceases to be an Eligible Employee and is a Bad Leaver, all unvested options will automatically lapse unless the Board in its sole and absolute discretion determines otherwise. A Bad Leaver includes where: (a) the participant's employment is terminated, or the participant is dismissed from office, due to:

	(i) serious and wilful misconduct; (ii) material breach of the terms of any contract of employment entered into by the Company and the participant; (iii) gross negligence; or (iv) other conduct justifying termination of employment without notice either under the participant's contract of employment or at common law; (b) the participant's employment is terminated due to poor performance; (c) the participant's employment is terminated due to poor performance; (d) the participant resigns from his or her employment with the Company; or (e) the participant is ineligible to hold his or her office of director for the purposes of Part 2D.6 of the Corporations Act. Where a participant ceases to be an Eligible Employee and is a Good Leaver: (a) all unvested options will immediately vest and remain exercisable until the expiry date (or such other period as specified by the Board), unless the Board in its sole and absolute discretion determines otherwise; and (b) all of the options which have vested but have not yet been exercised will continue in force and remain exercisable until the expiry date (or such other period as specified by the Board), unless the Board in its sole and absolute discretion determines otherwise. If during the period referred to above in paragraph (b) the participant subsequently commences employment, or subsequently holds office of a director, in breach of any post termination restrictions in his or her employment contract, then the Board may deem the participant to be a Bad Leaver and any vested but unexercised options will automatically be forfeited by the participant. A Good Leaver includes where: (a) the participant ceases employment or office and the participant is not a Bad Leaver, including but not limited to ceasing employment or office due to redundancy, retirement, illness or death; or (b) in the Board's sole and absolute discretion a person who would otherwise be a Bad Leaver should be considered to be a Good Leaver.
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Forfeiture	The Board may determine any forfeiture conditions applicable to an issue of options (which is to be set out in the invitation to the participant). In addition to any applicable forfeiture conditions, where, in the reasonable opinion of the Board, a participant acts fraudulently, acts dishonestly or has wilfully breached his or her duties to the Group, then the Board may deem all options held by a participant will automatically lapse.
Change of Control Event	Unless the Board determines otherwise in its sole and absolute discretion, if a Change of Control Event occurs, all options may be exercised by a participant prior to the expiry date, whether or not any or all applicable vesting conditions have been met. A Change of Control Event means a Shareholder, or a group of associated Shareholders, becoming entitled to sufficient Shares to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board.
Participation in New Issue	During the term of any options and prior to their vesting, holders are not entitled to participate in any new issue of securities of the Company as a result of their options.
Maximum Option Allocation	Unless prior Shareholder approval is obtained, the number of options which may be granted under the ESOP which upon exercise will vest plan shares must not exceed 10% of the issued capital of the Company.
Bonus Issue	If the Company makes a pro rata bonus issue to Shareholders, an option holder is entitled, upon vesting of an option, to receive in addition to the Share in respect of which the option vests and without payment of any further consideration, the number of securities which the holder would have received if the option had vested before the record date for the bonus issue. Any additional securities that a holder becomes entitled to in such circumstances will, until they are issued to the holder, be regarded as (i) additional securities into which the option may vest for the purposes of any future bonus issues by the Company and (ii) additional options to which the holder is entitled to for the purposes of any reorganisation of capital of the Company (see below).
Reorganisation of Issued Capital	If there is a reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company, the number of options that a holder is entitled to (and their applicable exercise price) will be changed in accordance with the Listing Rules.
Shares	Subject to the Board determining otherwise prior to an invitation, each option entitles the participant to subscribe for one fully paid ordinary share in the Company. Any plan share issued pursuant to an exercise of an option will rank pari passu with all existing Shares from the date of issue.
Ranking of Shares	Shares issued on the exercise of options will rank in all respects equally to, and carry the same rights and entitlements as, the existing ordinary shares of the Company then on issue.
Listing of Shares	Provided that the Company's ordinary shares are listed on ASX at the time of exercise of options, the Company will apply to ASX for official quotation of the Shares issued on the exercise of any

	options.
Trust	The Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purposes of holding plan shares for participants under the ESOP and/or delivering plan shares to participants upon exercise of the options.
Amending the ESOP	No amendment to the ESOP or to options granted under the ESOP may be made if the amendment materially reduces the rights of any participant in respect of options granted to them prior to the date of the amendment other than: (a) for the purposes of complying with or conforming to present or future legislation governing or regulating the ESOP; (b) to correct any manifest error or mistake; (c) to allow implementation of a trust arrangement in relation to the holding of plan shares in relation to the exercise of options; (d) to take into consideration possible adverse taxation implications in respect of the ESOP including changes to applicable taxation legislation or the interpretation of that legislation by a court or any rulings from the taxation authorities; or (e) an amendment agreed to in writing by the participants in the ESOP. The Board may determine that any amendment to the ESOP or the terms of options granted under the ESOP be given retrospective effect.
Administration of the ESOP	The Board may make such regulations for the operation of the ESOP as they consider necessary provided such regulations are consistent with the ESOP. The Board may delegate any of their powers or discretions conferred on them by the ESOP to a committee or any one or more persons selected by them.

SCHEDULE 2

TERMS AND CONDITIONS OF THE DIRECTOR OPTIONS THE SUBJECT OF RESOLUTIONS 5, 6, 7, 8 AND 9

A summary of the terms and conditions of the Director Options are set out below.

Issue Price	The Director Options are being issued to the Directors (other than the Managing Director, Mr Cregan) in lieu of Director's fees that would otherwise be payable for the Relevant Period, being the period from 1 March 2013 to 30 June 2014. As such, the Director Options will be granted for nil cash consideration.																				
Exercise Price	The exercise price per Director Option is \$0.10.																				
Vesting Period	Subject to the Service Condition described below, the Director Options will vest in 7 tranches over the Vesting Period, being the period from 31 December 2013 to the end of the Relevant Period, being 30 June 2014. Tranche 1 will vest on 31 December 2013 and will comprise of the number of Director Options detailed in column 2 of the table below (in lieu of the Non-Executive Director's entitlement to Director's fees for the period from 1 March 2013, being the start of the Relevant Period, up to 31 December 2013). The remaining 6 tranches of Director Options will vest in equal tranches on the last day of each month over the remaining Vesting Period and each tranche will comprise of the number of Director Options as detailed in column 3 of the table below. Tranche 7 will vest on 30 June 2014. <table><tr><th>Director</th><th>Number of Director Options for Tranche 1</th><th>Number of Director Options for Tranches 2 – 7 in total</th></tr><tr><td>Mr Robert Browning</td><td>148,092 of the 706,522 Director Options</td><td>558,430 Director Options</td></tr><tr><td>Mr John Toms</td><td>97,643 of the 465,839 Director Options</td><td>368,196 Director Options</td></tr><tr><td>Mr Peter Martin</td><td>89,506 of the 427,019 Director Options</td><td>337,513 Director Options</td></tr><tr><td>Mr David Liddy</td><td>94,388 of the 450,310 Director Options</td><td>355,922 Director Options</td></tr><tr><td>Mr Tony Adcock</td><td>94,388 of the 450,310 Director Options</td><td>355,922 Director Options</td></tr></table>			Director	Number of Director Options for Tranche 1	Number of Director Options for Tranches 2 – 7 in total	Mr Robert Browning	148,092 of the 706,522 Director Options	558,430 Director Options	Mr John Toms	97,643 of the 465,839 Director Options	368,196 Director Options	Mr Peter Martin	89,506 of the 427,019 Director Options	337,513 Director Options	Mr David Liddy	94,388 of the 450,310 Director Options	355,922 Director Options	Mr Tony Adcock	94,388 of the 450,310 Director Options	355,922 Director Options
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Escrow Period	The Director Options will be subject to a voluntary escrow for the Escrow Period, being the period from the Issue Date until 29 February 2016 (inclusive).																				

Expiry Date	A Director Option, even though issued, will not be capable of exercise until it has vested in accordance with the above table. Once vested, each Director Option may only be exercised by the relevant Director during the Exercise Period, being the period from 1 March 2016 to 31 March 2016 (inclusive). Any Director Option that is not exercised before 5.00pm (Sydney time) on 31 March 2016 will automatically expire.
Service Condition	It is a condition of the Director Options that the relevant Director remains a Director of the Company both during the Vesting Period and until 29 February 2016, being the end of the Escrow Period. If a Director ceases to be a Director of the Company pursuant to rule 3.9 of the Company's constitution during the Escrow Period because he: (a) is not permitted under the Corporations Act (or an order made under the Corporations Act) to be a director; (b) becomes disqualified from managing corporations under Part 2D.6 and is not given permission or leave to manage the Company under section 206F or 206G of the Corporations Act; (c) becomes of unsound mind or physically or mentally incapable of performing the functions of that office; (d) is removed from office by the Company passing an ordinary resolution to remove the Director; or (e) ceases to meet the eligibility requirements to act as a Director under the Company's constitution, then, unless the paragraph below applies, all of their respective Director Options (whether vested or unvested) will forfeit. If a Director ceases to be a Director of the Company because the person: (a) is not re-elected by Shareholders at an annual general meeting of the Company for reasons, in the Board's opinion, that are unrelated to the Director's performance; or (b) the Director voluntarily resigns by notice in writing to the Company from the Board, then in those circumstances, the Director is entitled to retain only those Director Options that have vested as at the date the Director ceases to be a Director of the Company (but such Director Options will not be exercisable until 1 March 2016) and all rights to further Director Options will forfeit.
Cashless exercise of Director Options	The Board (excluding the holder of the relevant Director Option) may determine in its sole and absolute discretion that a holder will not be required to provide payment of the Exercise Price by cash, cheque or some other method acceptable to the Company, but that on exercise of the Director Options the Company will only allot and issue or transfer that number of Shares to the holder which are equal in value to the difference between the Exercise Price otherwise payable in relation to the Director Options and the then market value of the Shares as at the time of the exercise (with the number

	of Shares rounded down).
Non-transferability	The Director Options cannot be transferred, assigned, encumbered with a security interest in or over them, or otherwise disposed of by the holder without the prior consent of the Board which consent may impose certain terms and conditions as the Board sees fit, unless such transfer or assignment occurs by force of law upon the death of the Director.
Unquoted Director Options	The Director Options will not be quoted on the ASX.
No voting right	Holders of Director Options have no rights to vote at meetings of the Company in respect of their Director Options.
No dividend right	Holders of Director Options have no rights to receive any dividends declared by the Company in respect of their Director Options.
Lapse of Director Options	Unless the Board determines otherwise in its sole and absolute discretion, Director Options will lapse and be incapable of exercise on the earlier of: (a) the Expiry Date; (b) the holder ceases to be a Director of the Company and the Service Condition (described above) is no longer satisfied; (c) the Board determines in its reasonable opinion that a holder has acted fraudulently, dishonestly or has wilfully breached his or her duties to the Group and has deemed that all Director Options held by that holder automatically lapse; or (d) the Board determines in its reasonable opinion that the vesting conditions (if any) have not been met and cannot be met prior to the Expiry Date.
Change of Control Event	Unless the Board determines otherwise in its sole and absolute discretion, if a Change of Control Event occurs, all Director Options may be exercised by a holder prior to the Expiry Date, whether or not any or all applicable vesting conditions have been met. A Change of Control Event means a Shareholder, or a group of associated Shareholders, becoming entitled to sufficient Shares to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board.
Participation in New Issue	During the term of any Director Options and prior to their vesting, holders are not entitled to participate in any new issue of securities of the Company as a result of their Director Options.
Bonus Issue	If the Company makes a pro rata bonus issue to Shareholders, a Director Option holder is entitled, upon vesting of a Director Option, to receive in addition to the Share in respect of which the Director Option vests and without payment of any further consideration, the number of securities which the holder would have received if the Director Option had vested before the record date for the bonus issue. Any additional securities that a holder becomes entitled to in such circumstances will, until they are issued to the holder, be regarded as (i) additional securities into which the Director Option may vest for the purposes of any future bonus issues by the Company and (ii)

	additional Director Options to which the holder is entitled to for the purposes of any reorganisation of capital of the Company (see below).
Reorganisation of Issued Capital	If there is a reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company, the number of Director Options that a holder is entitled to (and their applicable Exercise Price) will be changed in accordance with the Listing Rules.
Shares	Each Director Option entitles the holder to subscribe for one fully paid ordinary share in the Company at the Exercise Price.
Ranking of Shares	Shares issued on the exercise of Director Options will rank in all respects equally to, and carry the same rights and entitlements as, the existing ordinary shares of the Company then on issue.
Listing of Shares	Provided that the Company's ordinary shares are listed on ASX at the time of exercise of Director Options, the Company will apply to ASX for official quotation of the Shares issued on the exercise of any Director Options.

SCHEDULE 3

**VALUATION REPORT DATED 23 SEPTEMBER 2013 IN RESPECT OF THE
EXECUTIVE OPTIONS THE SUBJECT OF RESOLUTION 4 AND THE DIRECTOR
OPTIONS THE SUBJECT OF RESOLUTIONS 5, 6, 7, 8 AND 9**

EMERCHANTS LIMITED

INDICATIVE VALUATION OF SHARE OPTIONS

23 September 2013

For further information please contact:

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Financial Services Guide

Dated 23 September 2013

This Financial Services Guide is designed to help retail clients make a decision as to their use of the relevant financial service; to ensure that we comply with our obligations as a financial services licensee; and to provide you with information on:

- how we and our associates are paid
- any potential conflict of interest we may have
- our internal and external dispute resolution procedures and how you can access them.

Who is responsible for the financial services provided to me?

Crowe Horwath Corporate Finance (Aust) Ltd holds Australian Financial Services Licence No. 239170 and is responsible for the financial services provided by it and its Authorised Representatives, including authorising the distribution of this Financial Services Guide.

Crowe Horwath Corporate Finance (Aust) Ltd is wholly owned by Crowe Horwath (Australasia) Ltd and operates as part of the business advisory and professional accounting practice operating as Crowe Horwath.

General Financial Product Advice – Valuation Service

Crowe Horwath Corporate Finance (Aust) Ltd has been engaged to provide Valuation Services. In providing our Valuation Service we are providing general financial product advice, not personal financial product advice, because the advice has been prepared without taking into account your personal objectives, financial situation or needs.

You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

What kinds of financial services are you authorised to provide to me?

We are authorised to provide advice on, and deal in, the following classes of financial products to wholesale and retail clients:

- Provide financial product advice for the following classes of financial products: derivatives and securities.
- deal in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product in respect of derivatives, and
- deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of derivatives and securities.

Do you have any relationships or associations with financial product issuers?

Crowe Horwath Corporate Finance (Aust) Ltd and any of its associated entities may at any time provide professional or

financial services to financial product issuers in the ordinary course of our business.

How is Crowe Horwath Corporate Finance (Aust) Ltd paid to provide the financial service?

We will charge a fee in the vicinity of \$6,000 excluding GST for providing the Valuation Service. This fee will be paid by the engaging parties. Except for this fee, neither Crowe Horwath Corporate Finance (Aust) Ltd, nor any of its principals, employees or related entities, receives any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Valuation Service.

The compensation to be paid to Crowe Horwath Corporate Finance (Aust) Ltd by the engaging parties for this Valuation Service is not contingent on the conclusion, content or future use of the report.

Does Crowe Horwath Corporate Finance (Aust) Ltd get paid for referring clients to invest in the products associated with the Valuation Service?

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the financial service that we are engaged to provide.

We do not receive commissions or any other benefits for referring clients in connection with the financial service we are engaged to provide.

Who can I complain to if I have a complaint about the financial services provided?

If you have any complaint about the service provided to you, you should take the following steps:

- Contact us and tell us about your complaint.
- If your complaint is not satisfactorily resolved within three business days, please contact the Complaints Officer on (03) 9522 0888, or put your complaint in writing and send it to us at compliance@crowehorwath.com.au or:

The Complaints Officer
Crowe Horwath Corporate Finance (Aust) Ltd
Level 9, 473 Bourke Street
Melbourne VIC 3000

- If you still do not get a satisfactory outcome you can contact the Financial Ombudsman Service (FOS) of which Crowe Horwath Corporate Finance (Aust) Ltd is a member. FOS can be contacted on 1300 780 808 or you can write to them at GPO Box 3, Melbourne, Victoria 3001.

The Australian Securities & Investments Commission (ASIC) has a freecall infoline on 1300 300 630 which you may also use to make a complaint or obtain information about your rights.

If you have any further questions about the financial services Crowe Horwath Corporate Finance (Aust) Ltd provides, please contact our office on (07) 3233 3555.

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The Board of Directors
Emerchants Limited
Level 2, 26 Commercial Road
NEWSTEAD QLD 4006

The Directors

INDICATIVE SHARE OPTION VALUATION

1. Introduction

Emerchants Limited ACN 104 757 904 (**Emerchants**) has engaged Crowe Horwath Corporate Finance (Aust) Ltd ABN 95 001 508 363 AFSL 239 170 (**Crowe Horwath**) to prepare an indicative valuation report (the **Report**) as to the fair value of share options that are proposed to be issued, including:

- Options to Messrs Browning, Toms, Martin, Liddy and Adcock (the **Non-Executive Directors**) - (the **Director Options**); and
- Options to Mr Tom Cregan (the **Executive Options**).

The Report has been undertaken in accordance with APES 225 – *Valuation Services* as an indicative share option valuation. The Report has been prepared on an indicative basis as the volatility and spot price of the Director Options and Executive Options are based on an assumption (i.e. both grant dates are in the future).

Furthermore, our assessment is in accordance with Australian Accounting Standards (**AASB**) 2 – “*Share Based Payments*”. The Report expresses an opinion as at 12 September 2013.

Purpose of the Report

We understand that the Report is required for inclusion in the Notice of the Annual General Meeting (**AGM**) prepared by the directors of Emerchants. No reference to or statement of reliance upon our opinion can be released other than for this express purpose without our prior written consent as to the form and context of that release.

2. Key Terms and Conditions of the Director Options

We understand that Emerchants is proposing to issue 2,500,000 options to the Non-Executive Directors of Emerchants as payment for their respective Directors' fees that would otherwise be payable for the period from 1 March 2013 to 30 June 2014 (**Relevant Period**). At the date of the Report, we have been advised by Emerchants that the Director Options, subject to shareholder approval, are expected to be granted on 13 November 2013 (**Grant Date**) and issued on 1 December 2013 (**Issue Date**). Furthermore, the Director Options will be granted for nil cash consideration. The issue of the Director Options will relieve Emerchants from the obligation to pay the Non-Executive Directors their Director's fees for the Relevant Period.

The key terms of the Director Options are as follows:

Table 1: Emerchants' Director Option Terms

Grant Date	Total Options	Exercise Price (\$AUD)	Expiry Date	Voluntary Escrow Period
13 November 2013	2,500,000	\$0.10	31 March 2016	29 February 2016

Source: Emerchants

2.1. Vesting Conditions

We understand that the following are the key vesting conditions of the Director Options:

- Subject to the relevant Non-Executive Director remaining a Director of Emerchants, the Director Options will vest in seven tranches over the period from 31 December 2013 to 30 June 2014 as shown in the table below.

Table 2: Director Options Instalments

Director	Number of Options for Tranche 1 ¹	Number of Options for each of Tranches 2 - 7 ²
Mr Robert Browning	148,092	558,430
Mr John Toms	97,643	368,196
Mr Peter Martin	89,506	337,513
Mr David Liddy	94,388	355,922
Mr Tony Adcock	94,388	355,922
Total	524,017	1,975,983

Source: Emerchants

¹ Tranche 1 will vest on 31 December 2013.

² Tranches 2-7 will vest on a pro-rata monthly basis over the period 31 January 2014 to 30 June 2014.

- If the Director ceases to be a Director of Emerchants, because the person:
 - is not re-elected by Shareholders at an annual general meeting of the Company for reasons, in Emerchants' Board of Directors' (the **Board**) opinion, that are unrelated to the Director's performance; or
 - the Director voluntarily resigns from the Board.
- then in those circumstances, the Director is entitled to retain only those Director Options that have vested as at the date the Director ceases to be a Director of the Company and all rights to further Director Options will be forfeited. The Director Options will however, still not be exercisable until 1 March 2016.

2.2. Other Conditions

We understand that the following are other key conditions of the Director Options:

- The Director Options will be subject to voluntary escrow from the Issue Date until 29 February 2016 (inclusive) (**Escrow Period**).
- The Director Options will only be exercisable during the period from 1 March 2016 to 31 March 2016 (inclusive) (**Exercise Period**).
- Each option entitles the option holder to acquire one fully paid ordinary share in the capital of Emerchants (**Emerchants Share**).
- The Director Options will not be traded on a public securities exchange, nor can they be traded or transferred to another person or body corporate without the consent of the Board.
- The Board (excluding the holder of the relevant option) may determine in its discretion that an option holder will not be required to provide payment of the exercise price. Under this circumstance, Emerchants will only allot and issue the number of Emerchants Shares which are equal in value to the difference between the exercise price otherwise payable and the market value of Emerchants Shares as at the time of exercise.

3. Key Terms and Conditions of the Executive Options

We understand that Emerchants is proposing to issue 1,212,121 options to Mr Cregan as part of his remuneration as Chief Executive Officer and Managing Director of Emerchants. At the date of the Report, we have been advised by Emerchants that the Executive Options, subject to shareholder approval, are expected to be granted to Mr Cregan on 13 November 2013 and issued on 1 December 2013 for nil cash consideration.

The key terms of the Executive Options are as follows:

Table 3: Emerchants' Executive Option Terms

Grant Date	Total Options	Exercise Price (\$AUD)	Expiry Date	Escrow Period
13 November 2013	1,212,121	\$0.00	30 September 2016	1 September 2016

Source: Emerchants

3.1. Vesting Conditions

We understand that the following are the key vesting conditions of the Executive Options:

- Subject to the following conditions being met and subject to the absolute discretion of the Board, the Executive Options or cash alternative (refer to Section 3.2) will vest on 1 September 2016.
- Should the conditions below not be satisfied as at the date when Emerchants' 2016 annual report is published (Emerchants' management expects this to be released in September 2016), then Mr Cregan will be required to forfeit the Executive Options. The conditions required to be satisfied are as follows (referred to as **Performance Hurdles**):
 - Mr Cregan must not have resigned as Chief Executive Officer and Managing Director of Emerchants on or before the end of 1 September 2016; and
 - Emerchants must have achieved three or more of the criterion set out below (one of which must be either the performance hurdle in sub-paragraph (D) or (E)):
 - (A) total loads for the financial year ending 30 June 2016 (**FY16**) exceeding \$450,000,000;
 - (B) gross margin percentage for FY16 in excess of 85%;
 - (C) total active accounts at the end of FY16 in excess of 1,100,000;
 - (D) earnings before interest, tax, depreciation and amortisation (EBITDA) for FY16 being equal to or greater than \$4,480,000; and
 - (E) earnings before tax (EBT) for FY16 being equal to or greater than \$2,940,000.
- If the total percentage of the three Performance Hurdles achieved is greater than 90% but less than 100%, the number of Executive Options will be vested on a pro-rata basis.

3.2. Other Conditions

We understand that the following are other key conditions of the Executive Options:

- The Executive Options will be subject to an escrow period from the Issue Date until 1 September 2016 (inclusive) (**Executive Options Escrow Period**).
- The Executive Options will not be capable of exercise until the Performance Hurdles have been met and the Board determines in its absolute discretion:
 - to allow the Executive Options to vest;
 - to issue cash to Mr Cregan equal to 1,212,121 Emerchants Share multiplied by the share price of Emerchants on the date the Board determines the Executive Options should vest, in lieu of the Executive Options and cancel the Executive Options; and
 - to issue cash to Mr Cregan and allow a specified number of the Executive Options to vest.

The total value of the above options should not exceed 1,212,121 Emerchants Share multiplied by the share price of Emerchants on the date that the Board determines that the Executive Options should vest.

- Effectively, the Executive Options will only be exercisable during the period from 1 September 2016 to 30 September 2016 (inclusive) (**Executive Options Exercise Period**).
- The Executive Options will rank equally in all respects with the existing options on issue, from the date of their issue.
- The shares to be issued on conversion of the Executive Options will rank equally in all respects with the then existing Emerchants Share on issue.
- The Executive Options are employee options and will not be traded on a public securities exchange, nor can they be traded or transferred to another person or body corporate without the consent of the Board.
- There will be no funds raised from the issue of the Executive Options as they are being issued to Mr Cregan as part of his remuneration.

4. Valuation of Emerchants' Options

4.1. Methodology

There are a number of methods available to determine the value of an option, each with their own set of assumptions and limitations. The common methodologies used for option valuations include the Black-Scholes model, the binomial model and Monte Carlo simulation. A detailed overview of these option valuation methodologies is provided in Appendix B.

We consider that the Director Options and Executive Options (collectively referred to as the **Options**) to resemble "Vanilla" call options. Vanilla call options represent the right, but not the obligation to buy a security at a fixed exercise price. There are two types of call options:

- American call option, which can be exercised at any time during the life of the option; and
- European call option, which can only be exercised on the option expiration date.

Based on the key terms and conditions of the Options, we consider that they closely resemble that of a European call option. This is due to the fact that the Director Options and Executive Options are only able to be exercised (on the assumption that the options are vested) during the following periods:

- Director Options Exercise Period: 1 March 2016 to 31 March 2016; and
- Executive Options Exercise Period: 1 September 2016 to 30 September 2016.

The above exercise periods are a relatively small time frame in comparison to the expected life of the Options (e.g. from 1 December 2013 to 31 March 2016 for the Director Options and from 1 December 2013 to 30 September 2016 for the Executive Options). Due to this, we consider the most appropriate approach to value the Options to be the Black-Scholes model, which can (among other things) be used to determine the price of a European call option.

The primary variables that we have examined for the valuation of the Options include the following:

- The share price, being the market value of the underlying asset.
- The exercise price of the option.
- The time to expiry of the option.
- The prevailing risk free interest rate.
- The volatility of the share price.
- The expected dividends paid to shareholders.
- Assumed that all directors and management will remain until the Options expire (as advised by Emerchants' management).

In addition to using the Black-Scholes model we have applied a marketability discount to the value of the Director Options to reflect the inability for the Director Options to be sold. This marketability discount however, has not been applied to the Executive Options (refer to Section 4.2.2).

4.2. Assumptions

In applying the Black-Scholes model to prepare an indicative value of the Options we have adopted the following variables and assumptions:

Table 4: Valuation Assumptions

Variables	Executive Options	Director Options	Explanation
Share price at grant date	\$0.455	\$0.455	According to AASB 2, the fair value of the equity instrument granted should be measured as of grant date (i.e. 13 November 2013). As the Options which are the subject of the Report have yet to be granted, we have assumed that the share price at grant date to be the most recent closing share price, being \$0.455 on 12 September 2013.
Exercise price of the call option	\$0.00	\$0.10	Refer to Section 2 and Section 3.
Time to expiry (years)	2.88	2.38	The time to expiry has been calculated as the difference between the Grant Date and Expiry Date of the Director Options and Executive Options.
Risk free rate	2.92%	2.92%	We have considered the current yield of the three year Australian government treasury bonds to be an appropriate risk free rate for calculating the indicative value of the Options. As at 12 September 2013, the yield on a three year Australian government bond was 2.92%, per the Reserve Bank of Australia.
Volatility	100%	100%	We have had regard to the volatility of the trading of Emerchants' share price over the previous 3 to 24 months and the general market volatility for comparable companies trading on the Australia Securities Exchange (ASX) as shown in Table 5. Based on our analysis, we have selected a volatility rate of 100%. This is based on the following rationale: - The Director Options will have approximately 2.38 years till expiry and the Executive Options will have approximately 2.88 years till expiry. The historical volatility for Emerchants over a two year period is approximately 100%. Please note, historical volatility for Emerchants over a three year period has not been considered as the company changed its core activities from FY12. - The volatility of the comparable companies in recent months (i.e. 3-6 months) has a median of approximately 70%. We note however, that the comparable companies analysed do not exhibit a similar growth profile when compared to Emerchants. Specifically, Emerchants has achieved an annual revenue growth rate of over 30% in the last financial year. Given Emerchants' strong growth profile, we expect Emerchants to exhibit higher volatility than the comparable companies examined.

Variables	Executive Options	Director Options	Explanation
			▪ Emerchants' management continues to expect strong revenue growth in the near-term. This is also supported by an investment research report released by Wilson HTM Ltd dated 24 June 2013. ▪ The length of time Emerchants' shares have been publicly traded, post Emerchants' change in company activities (i.e. reinstated to official quotation on 18 July 2011 post change in activities) is relatively short in comparison to the companies analysed. We note that companies that are either newly listed or that have substantially changed its activities, will typically exhibit higher levels of volatility. In addition to the above, we note the significant range in Emerchants' share price over the past year: ranging from a closing price of \$0.08 on 10 September 2012 to a closing price of \$0.455 on 12 September 2013. EMerchants' management have attributed this to the following reasons: ▪ Signing of significant customers as announced on the ASX, since September 2012; and ▪ Increased investor relations activities since September 2012, demonstrating the progress and investment merits of Emerchants. Whilst the adopted volatility assumption is relatively high, we note that the assumption has a lower than expected impact to the indicative value of the Options in some scenarios (this is dependent upon the Exercise Price adopted). Specifically: ▪ Director Options - At lower Exercise Prices, the Director Options will be deep "in-the-money" and hence the volatility assumption will have less of an impact. ▪ Executive Options – the Executive Options has a nil Exercise Price and hence deep "in-the-money". As such, the volatility assumption also has less of an impact.
Dividends	Nil	Nil	We note that Emerchants does not currently have a history of dividend payments. As such, for the indicative valuation of the Options, we have assumed that no dividends will be declared or paid by Emerchants during the term of the Options.

Source: Crowe Horwath

4.2.1. Volatility Analysis

As stated above, option pricing models require an estimation of future volatility in the underlying shares. In estimating the volatility for Emerchants, we have had regard to Emerchants' share price over the relevant period of time and also other ASX listed comparable companies involved in the application software industry (due to the lack of direct competitors) as shown in the following table.

Table 5: Volatility of Comparable Companies

Company	Market Cap (\$m)	Historical Volatility Analysis (%)			
		3 Month	6 Month	1 Year	2 Year
Emerchants Limited	46	71	79	106	99
Rubik Financial Limited (ASX:RFL)	57	58	55	61	63
Energy One Limited (ASX:EOL)	2	145	131	53	39
Objective Corporation Limited (ASX:OCL)	50	80	80	49	50
Oncard International Limited (ASX:ONC)	39	57	58	39	57
Average		85	81	51	52
Median		69	68	51	53

Source: Data obtained from Capital IQ on 12 September 2013

4.2.2. Marketability Discount

As per AASB 2, factors that knowledgeable, willing market participants would consider in setting the price, should be taken into consideration in determining the value of the share options. In this circumstance, the Options are non-transferable and are subject to an Escrow Period – hence it is arguable that the Options have no marketability (i.e. are illiquid). Typically, a non-tradable asset will be valued by an investor at a discount to a liquid, but otherwise identical, asset. Drobetza, Pensab and Schmid estimate discounts of 39% and 56% are applicable to the value of employee share options due to the lack of marketability. Furthermore, Brenner, Eldor and Hauser (2001) found that non-tradable foreign currency options trade at a discount of about 21% relative to otherwise identical options. A number of US studies have also indicated typical discounts of 15% - 30%. In light of the empirical data available and also the key terms of the Options, we have exercised our professional judgement and consider an appropriate marketability discount to be in the range of 15% - 25%.

As stated in Section 4.1, a marketability discount has only been applied to the Director Options in deriving the indicative fair value range of the Options. This is due to the following:

- The Options differ in terms of their vesting periods and ability to exercise post entitlement. Specifically we note the following:
 - the Director Options will vest between 31 December 2013 and 30 June 2014;
 - the Director Options are subject to an Escrow Period (i.e. up until 29 February 2016);
 - the Executive Options will vest on or after 1 September 2016 (subject to the Board's absolute discretion); and
 - the Executive Options are subject to an Escrow Period (i.e. up until 1 September 2016).

- As Mr Cregan will be able to exercise his Executive Options once entitled (i.e. vested), it is arguable that no marketability discount be applied, as the asset is effectively liquid at that point in time (i.e. able to acquire an Emerchants Share, which is tradable on the ASX).
- On the other hand, the Non-Executive Directors will be unable to exercise their Director Options once entitled (i.e. vested), as they will still be subject to an Escrow Period. As a result, it is arguable that the Director Options are non-tradable at that point in time.

4.2.3. Indicative Valuation Conclusion - Summary

Based on the assumptions set out in Section 4.2, we have arrived at the following indicative fair value ranges for the Options as shown in the tables below.

Table 6: Indicative Fair Value Range – Director Options

	Low Value	Mid Value	High Value
Implied Option Value (before discount)	\$0.38	\$0.38	\$0.38
Less: Marketability Discount	25%	20%	15%
Implied Option Value (post discount)¹	\$0.29	\$0.31	\$0.33

Source: Crowe Horwath Analysis

¹ The indicative value of the Director Options is calculated on the closing share price as at 12 September 2013 of \$0.455

Table 7: Indicative Fair Value Range – Executive Options

	Low Value	Mid Value	High Value
Implied Option Value¹	\$0.432	\$0.455	\$0.478

Source: Crowe Horwath Analysis

¹ The low and high value has been calculated as a $\pm$ 5% of the closing share price as at 12 September 2013 of \$0.455 (adopted as the mid value)

Please note, that whilst the Executive Options are subject to a number of Performance Hurdles, they are classified as non-market performance conditions (i.e. market conditions include share price targets etc), and per paragraph 19 of AASB2, are not to be taken into account when estimating the fair value of the shares options at the measurement date. As a result, the indicative fair value range of the Executive Options (mid value) is effectively the same as the closing share price as at the date of valuation (being 12 September 2013) – this is due to the \$0.00 exercise price of the Executive Options.

4.2.4. Sensitivity Analysis of the Director Options

Please note, under the base scenario (shown in the previous tables) we have assumed that Emerchants' share price at grant date to be the most recent closing share price, being \$0.455 on 12 September 2013. Given fluctuations in share price over time, we have opted to show, in the table below, the resultant impacts to the value of the Director Options from different share price assumptions. This has not been shown for the Executive Options, as the mid values will effectively be the assumed share price.

Please note the table shown below is for illustrative purposes only and is not intended to serve as indicative valuation ranges.

Table 8: Sensitivity Example – Director Options

Assumed Share price	Low Value¹	Mid Value¹	High Value¹
\$0.350	\$0.21	\$0.23	\$0.24
\$0.400	\$0.25	\$0.26	\$0.28
\$0.455	\$0.29	\$0.31	\$0.33
\$0.500	\$0.32	\$0.34	\$0.36
\$0.550	\$0.36	\$0.38	\$0.40

Source: Crowe Horwath Analysis

¹ A marketability discount of 25% has been applied to the low value, 20% applied to the mid value and 15% applied to the high value.

5. Other Matters

Reliance on Information

In undertaking this engagement we relied on information primarily provided by Emerchants that we believe to be reliable and accurate. We understand that no material facts (that a reasonable person would expect to be disclosed) have deliberately been withheld from us. Accordingly, we have not taken steps to verify the accuracy, completeness or fairness of the data provided, and our procedures and enquiries have not included verification work, nor constituted an audit in accordance with Australian Auditing Standards, nor a review in accordance with Auditing Standards on Review Engagements.

The sources of information that we have relied upon are outlined in Appendix A. A glossary of terms is provided at Appendix C.

Assumed Economic Market and Other Conditions

The Report may include assumptions and opinions based on economic, financial market and other conditions prevailing at the time of its preparation. Accordingly, if circumstances change significantly subsequent to the issue of the Report, our conclusions and opinions may be impacted. Notwithstanding this, there will be no requirement for us to update the Report for information that may become available subsequent to the date of this Report.

Independence

Crowe Horwath is not aware of any business relationship or financial interest of a material nature that it has with the Business, or any associates thereof, that could reasonably be regarded as capable of affecting its ability to provide an independent opinion. The compensation to be paid to Crowe Horwath for the preparation of this Report is not contingent on the conclusion, content or future use of the Report.

Qualifications

The Principal responsible for preparing this Report on behalf of Crowe Horwath is Harley Mitchell. Harley has over 16 years experience in valuations and is a member of the Institute of Chartered Accountants Australia. He has also completed the Financial Services Institute of Australasia (**FINSIA**) Graduate Diploma of Applied Finance, has been a lecturer for FINSIA and holds a Bachelor's degree in Commerce from the University of Wollongong.

Other Matters

For the avoidance of doubt, references to “we”, “our” or similar terms refer to Crowe Horwath unless the context requires otherwise.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in the Report are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in the Report. All references to currency are to Australian dollars unless otherwise indicated.

All references to currency are to Australian dollars unless otherwise indicated.

Yours faithfully



Crowe Horwath Corporate Finance (Aust) Ltd

ABN 95 001 508 363
AFSL 239170

Crowe Horwath Corporate Finance (Aust) Ltd is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity.

Appendix A – Sources of Information

Australian Securities Exchange. (2013). Retrieved from ASX website: www.asx.com.au

Benninga, M. A. (2009). Non - Marketability and the Value of Equity.

Capital IQ. (2013). Retrieved from Capital IQ website: www.capitaliq.com

Emerchants. (2013). Various conversations and correspondence with management.

Hoadley finance add-in for Excel. (2013).

M. Brenner, R. Eldor, and S. Hauser. (2001). The Price of Options Illiquidity. *Journal of Finance* .

Wolfgang Drobetz, Pascal Pensa, Markus M. Schmid. (2007). Estimating the Cost of Executive Stock Options: evidence from Switzerland.

Appendix B – Option Valuation Methodologies

Black-Scholes Model

A model of price variation over time of financial instruments such as stocks that can, among other things, be used to determine the price of a European call option. The model assumes that the price of heavily traded assets follow a geometric Brownian motion with constant drift and volatility. When applied to a stock option, the model incorporates the constant price variation of the stock, the time value of money, the option's strike price and the time to the option's expiry.

The Binomial Model

The binomial model was developed in 1979, as a means to determine the value of an option over company shares. The model uses probability theory to determine the value of an option based on likely share prices at the time of the expiry date of the option. The method models the movements of a company's share price and hence the option price, over time by considering movements at discrete time periods or "nodes". This approach is broadly referred to as a lattice method. The share price is assumed to only be allowed to take an "up" step or a "down" step at each node. The model is based on the following assumptions:

- A competitive market exists.
- Transaction costs and taxes are zero.
- The risk free rate is constant over time and is the required rate of return of the option holder.
- Asset trades are continuous over time.
- Assets can be short sold.
- Investors can borrow or invest any fraction of the price of the asset.

That the upwards movements in underlying share price are unlimited, but that in the case of downward movements the price cannot fall below zero.

Monte Carlo Method

The Monte Carlo method is a class of computational algorithms used to simulate the behaviour of option price. The model flexes a number of variables, including changing interest rates, stock prices, etc, in a large number of trials in order to converge on the most likely result.

Appendix C – Glossary

Term	Meaning
'000s	Thousands
AASB	Australian Accounting Standard
ACN	Australian Company Number
AFSL	Australian Financial Services Licence
AGM	Annual General Meeting
ASX	Australian Securities Exchange
Board	Emerchants' Board of Directors
Corporations Act	Corporations Act 2001 (Cth)
Crowe Horwath	Crowe Horwath Corporate Finance (Aust) Ltd ABN 95 001 508 363 AFSL No. 239170
Director Options	Share options proposed to be issued to the Non-Executive Directors
Emerchants	Emerchants Limited ACN 104 757 904
Emerchants Share	Fully paid ordinary share in the capital of Emerchants
Escrow Period	The Issue Date until 29 February 2016 (inclusive) for the Director Options
Executive Options	Share options proposed to be issued to Mr Cregan
Executive Options Escrow Period	The Issue Date until 1 September 2016 (inclusive) for the Executive Options
Executive Options Exercise Period	The period from 1 September 2016 to 30 September 2016
Exercise Period	The period from 1 March 2016 to 31 March 2016 (inclusive)
Exercise Price	The price at which the asset the subject of the option may be purchased if the option is exercised.
FY	Financial Year
FINSIA	Financial Services Institute of Australasia
Grant Date	13 November 2013
Issue Date	1 December 2013
n/a	Not applicable
Non-Executive Directors	Messrs Browning, Toms, Martin, Liddy and Adcock
Options	Refers to the Director Options and the Executive Options as a collective group
Performance Hurdle	The criterion that must be satisfied prior to the Executive Options vesting
Relevant Period	1 March 2013 to 30 June 2014
Report	Crowe Horwath's Indicative Option Valuation Report
Section	Refers to a section in the Report
Vesting Conditions	Vesting conditions must be satisfied in order for a recipient to become entitled to exercise the option and can include service conditions and requirements, and performance conditions and hurdles.
Volatility	In the case of options over shares in companies, volatility is measured with reference to the standard deviation of the company's total returns, measured by its share price.

Contact Us

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Disclaimer

Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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Crowe Horwath Corporate Finance (Aust) Ltd ABN 95 001 508 363 AFSL No. 239170

SCHEDULE 4

ISSUES OF SECURITIES DURING THE 12 MONTHS PRECEDING THE DATE OF THE MEETING

Number of securities issued	Date of issue	Class of securities and summary of the terms of that class	Persons the securities were issued to or the basis on which those persons were determined	Issue price of the securities	Discount to market price (if any) that the issue price represented	If the issue was for cash consideration; (ii) the amount of that cash that has been spent; (iii) what it was spent on; and (iv) what the intended use for the remaining amount of that cash (if any)	If the issue was for non-cash consideration: (i) the non-cash consideration paid; and (ii) the current value of that cash consideration
3,888,888	20 November 2012	Fully paid ordinary shares (issue approved by Shareholders at the Company's 2012 annual general meeting) The ordinary shares rank equally in all respects with existing ordinary shares	Mr Peter Martin, Director	Nil	N/A	N/A	N/A
1,750,000	20 November 2012	Unlisted options, issued under the Company's Employee Share Option Plan (which was approved at the Company's 2012 annual general meeting) on the following terms: (i) vesting and exercisable on 21/09/2015, subject to certain performance hurdles being met; (ii) expiry date of 30/09/2015 ; and (iii) exercise price \$0.15	Mr Thomas Cregan, Managing Director and Chief Executive Officer	Nil	N/A	N/A	N/A
120,000	6 August 2013	Fully paid ordinary shares (to be held in escrow until 06/08/2015)	Mr Bruce Stewart, Chief Financial Officer	Nil	N/A	N/A	N/A

2,100,000	6 August 2013	Unlisted options, issued under the Company's Employee Share Option Plan (which was approved at the Company's 2012 annual general meeting) on the following terms: (i) vesting on 01/09/2016, subject to certain performance hurdles being met; (ii) expiry date of 30/09/2016; and (iii) exercise price \$0.40.	Various employees under the Company's Employee Share Option Plan	Nil	N/A	N/A	
22,730,000	30 August 2013	Fully paid ordinary shares ranking equally in all respects with the Company's quoted shares.	Shares issued pursuant to a capital raising through the Company's lead manager, Wilson HTM Corporate Finance Limited (Wilson). The allottees were determined by Wilson in consultation with the Company.	\$0.33	9.36% to the 15 day VWAP of the Company's shares.	(i) the issue was for cash and the total cash consideration before costs of the offer was \$7,500,900; (ii) \$413,266 of that cash amount has been spent; (iii) the amount spent was used to pay the costs of the offer; (iv) the intended use of the remaining funds are for IT capital expenditure; increasing the sales and marketing efforts; product development; enhancing the internal audit function; and general working capital purposes.	N/A

ANNEXURE A

COPY OF NOMINATION NOTICE OF NEW AUDITOR

18 September 2013

Board of Directors and
c/-Company Secretary
Emerchants Limited
Level 2, 26 Commercial Road
Newstead
Brisbane, QLD, 4006

Dear Sirs

NOMINATION OF AUDITOR

For the purposes of section 328B(1) of the *Corporations Act 2001* (Cth), I, Tom Cregan, being a shareholder of Emerchants Limited (the **Company**), nominate Deloitte Touche Tohmatsu to be appointed as auditor of the Company at the Annual General Meeting of the Company to be held on or about 13 November 2013.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Tom Cregan', with a stylized, flowing script.

Tom Cregan

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By mail:
EmERCHANTS Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309
(within or outside Australia)



All enquiries to: Telephone: +61 1300 554 474

SECURITYHOLDER PROXY FORM

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

STEP 1

APPOINT A PROXY

☐

**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 securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (Sydney Time) on Wednesday, 13 November 2013, at Sofitel Sydney Wentworth, 61 - 101 Phillip Street, Sydney, New South Wales** and at any adjournment or postponement of the meeting. **Chairman authorised to exercise undirected proxies on remuneration related resolutions:** I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on resolutions 1, 4, 5, 6, 7, 8 and 9 even though resolutions 1, 4, 5, 6, 7, 8 and 9 are connected directly or indirectly with the remuneration of a member of the key management personnel for the Company's consolidated group.

The Chairman of the Meeting intends to vote all undirected proxies in favour of all resolutions.

Proxies will only be valid and accepted by the Company if they are signed and received no later than **48 hours** before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

STEP 2

VOTING DIRECTIONS

Items of Business	For	Against	Abstain*		For	Against	Abstain*
1 Adoption of Remuneration Report	☐	☐	☐	7 Issue of Options to Mr Peter Martin in lieu of Director's Fees	☐	☐	☐
2 Re-Election of Mr John Toms as Director	☐	☐	☐	8 Issue of Options to Mr David Liddy in lieu of Director's Fees	☐	☐	☐
3 Appointment of New Auditor	☐	☐	☐	9 Issue of Options to Mr Tony Adcock in lieu of Director's Fees	☐	☐	☐
4 Issue of Options to Mr Thomas Cregan	☐	☐	☐	10 Approval of Prior Issue of Shares to institutional & sophisticated investors	☐	☐	☐
5 Issue of Options to Mr Robert Browning in lieu of Director's Fees	☐	☐	☐	11 Approval of 10% Additional Placement Capacity	☐	☐	☐
6 Issue of Options to Mr John Toms in lieu of Director's Fees	☐	☐	☐	12 Adoption of Proportional Takeover Provisions	☐	☐	☐

i * If you mark the Abstain box for a particular resolution, 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.

* If the chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote For, Against or Abstain from voting on resolutions 1, 4, 5, 6, 7, 8 or 9 by marking the appropriate box in Step 2 above.

STEP 3

IMPORTANT - VOTING EXCLUSIONS

☐

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 resolutions 4 & 5 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that item and that votes cast by him/her for that item, other than as proxyholder, would 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 of the Meeting will not cast your votes on resolutions 4 & 5 and your votes will not be counted in calculating the required majority if a poll is called on resolutions 4 & 5. The Chairman of the Meeting intends to vote undirected proxies in favour of resolutions 4 & 5.

STEP 4

SIGNATURE 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

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 company's constitution and the *Corporations Act 2001* (Cth).

EML PRX302R

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

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

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. 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 Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities 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 securities 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.

Appointment of a 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's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

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 securities 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.

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 lodge the Power of Attorney with the share 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* (cth)) 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.

Corporate Representatives

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 in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's security registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Sydney Time) on Monday, 11 November 2013**, being not 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 using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).



by mail:

Emerchants Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

+61 2 9287 0309 (within or outside Australia)



by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

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