



No More Clouds

Azurn International Ltd  
ABN 75 103 539 135

## Prospectus

3 March 2009

Prospectus for the offer of 15,000,000 Shares at an issue price of \$0.20 per New Share each to raise up to \$3,000,000 (before expenses) together with 5,000,000 Series 2 Options to subscribe for Shares at \$0.25 each granted only to those Applicants still holding IPO shares 6 months after Listing date on the basis of 1 Option offer for every 3 subscribed Shares.

The Offer will close at 5.00 pm on 27 March 2009.

**Sponsoring Broker – Novus Capital Limited**



This is an important document and should be read in its entirety. Please consult your professional adviser if you do not fully understand the contents of this Prospectus.

# Contents

IMPORTANT INFORMATION	1
KEY OFFER DETAILS	2
CHAIRMAN'S LETTER	3
INVESTMENT HIGHLIGHTS	4
1. DETAILS OF THE OFFER	6
2. THE COMPANY AND ITS BUSINESS	10
3. MARKET OVERVIEW	17
4. KEY PERSONNEL	18
5. FINANCIAL INFORMATION	22
6. INVESTIGATING ACCOUNTANT'S REPORT	39
7. PATENT ATTORNEY'S REPORT	43
8. RISK FACTORS	51
9. MATERIAL CONTRACTS	56
10. ADDITIONAL INFORMATION	58
11. DEFINITIONS	65
AZURN APPLICATION FORM	67
CORPORATE DIRECTORY	71

# IMPORTANT INFORMATION

The Offer contained in this Prospectus is an invitation to subscribe for New Shares in Azurn International Ltd ABN 75 103 539 135 (Company or Azurn). This Prospectus is dated 3 March 2009 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

In accordance with the requirements of the Corporations Act, no securities will be allotted or offered on the basis of this Prospectus later than 13 months after the date of the Prospectus.

## This is an important document

Before deciding to apply for New Shares in the Company pursuant to this Prospectus, prospective Applicants should read the entire Prospectus and consider the risk factors that could affect the financial and operating performance of the Company. In addition to the general risks applicable to all investments in shares, there are specific risks associated with an investment in Shares in the Company. These risks are discussed in section 8 of this Prospectus. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

## Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law and then only to the extent so required.

## Foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe the requirements of these laws. Non-observance by such persons may violate securities laws. Any recipient of this Prospectus residing outside Australia should consult their professional advisers on requisite formalities. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## Electronic Prospectus

This Prospectus may be viewed in electronic form at [www.azurn.com](http://www.azurn.com) under the section "Investor Information".

Any person accessing the electronic version of this Prospectus must be an Australian resident and must only access the Prospectus from Australia.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a copy of this Prospectus or accompanied by the complete unaltered version of this Prospectus. Prospective Applicants should ensure they download and read the Prospectus in its entirety before completing the Application Form. Any person may obtain a hard copy of this Prospectus free of charge by contacting Azurn on 1800 2 AZURN (1800 229 876).

## Exposure Period

The Corporations Act prohibits the Company from processing applications in the seven (7) day period after the date of this Prospectus. This period is known as the Exposure Period. This Exposure Period may be extended by ASIC by up to a further seven (7) days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to raising funds.

Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## Forecasts

Any projections or other forward looking statements contained in this Prospectus are based on the Company's current expectations about future events. They are, however, subject to certain risks (both known and unknown), uncertainties and assumptions, many of which are outside the control of the Company and its Directors, that could cause actual results, performance or achievements to differ materially from that expressed or implied by such projections or other forward looking statements.

## Defined terms and abbreviations

Certain words and terms used in this Prospectus have defined meanings which are set out in section 11.

## Application for New Shares

If you wish to apply for New Shares, you must complete and return the Application Form which accompanies this Prospectus, together with the Application Monies, by the Closing Date. If you have not received a Prospectus, please contact Azurn on 1800 2 AZURN (1800 229 876).



## KEY OFFER DETAILS

Key financial data relating to the Offer	
Offer price per Share	\$0.20
New Shares to be Offered by the Company	15,000,000
Cash proceeds of the Offer	\$3,000,000
Total number of Shares on issue following the Offer (assuming full subscription)	255,427,515
Market Capitalisation at Offer Price	\$49,285,503

Key Dates*	
Date of Prospectus	3 March 2009
Exposure Period ends (unless extended by ASIC)	10 March 2009
Closing Date	27 March 2009
Shares expected to be allotted	2 April 2009
Holding Statements expected to be dispatched	7 April 2009
Trading of Shares on ASX expected to commence	14 April 2009

\* These dates are subject to change and are indicative only. The Company reserves the right to amend this indicative timetable without notice. In particular, the Company reserves the right, subject to the Corporations Act and the ASX Listing Rules, to close the Offer early, to extend the Closing Date or to withdraw the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares.

# CHAIRMAN'S LETTER

Dear Investor,

On behalf of the Board, I am pleased to offer you the opportunity to invest in and become a shareholder of Azurn International Limited (**Azurn**) through this Offer of New Shares in the Company.

Azurn is a global business solutions company that combines unique information and communication technologies with specialist online publishing services.

The Company, together with its two primary subsidiaries – Value Chain (International) Ltd and Azurn America Inc. (referred to generally as the **Azurn Group**), has worldwide operations centred on its facilities in Australia, the US, India and the UK.

The Azurn Group's communication technologies make the collaboration or integration of voice, video and data content possible and provides the user with a complete platform for real-time, multi-party interactivity. At the heart of this unique solution is the Azurn Group's patented collaboration device Azurn MERLIN which incorporates its "Unified XML" technology.

The Azurn MERLIN is a platform-based integrated system (contained in a DVD sized appliance) that allows all audio, video and data sources to be delivered, concurrently and seamlessly, across any carrier network, over the internet, broadband, telephone and wireless protocols and to any device such as computers, mobile phones and PDA's etc. This unique and innovative system allows users to converge their wireless, PSTN and broadband carrier networks without the need and cost of deploying additional equipment and consequently enabling them to manage their information and communication needs in-house.

The Azurn Group's online or Digital Publishing Services (**DPS**) business is conducted through Value Chain (International) Ltd in India and is an advanced revenue earning business. Its ongoing list of clients includes international publishing houses such as Cambridge University Press, Taylor & Francis, McGraw Hill, Informa, Cengage and Gardners Books.

Azurn's publishing clients use the Azurn Group's technologies to create, sell and/or distribute electronic content (eBooks and eLibraries) swiftly, securely and cost-effectively. Through these technologies, the Company facilitates the efficiency of content distribution, and the marketing and sales of both digital and hard copy content by publishers.

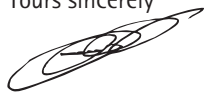
Leveraging from its success in the publishing sector, Azurn has recently sought to apply the use of its communication technologies to the education market. This exciting new development has not been lost on many of the world's major IT providers with Intel and Hughes Communication recently joining forces with Azurn in this educational endeavour.

The Offer contained in this Prospectus is an invitation to subscribe for up to 15,000,000 New Shares in the Company at an Issue Price of \$0.20 per New Share. The Offer will raise up to \$3,000,000 before expenses.

The funds raised under this Prospectus will be used to fund the ongoing growth, development and implementation of projects described in this Prospectus.

Details of the Offer and the operations of the Azurn Group are contained in this Prospectus. I encourage you to read it carefully before making a decision to invest. Together with my fellow Directors, I look forward to welcoming you as a fellow shareholder of Azurn.

Yours sincerely



Peter Jermyn

Chairman





## INVESTMENT HIGHLIGHTS

The Azurn Group is a specialist information and communications technology (ICT) group of companies which combines VCIL's mature Digital Publishing Services (DPS) business and Azurn's patented Collaboration Technology - Unified XML.

The Azurn Group is a global provider of business solutions and its core capabilities lie in communication and online publishing technologies.

The Azurn Group's patented communication technologies combine a wide range of voice, data and video sources, enabling real time, multi-party interactivity and providing underlying content solutions. These patented technologies have recently been used in the educational market to enhance teaching and learning opportunities. The technology is currently being rolled out globally.

---

### The combination of DPS and Collaboration

Technology has resulted in the following major contracts:

1. **Publishing Houses** – A number of ongoing contracts with a wide range of International publishers/distributors including Cambridge University Press, Taylor & Francis and Informa, Cengage, McGraw Hill and Gardners Books Limited.
2. **Intel** – Azurn has entered into an agreement with Intel Corporation and Acryn Pty Ltd to offer an educational collaboration product to schools throughout the USA (initially Oregon) and then globally.
3. **Hughes** – Hughes Communications offers education services to the global market through a franchise model and government partnerships. Its primary education market is India, where it delivers solutions to more than 100 cities.
  - In October 2008, Azurn entered into a global contract with Hughes Communications to provide them with an education delivery platform to deliver lessons to students in India via their satellite network.
  - Under the contract, Azurn has granted a licence for Hughes to use Azurn's software to deliver interactive courses offered by premier institutes through its satellite network to students across all levels of education including primary, secondary, tertiary and private coaching.
  - With Azurn's technology, Hughes plans to expand its current offerings to over 500 cities in India within the next 24 months (or to 30,000+ delivery points).
4. **UCMS** – The Company has signed a distribution agreement with UCMS Solutions Pty Ltd to assist in marketing the Company's products, principally Azurn MERLIN, to selected customers and business partners.
5. **Langhaven Ltd** (formerly PEGG, UK) – Azurn has entered into an exclusive UK re-seller agreement with Langhaven Ltd for agreed yearly minimum revenues (in terms of collaboration minutes) with future options at an agreed price and the launching of the Collaboration Technology on a financial services portal.

The business model (Hosted Carrier Solution), will allow telecom carriers in the UK and Europe to deploy the Azurn MERLIN inside their switching infrastructure and control the billing and flow of funds to licensing clients.

---



**Azurn has a portfolio of patents relevant to the business including:**

1. Unified XML voice and data media converging switch and application delivery system;
2. Programmable network convergence edge-switch;
3. Voice / data session switching in a converged application delivery environment;
4. Converged conferencing appliance and methods for concurrent voice and data conferencing sessions over networks; and
5. Multimedia Business Process Collaboration Platform which enables internet users who have received an email or a link to an electronic document to instruct an integrated switching server to initiate a multiparty telephone and/or video call.

For more information on these patents, please refer to the Patent Attorney's Report in section 7 of this Prospectus.

For risks associated with an investment in the Company refer to section 8 of this Prospectus. You should consider them carefully before deciding to invest.

---



# 1. DETAILS OF THE OFFER

## 1.1 The Offer

The Offer contained in this Prospectus is an invitation to subscribe for 15,000,000 New Shares in the Company at an Issue Price of \$0.20 per New Share to raise up to \$3,000,000 (before expenses) together with 5,000,000 Series 2 Options to subscribe for Shares at \$0.25 each granted only to those Applicants still holding Shares 6 months after Listing on the basis of 1 Option for every 3 subscribed Shares (on the terms described in section 10.2 of this Prospectus).

Applications must be for a minimum of 10,000 New Shares (\$2,000) and thereafter in multiples of 5,000 (\$1,000).

## 1.2 Minimum subscription

The Minimum Subscription for the Offer is 5,000,000 New Shares to raise \$1,000,000 (before expenses).

If the Minimum subscription is not achieved within 4 months after the date of this Prospectus, the Company will issue a supplementary or replacement Prospectus and allow Applicants 1 month to withdraw their applications and be repaid their Application Monies (excluding interest).

In accordance with the Corporations Act, no New Shares will be allotted by the Company until the minimum subscription has been subscribed

## 1.3 Use of proceeds of Offer

The Company proposes to use the proceeds of the Offer as follows:

Item	Minimum Subscription	Fully Subscribed
Working capital	\$490,000	\$1,200,000
Accelerated roll out of products	NIL	\$750,000
Business Development	\$100,000	\$520,000
Costs of the Offer including Sponsoring Broker	\$170,000	\$290,000
Other costs of the Offer	\$240,000	\$240,000
<b>Total Investment required</b>	<b>\$1,000,000</b>	<b>\$3,000,000</b>

As set out in section 1.1 above, the Company is seeking to raise up to \$3,000,000 under this Prospectus. If the full amount of \$3,000,000 is not raised, the Offer will still proceed provided it raises a Minimum Subscription of \$1,000,000 as set out in section 1.2 above. The Company has contracts in place for the roll out of its products which can be accelerated according to the final amount of funds raised.

## 1.4 Capital Adequacy

The Company is not aware of any matter that makes it believe that there will not be adequate working capital to support the stated objectives at completion of the Offer.



## 1.5 Capital Structure

The table below summarises the capital structure of the Company before and after completion of the Offer:

	Number of Shares Assuming Minimum Subscription	% of Total Number of Shares	Number of Shares Assuming Full Subscription	% of Total Number of Shares
Existing Shares (as at 30 June 2008)	120,327,464	49%	120,327,464	47%
New shares issued since 30 June 2008 (pre this Offer)	29,456,631	12%	29,456,631	12%
New shares to be issued by this Offer	5,000,000	2%	15,000,000	6%
New Shares to be issued by conversion of convertible notes	77,143,950	31%	77,143,950	30%
New shares to be issued by conversion of unsecured loans	4,499,470	2%	4,499,470	1%
New shares to be issued under subscription agreements	9,000,000	4%	9,000,000	4%
<b>Total</b>	<b>245,427,515</b>	<b>100%</b>	<b>255,427,515</b>	<b>100%</b>

## 1.6 Risks

As with any investment in shares, there are risks associated with an investment in New Shares in Azurn. These risks include the following:

- the value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors;
- Azurn's success depends on the ability of the Company to successfully commercialise and protect its patented technology;
- Azurn operates in a market characterised by rapidly evolving technology and intense competition; and
- Following the Offer, ownership of Azurn will be concentrated in a small number of major Shareholders.

These risks are described in more detail in section 8. You should consider them carefully before deciding whether to invest.



## 1.7 How to apply for shares

It is important that you consider the Offer carefully. If you decide to accept the Offer you must do so in accordance with the instructions set out in this Prospectus. If you are in doubt about the course you should follow, you should consult your professional adviser.

If you wish to subscribe for New Shares under the Offer:

1. complete the Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form specifying the number of New Shares which you wish to subscribe for; and
2. mail or hand deliver your completed Application Form and Application Monies (by cheque) to the Share Registry at:

### By Post:

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Phone: +61 (0)2 8280 7144 /  
1300 558 249

### By Hand:

Link Market Services Limited  
Level 12  
680 George Street  
SYDNEY NSW 2000

## 1.8 Acceptance of applications

A completed and lodged Application Form, together with the Application Monies for the number of New Shares applied for, cannot, subject to the Corporations Act, be withdrawn and constitutes a binding Application for the number of New Shares specified in the Application Form on the terms set out in this Prospectus. The Application Form does not need to be signed to be binding.

The Company reserves the right to accept or reject any Application, including Applications that have not been correctly completed or which are accompanied by cheques that are dishonoured. The Company's decision as to whether to accept or reject an Application or how to construe, amend or complete it, is final.

## 1.9 Payment

Payments will only be accepted in Australian currency and may only be made by one of the following methods:

1. bank cheque drawn on and redeemable at any Australian bank; or
2. personal cheque drawn on and redeemable at any Australian bank. Applicants must ensure that there are sufficient funds in the account on which the personal

cheque is drawn so that the cheque clears in favour of the Company when it is first presented for payment.

Cheques should be made payable to "Azurn International Ltd. Share Offer" and crossed "Not Negotiable". Receipts for payment will not be provided.

Application Monies will be held in a bank account in trust for the Applicant until allotment of the New Shares occurs. The account will be established solely for the purpose of depositing Application Monies received.

Application Monies will be refunded (in full or in part, excluding interest) where an application is rejected or scaled back or if the Offer is withdrawn or cancelled.

## 1.10 Closing date

The Company will accept Applications from the date of this Prospectus until 5.00 pm on 27 March 2009 or such other date as the Directors in their absolute discretion may determine.

## 1.11 Allocation

The Company will determine the allocation of New Shares in the Offer. If the demand for New Shares is greater than the amount of New Shares available under the Offer, the Company may scale back Applications. This means that Applicants may be allocated fewer New Shares than they applied for or no New Shares.

## 1.12 Underwriting

The Offer is not underwritten.

## 1.13 ASX Listing

Within 7 days after the date of issue of this Prospectus, the Company will apply for admission and quotation of its Shares on the ASX. If granted, quotation of the Shares will commence as soon as practicable after allotment of New Shares to the Applicants.

The fact that ASX may admit the Company to its Official List is not taken in any way as an indication by ASX of the merits of the Company or the New Shares offered by this Prospectus.

If ASX does not grant permission for Listing of the Shares within 3 months after the date of this Prospectus, or any longer period permitted by the Corporations Act, all Applications will be dealt with in accordance with section 724 of the Corporations Act.

#### 1.14 CHES and Issuer Sponsored Sub-register

The Company will apply to ASX to participate in the Securities Clearing House Sub-register System known as CHES. CHES is operated by ASTC in accordance with the ASX Listing Rules and the ASTC settlement rules. Under CHES, the Company will not be issuing certificates to investors who hold their Shares on the CHES sub-register. After allotment of the New Shares, Shareholders will receive a CHES holding statement.

The CHES holding statements, which are similar in style to bank account statements, will set out the number of New Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of the identification number and explain for future reference the sale and purchase procedures under CHES. Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

#### 1.15 Ranking

The New Shares will, when issued, rank equally in all respects with the then existing fully paid shares in the Company.

#### 1.16 Taxation implications

The Australian taxation consequences of any investment will depend upon an Applicants' particular circumstances. It is the obligation of prospective Applicants to make their own enquiries concerning the taxation consequences of an investment in the Company. If you have any questions about the taxation consequences of an investment in the Company, please contact your stockbroker, accountant or independent financial advisor.

#### 1.17 Foreign Selling restrictions

No action has been taken to register or qualify the Shares, or otherwise to permit a public offering of the New Shares, in any jurisdiction outside Australia and the Offer is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

However, subject to the restrictions in relation to the United States outlined below, the Company reserves the right to offer the New Shares to any investor, where to do so would not be in breach of the securities law requirements of the relevant jurisdiction.

The New Shares have not been, and will not be, registered under the *US Securities Act 1933* and may not be offered or sold to US persons except under an available exemption from registration under the *US Securities Act 1933*.

#### 1.18 Dividend Policy

Subject to the considerations set out below, the Company intends, to the extent that it is prudent, to pay dividends from profit provided that sufficient profits are available. Dividends will be franked to the extent that available franking credits permit.

The Company does not intend to pay any dividends for the financial year ending 30 June 2009 and the Directors can give no assurance as to the payment of future dividends or the level of franking of such dividends. The payment of fully franked dividends by the Company will depend upon the availability of sufficient distributable profits, the Company's franking credit position, working capital requirements, future capital expenditure requirements, general business and financial conditions and any other factors the Directors may consider relevant.

The Directors will review the Company's dividend policy from time to time and subject to prevailing circumstances, may change the policy. However, it is the intention of the Directors to commence payment of dividends to Shareholders at the earliest allowable opportunity.

#### 1.19 Enquiries

Enquiries concerning this Prospectus and the Application Form should be directed to Azurn on 1800 2 AZURN (1800 229 876), or Novus Capital Limited on (02) 9375 0100.

## 2. THE COMPANY AND ITS BUSINESS

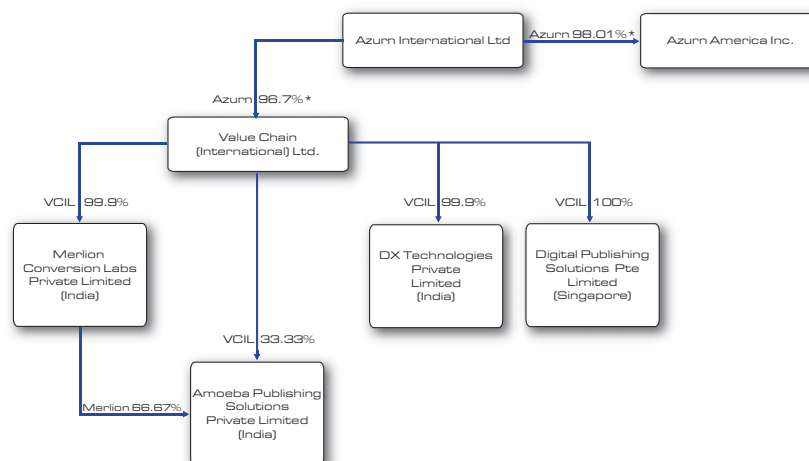
### 2.1 Company Overview

The Azurn Group is a specialist information and communications technology (ICT) group of companies which combines VCIL's Digital Publishing Solutions (DPS) business with Azurn's patented Collaboration Technology, Unified XML. Azurn's acquisition of VCIL in 2007, brought together Unified XML, a leading team of XML practitioners and an established set of publishing clients.

While the core business of the Azurn Group has been initially focussed on delivering leading edge digitisation services to the publishing industry, the Azurn Group has been able to leverage off this success to expand into the education and enterprise sectors and into the broader collaboration applications market.

### 2.2 Corporate Operating Structure

The Azurn Group operates globally with operations in Melbourne (head office), Boston, New York, London, Singapore, Bangalore, Pune and Coimbatore



\* Azurn is in the process of acquiring outstanding minority interests

### 2.3 Digital Publishing Solutions

Azurn's publishing clients use the Azurn Group's products and its conversion capabilities to create, sell and/or distribute electronic content (in the form of eBooks and eLibraries) securely and cost-effectively.

The DPS business is divided into 2 key components:

1. *Knowledge Process Outsourcing (KPO)* - Through its KPO arm, the Azurn Group delivers value to book publishers by helping them to convert their backlist and frontlist into an electronic form (XML format). This conversion is undertaken in the Company's production studios in India (see *Figure 1* below).
2. *Information Technology Solutions (ITS)* - Through its ITS arm, the Azurn Group develops new intellectual property by providing software solutions to the publishing industry and improving the efficiency of content distribution, marketing and sales of both digital and physical content. The Azurn Group has developed several digital publishing products over the past few years in the areas of book production, secure electronics sales, distribution of eBooks and specialised marketing.

To date, revenue from such activities has principally been earned by creating, converting (to XML), storing, distributing and selling digital books (establishing eBook stores).

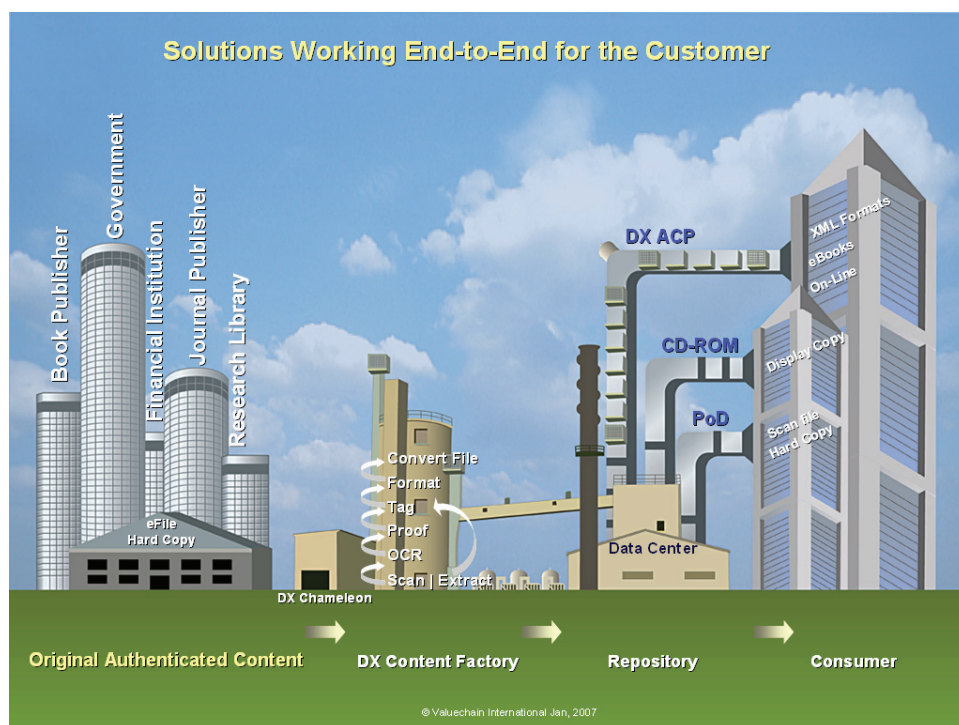


Figure 1

## 2.4 Collaboration Technology and Business

The Azurn Group's Collaboration Technology is based on an innovative approach to solving the significant challenge of:

1. integrating voice, data and video so that it is delivered concurrently and seamlessly;
2. converging wireless, PSTN and broadband carrier networks without deploying additional equipment at the carrier networks;
3. providing complete control to companies seeking to manage their own ICT services, without relying on carrier equipment or new applications, through an in-house application; and
4. delivering business solutions on any device, anywhere and anytime.





The centrepiece of the Azurn Group's Collaboration Technology is its Unified XML platform (Azurn MERLIN) (see Figure 2 below). The Azurn MERLIN is unique as it enables voice, data and video to be delivered concurrently across any carrier network, over the internet, broadband, telephone and wireless protocols and onto any device such as personal computers, mobile phones, lap tops, PDA's and other devices. The Azurn MERLIN is a platform-based integrated audio, video and web collaboration appliance which provides full featured audio, data and desktop collaboration capability to its clients.



Figure 2

The initial application of the Azurn MERLIN is a simple collaboration platform which allows large groups to interact through video, share and alter documents and converse simultaneously through either the internet and/or telephone from anywhere in the world.

Figure 3 below depicts how the Azurn MERLIN differs from other collaboration technology.

### The Azurn Merlin Difference

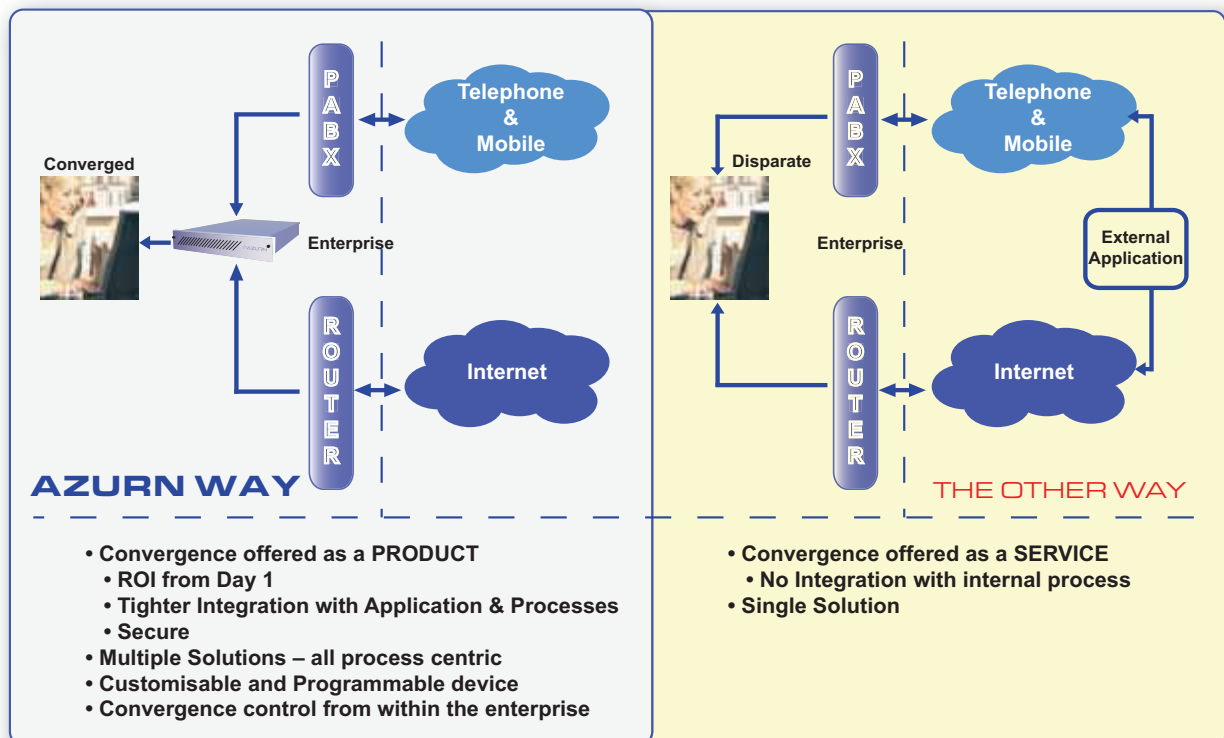


Figure 3



A further application recently launched is a proprietary product called Klik2Konnnect (K2K) which allows seamless connection between the internet and the phone through a single mouse click.

Figure 4 below provides an example of how K2K allows potential customers of a real estate agency to directly connect to the real estate agent by phone with the single click of a mouse.

The screenshot shows a real estate website interface. At the top, there are language selection options: English (selected), Spanish, and French. Below this is the 'K2K Connect Now!' logo and a 'Click and agent will call you now!' button with a telephone icon. The main content area features a large photograph of a luxury house with a white facade and a large garage. Below the main photo are two smaller inset photos showing the interior of the house, including a dining room and a living area. The text below the photos describes the property as a 'significant home of 54 squares' and lists various features. At the bottom, the property name 'Sweet Homes, Eden Park' and the price '\$1,695,000' are displayed.

**FOR SALE** **Luxury Homes West Pennant Hills**

Presenting a significant home of 54 squares located on a generous garden block of 1800 square metres in a dress circle location. Spacious formal & informal living areas with 9 ceilings - showcasing high level finishes in timber & granite. Gourmet kitchen with Smeg stainless steel appliances. Open plan family area leads to spacious garden & entertaining area with pergola, BBQ area & heated pool. Professional study, four bedrooms, spa & three bathrooms. Reverse cycle air conditioning, ducted vacuum, storage & security. Triple auto garage. Potential in law accommodation and possible scope to add a tennis court subject to council approval. A rare offering in this coveted location where lifestyle is complemented by the luxury offered by this residence.

Formal lounge & dining  
Family room  
Rumpus room  
Kitchen in gourmet granite & Smeg stainless steel appliances, connection for ice maker refrigerator  
Conservatory  
Professional study  
Four bedrooms, including master ensuite with spa  
Three bathrooms

Reverse cycle air-conditioning  
Ducted vacuum  
Triple auto garage  
Entertaining & barbeque area with electric & gas outlets  
Heated swimming pool  
Quiet location yet easy access to M2  
Local park nearby (see photo) & short walk to shops, buses & facilities

**Sweet Homes, Eden Park** **\$1,695,000**

Figure 4



The fundamental distinguishing features of the Azurn Group's Collaboration Technology are:

1. it enables business to leverage the power of internet and telephony without making significant changes or investment to existing infrastructure;
2. it can be deployed at a corporate enterprise behind its firewall; and
3. it is a true platform allowing many applications to be built on it.

The Azurn Group revenues from its patented collaboration technology will come from:

1. the sale of software and hardware containing its Collaboration Technology;
2. K2K usage fees; and
3. volume based revenue sharing on certain projects with its customers by licensing the software to be used on each client terminal (e.g. Hughes projects).

## 2.5 Contracts

The major contracts of the Azurn Group include:


1. **Publishing Houses** – The Azurn Group has a number of ongoing contracts with a wide range of International publishers/distributors including Cambridge University Press (publisher of academic and educational writing from around the world), Taylor & Francis and Informa Learning (global information provider for the academic, professional and commercial markets), Cengage (an international deliverer of highly customised learning solutions for colleges, universities, instructors, students, libraries, government agencies, corporations and professionals from around the world), Gardners Books (largest book distributor in the UK), McGraw Hill (a global provider of reference and trade publishing for the medical, business, engineering and other professions committed to changing the way people learn through eBooks, online tutoring, customised course web sites and subscription services) and a number of other publishers in Europe and the USA.
2. **UCMS** – In June 2008, the Company signed a distribution agreement with UCMS Solutions Pty Ltd to assist in marketing the Company's products, principally Azurn MERLIN, to selected customers and business partners.
3. **Intel** – In March 2008, the Azurn Group entered into an agreement with Intel Corporation and Acryn Pty Ltd to offer an educational collaboration product to schools throughout the USA, initially Oregon, then globally.

Under the contract, Azurn is to provide implementation, systems integration and technical support to the "Knowledge Community" software owned by Acryn. The Knowledge Community software enables transparent automated access to vast and disparate information that is of high value to connected members. Access to this information can be achieved through portals, electronic commerce, web application tools and systems. Intel brings its knowledge, insight and its name to the project.

Rollout for the project has already commenced and it is expected that the first revenue will be received during the first half of 2009. This project is one of the primary uses of the funds raised by this Prospectus.

4. **Hughes** – Hughes Communications offers education services to the global market through a franchise model and government partnerships. Its primary education market is India where it delivers solutions to more than 100 cities. In October 2008, Azurn entered into a global contract with Hughes Communications to provide Hughes with a new education delivery platform for Hughes to deliver educational materials to students in India via their satellite network.

Under the contract, Azurn has granted a licence to Hughes to use Azurn's software to deliver interactive courses offered by premier institutes through its satellite network to students across all levels of education including primary, secondary,



tertiary and private coaching. With Azurn's technology, Hughes plans to expand its current offerings to over 500 cities in India within the next 24 months (through 30,000+ delivery points in India).

5. **Langhaven Ltd UK** (earlier PEGG, UK) – Azurn has entered into an exclusive UK re-seller agreement with Langhaven Ltd UK. Under this agreement, Azurn will receive agreed minimum annual revenues (based on time of collaboration used) for the launching of the Collaboration Technology on a financial service portal.

## 2.6 Intellectual property

The Azurn Group's Collaboration Technology is protected by a number of US and Australian patents including:

1. Unified XML voice and data media converging switch and application delivery system;
2. programmable network Convergence edge-switch;
3. voice/data session switching in a converged application delivery environment (patent pending);
4. converged conferencing appliance and methods for concurrent voice and data conferencing sessions over networks (patent pending); and
5. Multimedia Business Process Collaboration Platform which enables internet users who have received an email or a link to a "widget" or an electronic brochure to instruct an integrated switching server to initiate a multiparty telephone and/or video call.

This portfolio of 4 US and one Australian patents and patent applications, describes a system that enables integration of telecommunications application services with databases and applications on a data network for delivering converged network services. The conferencing application also enables remote and local participants to connect to one another using disparate devices. The appliance establishes and manages concurrent voice, data and video conferencing/collaboration sessions initiated by one or more of such devices over heterogeneous networks, including web to telephony integration.

The Azurn Group uses a number of registered trade marks specifically within the digital publishing industry which include Azurn™, Digital Drop Ship™, eCompile™, Unified XML™, UXML™ and Klik2Kconnect™.

The Azurn Group also uses a common law trade mark "No More Clouds".

For further information on the Company's intellectual property please refer to the Patent Attorney's Report in section 7 of this Prospectus.



## 2.7 Employees

The Azurn Group currently employs over 370 employees and many of its management team have worked together previously at Infosys Technologies Limited or Telstra.

A breakdown of offices and employees by location and function is illustrated below:

Entity	Office	Business	Number of Employees
Azurn – Australia	Melbourne, Australia	Corporate Management, R&D, Sales & Marketing	8
DX Technologies Private Limited – India	Pune, India	Information Technology Products and Solutions	15
DX Technologies Private Limited – India and VCIL Branch Office	Bangalore, India	Information Technology and Solutions	6
Merlion Conversion Labs Private Limited	Pune, India	KPO	216
Amoeba Publishing Solutions Private Ltd	Coimbatore, India	KPO	104
Digital Publishing Solutions Pte Limited	Singapore	Admin office	1
VCIL Branch Office	London, UK	Sales & Marketing	3
Azurn America Inc	Boston and New York	Sales & Marketing	2

The Azurn Group has offices in Melbourne, Singapore, Bangalore, Pune, Coimbatore, London, Boston and New York.

## 3. MARKET OVERVIEW

The Azurn Group provides services to its customers operating in the areas of publishing (principally outsourcing of digital publishing by companies to India), education, eBusiness and enterprise collaboration.

Its current products are tailored to providing solutions using the convergence of media in the workplace, the global adoption of software applications and the creation of collaborative applications for workgroup teams. The Company operates through the contemporaneous use of telephony and the internet within a single software application.

The products that the Company offers are broad and can be classified within several industry sectors.

Set out below is a brief description of each of the current markets within which Azurn seeks to derive revenue:

### 3.1 Publishing Outsourcing

Azurn's subsidiary, VCIL, provides digital publishing services to its clients, principally through outsourcing services to India.

### 3.2 Education Services

Azurn operates in the education market, principally in the United States, through its agreement with Intel Corporation and Acryn, to roll out a major programme of collaborative internet portals to schools.

### 3.3 Very Small Aperture Terminal Services (VSAT)

VSAT has emerged as the most preferred mode of distance education in India, Brazil and several other countries for a variety of reasons including wide coverage, high reliability, ease of network management, and cost-effectiveness. Azurn has entered this market through its arrangement with Hughes Communications to deliver satellite based content to training centres across India.

### 3.4 General Purpose Collaboration

The merging of audio, video and data through a collaboration software platform is an expanding market for a number of software companies. The sector has experienced steady growth over the last few years, as workplaces adopt more technology applications. Azurn's collaboration offering is based around commercialising its patents on Unified XML which are more fully described in section 7.



## 4. KEY PERSONNEL

### 4.1 Board of Directors

#### **Peter Jermyn**

#### **Chairman**

Peter Jermyn has over 35 years of experience in international commercial business. He attended Curtin University under a scholarship from the Western Australian Department of Minerals and Energy before embarking on an extensive career in the global resources industry. Peter has substantial expertise in, and a deep knowledge of, the minerals and oil industries from a technical, corporate and finance perspective. He also developed considerable skills in the international finance and equity markets, particularly in corporate start-ups and in the mergers and acquisitions arena. Over the past 15 years Peter has been involved in the investment banking sector through his Chairmanship of the Investment Banking Group, Consolidated Securities. That company has focused on the emerging company and capital markets and has had a substantial involvement in the successful development, funding and listing of a number of unique technologies in Australia and the US. He brings to the Company, significant skills in the areas of corporate structuring, business management and finance and considerable experience in the development and growth of innovative technology companies. Peter Jermyn has served on the Board of many publicly listed companies in Australia, Canada and the US over a period of some 30 years and is currently a director of several ASX listed companies.

#### **Ananda Rao**

BE, MS (Eng)

#### **Chief Executive and Managing Director**

Ananda Rao has been the CEO and MD of Azurn since Azurn acquired VCIL during October 2007. Prior to starting VCIL, Ananda Rao was an Executive Director and General Manager of Sales & Marketing of Infosys Australia, a 100% subsidiary of Infosys Technologies Limited. He started Infosys Australia in 1999 and resigned in October 2005 to create VCIL. Ananda has more than 20 years experience in ICT industries. Ananda is the founder of VCIL.

#### **Dr Bala Kumble**

BE, M.Tech,  
PhD SMIEEE, MAICD

#### **Executive Director**

Dr Bala Kumble is a founding director of Azurn. Bala has 25 years experience in the telecommunications and information technology industry and has led the development and delivery of large telecommunication infrastructures to corporations, government departments, including Education, Aviation, Defence, and banking and financial institutions, including Telstra Corporation and Telecom New Zealand Australia. Bala was a Joint Director and Member Secretary of the National Radar Council Working Group, Government of India. He is currently a Senior Member of the Institute of Electrical and Electronics Engineers (IEEE) and was awarded the IEEE Millennium Medal for outstanding contributions.

#### **Rama Kumble**

BE, ME (Eng)

#### **Executive Director**

Rama Kumble is an information technology professional with over 20 years of solid delivery experience. He is a seasoned serial entrepreneur and was a founding member of Majoris (a progressive software services and solutions company with core strengths in technology which was subsequently bought out by a listed French international company, Valtech – a highly regarded global business consulting and technology services company specialising in Agile methodology). Before joining VCIL, Rama was a Group Engagement Manager at Infosys Technologies Limited, managing one of its largest accounts in the Asia Pacific region, and a founder of VCIL.



## Sudhir (Tony) Giroti

BE, MS (Eng), CISA

### Executive Director

Tony Giroti was the founder of Azurn Networks Inc and one of the 2 inventors of Azurn's Convergence and Collaboration Technology. He has over 20 years of Information Technology experience working in the areas of telecommunications, wireless and the internet. Over the years he has worked with major IT, Telecom and Wireless companies such as Motorola, HP, AT&T, IBM, Stratus, Logica, Accenture and others. As an entrepreneur Tony was the founding President, Chief Executive Officer and Chairman of MaxSol, co-founder, President and Chairman of Microcomputer Centre and President and Chairman of the IEEE. Tony is an avid speaker at various industry conferences, has authored various papers and holds patents in collaboration and XML technologies.

## 4.2 Corporate Governance

The Board is committed to principles of best practice in corporate governance. The Board has relied on the ASX Corporate Governance Council's Revised Corporate Governance Principles and Recommendations in formulating its corporate governance policies and practices.

### *Principle 1 - Lay solid foundations for management and oversight*

The Board and management have agreed on their respective roles and responsibilities and the functions reserved to the Board and management. The Board has established and adopted a Board Charter for this purpose. The Board has also established a Nomination and Remuneration Committee which, among other functions, will evaluate the performance of senior executives.

### *Principle 2 - Structure the Board to add value*

The Board ultimately takes responsibility for corporate governance, and will be accountable to the shareholders for the performance of the Company. The functions and responsibilities of the Board are set out in the Company's Constitution and the Corporations Act. These include:

- a. One third of the Board retiring and being subject to election at the next Annual General Meeting (AGM) of the Company;
- b. The Directors being initially appointed by the Board are then subject to election by Shareholders at the next AGM of the Company;
- c. The Chair of the Board is to be elected by the Board and the performances of the Directors are to be reviewed on an ongoing basis;
- d. The Directors have the right, in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's

expense with the prior approval of the Chairman which will not be unreasonably withheld;

- e. The Directors have the right, in connection with their duties and responsibilities as Directors, to delegate any of their powers and discretions to committees responsible to the Board;
- f. An Audit and Risk Committee is to be established;
- g. A Nomination and Remuneration Committee is to be established;
- h. The Board must approve the strategic direction and related objectives of the Company and monitor management performance in the achievement of these objectives;
- i. The Board must adopt budgets and monitor the financial performance of the Company;
- j. The Board must ensure that all major business risks are identified and effectively managed;
- k. The Board is responsible for ensuring that the Company meets its legal and statutory obligations;
- l. The Board is responsible for establishing and maintaining adequate internal control procedures and effective monitoring systems. Compliance with these procedures is to be regularly monitored; and
- m. The Board must schedule meetings on a regular basis (not less than 4 each year) and other meetings as and when required.

The Board has resolved, given the size of the Board and the Company that it is not appropriate for the Board to be comprised of a majority of independent directors. However, once the Company has sufficient resources it will ensure that the Board is at all times comprised of a majority of independent directors.



The Board has resolved, given the size of the Board and the Company, that it is not appropriate to disclose the process for performance evaluation of the Board, its committees, individual Directors and key executives. Rather than a formal review procedure, the Board has adopted a self evaluation process to measure its own performance which is to be overseen by the Nomination and Remuneration Committee.

***Principle 3 - Promote ethical and responsible decision making***

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Board has established a Code of Conduct to guide the Directors, the Managing Director and other key executives. The Company's share trading policies are set out below.

***Principle 4 - Safeguard integrity in financial reporting***

The Directors require the Managing Director and external company auditors to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. The Board has established an Audit Committee.

***Principle 5 - Make timely and balanced disclosure***

The Directors are committed to keeping the market fully informed of material developments to ensure compliance with the ASX Listing Rules and the Corporations Act.

At each Board meeting consideration is given as to whether any matters should be disclosed under the Company's disclosure policy.

The Board has appointed a Company Secretary in Australia and has required the Company Secretary to establish and maintain adequate disclosure procedures and effective monitoring systems to ensure timely and appropriate disclosure to the market.

The Company Secretary will act as the primary ASX liaison officer will ensure timely and appropriate access to information for all investors. The Directors have established written policies and procedures to ensure compliance with the disclosure requirements of the ASX Listing Rules and to ensure accountability at a senior management level.

***Principle 6 - Respect the rights of Shareholders***

The Directors intend to establish a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. As well as ensuring timely and appropriate access to information for all investors via announcements to ASX, the Company

will ensure that all relevant documents are released on the Company's website.

The Directors will request the external auditor to attend AGMs of the Company and be available to answer questions from the shareholders about the conduct of the audit and the preparation and content of the auditor's report.

***Principle 7 - Recognise and manage risk***

The Company's Audit Committee is establishing policies on risk oversight and management, risk management and internal control systems, including non-financial risks, which must be approved by the Board. The Committee must regularly report to the Board on compliance with any risk and audit policies and protocols in place at the time.

The Directors require the Managing Director and any chief financial officer (or equivalent) to state in writing to the Board that:

- a. the statement given in accordance with Principle 4 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies established by the Board; and
- b. the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Directors intend to establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

***Principle 8 - Remunerate fairly and responsibly***

The Board has provided disclosure in relation to the Company's remuneration policies in this Prospectus to enable investors to understand:

- a. the costs and benefits of those policies; and
- b. the link between remuneration paid to the Directors and key executives and corporate performance.

Further disclosure will be given to investors annually in accordance with the ASX Listing Rules and the Corporations Act. The Board has also established a Nomination and Remuneration Committee.

The Board has clearly distinguished the structure of non-executive directors' remuneration from that of executives, as set out in this Prospectus.

The Board has ensured that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

### Other Relevant Matters

- Audit Committee

The Audit Committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to the Company's financial statements, financial reporting processes, continuous disclosure, internal accounting control systems, internal audit, external audit, risk management and other matters as the Board may request from time to time.

The Committee may also undertake any other special duties as requested by the Board. The Audit Committee includes an independent Chairman who is not the Chairman of the Board. Given the structure of the Board, it is not appropriate for the Committee to consist of a majority of independent Directors or only non-executive directors. However, once the Company has sufficient resources the Board will ensure that the Committee consists of a majority of independent Directors.

- Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for:

- periodically determining the appropriate mix of experience and expertise required on the Board, assessing the extent to which the Board comprises those skills and reviewing Board succession plans;
- making recommendations to the Board for the appointment and removal of Directors;
- evaluating the Board's performance and the performance of the Directors, including by reference to key performance indicators of the Company; and
- ensuring that Directors and management are remunerated fairly by overseeing the remuneration and human resource policies and practices of the Company.

The Nomination and Remuneration Committee may obtain information from and consult with management and external advisers if it considers appropriate. Board composition will also be reviewed periodically by the Committee either when a vacancy arises or if it is considered the Board would benefit from the services of a new Director given the existing mix of skills and experience of the Board. The Nomination and Remuneration Committee should consider the strategic demands of the Company.

Once it has been agreed that a new Director is to be appointed, a search for new candidates will be undertaken. The services of external consultants may be used for this purpose. Nominations will then be received and reviewed by the Board.

- Share trading

The Company has adopted formal share trading policies under which the Directors, and persons engaged in the management of the Company are permitted to trade in securities of the Company only in the following periods:

- the one month period beginning at the close of trading on the date on which the Company announces its half yearly results to ASX;
- the one month period beginning at the close of trading on the date on which the Company announces its full year results to ASX; and
- the one month period beginning at the close of trading on the date on which the Company holds its annual general meeting (assuming an update of the full year financial results is given at the meeting),

or as otherwise permitted by the managing director, the chairman of the Board or the chairman of the Audit Committee as appropriate.

- Related party matters

The Directors and senior management will be required to advise the Chairman of any related party contract or potential conflict. The Chairman must inform the Board and the reporting party will be required to remove himself/herself from all discussions and decisions involving the matter.

- Shareholder relations

The Directors aim to ensure that shareholders are informed of all major developments affecting the Company's affairs. Information will be communicated to shareholders through the annual report, AGMs, half yearly announcements, ASX announcements and through the Company's website.

As noted above, the Company intends to fully implement the following policies and procedures, to the extent required, after listing on the ASX:

- statement of Board and management functions;
- policy and procedures for the election and appointment of new Directors;
- risk management policy; and
- process for performance evaluation of the Board, Board Committees and individual Directors and key executives.



## 5. FINANCIAL INFORMATION

### 5.1 Introduction

This section sets out the following historical financial information for and is prepared on the basis that the Offer proceeds:

- a. Pro forma consolidated balance sheet as at 30 June 2008 in respect of the minimum and maximum number of shares to be issued under this Prospectus (as set out in section 5.2) including assumptions adopted in preparing the pro forma consolidated balance sheet.
- b. information on the pro forma capital structure, convertible notes and options at Listing (as set out in section 5.3), and
- c. audited historical consolidated financial information as at 30 June 2008 which has been extracted from the audited financial report for the year ended 30 June 2008 (as set out in section 5.4),

#### Collectively, Financial Information.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, the Corporations Act and the accounting policies of Azurn and should be read in conjunction with the significant accounting policies detailed in this section, the risk factors set out in section 8, the Investigating Accountant's Report prepared by Moore Stephens Consulting (Melb) Pty Ltd in section 6 and all other information contained in this Prospectus.

The Financial Information is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports prepared in accordance with the Corporations Act.

While the directors of Azurn believe the assumptions used to prepare the Financial Information are appropriate and reasonable at the date of this Prospectus, some factors that may affect the actual position cannot be foreseen or accurately predicted and many of these factors are beyond the control of the directors.

Forecast financial information has not been included in this Prospectus as the Directors do not believe there are reasonable grounds on which to base the forecast.

### 5.2 Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet has been prepared for illustrative purposes only to indicate the effect of the issue of Shares under this Prospectus and other material transactions detailed in the assumptions to the pro form consolidated balance sheet as if they had occurred at 30 June 2008. As these statements are illustrative only they may not reflect the actual position of the Company at the conclusion of the Offer.

**AZURN INTERNATIONAL LIMITED**  
**CONSOLIDATED PROFORMA BALANCE SHEET**  
**AS AT 30 JUNE 2008**

	Audited Actual AU\$	Proforma (Maximum) AU\$	Proforma (Minimum) AU\$
<b>Current assets</b>			
Cash at bank and on hand	509,859	7,562,662	5,562,662
Trade and other receivables	1,599,032	1,599,032	1,599,032
Other current assets	1,737,419	1,737,419	1,737,419
Deferred tax asset	5,885	5,885	5,885
<b>Total current assets</b>	<b>3,852,195</b>	<b>10,904,998</b>	<b>8,904,998</b>
<b>Non current assets</b>			
Plant & equipment	592,476	592,476	592,476
Intangible assets	25,661,998	25,661,998	25,661,998
<b>Total non current assets</b>	<b>26,254,474</b>	<b>26,254,474</b>	<b>26,254,474</b>
<b>Total assets</b>	<b>30,106,669</b>	<b>37,159,471</b>	<b>35,159,471</b>
<b>Current liabilities</b>			
Trade and other payables	5,792,307	5,209,506	5,209,506
Deferred tax liability	4,614,079	4,614,079	4,614,079
Financial liabilities	5,531,950	735,377	735,377
<b>Total current liabilities</b>	<b>15,938,336</b>	<b>10,558,961</b>	<b>10,558,961</b>
<b>Non current liabilities</b>			
Other Payables	3,975,999	3,775,999	3,775,999
<b>Total non-current liabilities</b>	<b>3,975,999</b>	<b>3,775,999</b>	<b>3,775,999</b>
<b>Total liabilities</b>	<b>19,914,335</b>	<b>14,334,960</b>	<b>14,334,960</b>
<b>Net assets</b>	<b>10,192,334</b>	<b>22,824,511</b>	<b>20,824,511</b>
<b>Shareholders' equity</b>			
Share capital	34,173,929	46,738,326	44,738,326
Foreign currency translation reserve	321,565	321,565	321,565
Options reserve		671,106	671,106
Retained earnings	(24,607,999)	(25,211,325)	(25,211,325)
Outside equity interests	304,839	304,839	304,839
<b>Total Shareholders' equity</b>	<b>10,192,334</b>	<b>22,824,511</b>	<b>20,824,511</b>





The pro forma consolidated balance sheet has been prepared on the basis of the following transactions and assumptions:

- the issue of a minimum of 5,000,000 New Shares and a maximum of 15,000,000 New Shares under this Offer at the issue price of \$0.20, raising gross proceeds of a minimum of \$1,000,000 and a maximum of \$3,000,000. (Refer to section 5.3 Capital Structure);
- the issue of 29,456,631 new Shares post 30 June 2008 and prior to this Offer, raising gross proceeds of approximately \$1,941,000 (Refer to section 5.3 Capital Structure);
- the payment of transaction costs directly related to the issue of Shares of \$684,965 and the recognition of \$671,106 of transaction costs directly related to the issue of Shares arising from the fair value of Options issued to advisors. The total transaction costs relating to the issue of Shares is \$1,356,071;
- receipt of \$2,721,803 cash from the issue of series 4 and 5 convertible notes prior to this Offer (Refer to section 5.3 Convertible Notes);
- recognition of \$636,434 of interest payable on convertible notes from 1 July 2008 until Listing. The interest has been reflected in retained earnings;
- repayment out of pre-IPO cash of \$263,971 of convertible notes and accrued interest on convertible notes;
- the issue of 77,143,950 new Shares at Listing on the conversion of \$6,770,558 of convertible notes at face value and \$961,611 of accrued interest on convertible notes. Where conversion of notes and interest is optional, Azurn has received confirmation of conversion by a number of these noteholders. Furthermore, Azurn has assumed that accrued interest attached to convertible notes converts to Shares if the convertible note is converting to Shares unless a noteholder has specifically requested interest to be paid (Refer to section 5.3 Convertible Notes);
- \$33,109 reflected in retained earnings due to the revaluation of series 1, 2 and 3 convertible notes arising from the extension of the expiry date to 31 March 2009;
- receipt of \$100,000 of pre-IPO cash from new unsecured loans;
- issue of 4,499,470 new Shares at Listing arising from the conversion of \$200,000 of unsecured loans at \$0.057 per share, and \$100,000 of unsecured loans at \$0.10 per share; and
- issue of 9,000,000 new Shares at an issue price of \$0.10 raising \$900,000 under a Subscription Agreement (refer to section 9 for further details).

### 5.3 Information on the pro forma capital structure and convertible notes and options

The following tables illustrate the effect of the pro forma transactions and assumptions on the capital structure, the convertible notes and Options:

#### a. Capital Structure

The capital raising will consist of the Offer of 15,000,000 New Shares at \$0.20 per New Share. If all the New Shares are subscribed for under the Offer, the Company will raise \$3,000,000 before costs.

As at the date of this Prospectus, the Company has 149,784,094 Shares on issue. After the successful conclusion of the Offer and including the conversion of convertible notes the Company will have 255,427,515 Shares on issue (assuming the full subscription of 15,000,000 New Shares) and if only the minimum subscription of 5,000,000 New Shares is achieved, the company will have 245,427,515 Shares on issue.



The following table shows the proposed capital structure of the Company on completion of the Offer:

	Number of Shares Assuming Minimum Subscription	% of Total Number of Shares	Number of Shares Assuming Full Subscription	% of Total Number of Shares
Existing Shares As at 30 June 08	120,327,464	49%	120,327,464	47%
New shares issued since 30 June 2008 (pre this Offer)	29,456,631	12%	29,456,631	12%
New shares to be issued by this Offer	5,000,000	2%	15,000,000	6%
New shares to be issued by conversion of convertible notes	77,143,950	31%	77,143,950	30%
New shares to be issued by conversion of unsecured loans	4,499,470	2%	4,499,470	1%
New shares to be issued under subscription agreements	9,000,000	4%	9,000,000	4%
<b>Total</b>	<b>245,427,515</b>	<b>100%</b>	<b>255,427,515</b>	<b>100%</b>

**b. Convertible notes**

There are \$7,290,995.35 of convertible notes on issue at face value. Most of the convertible notes automatically convert to Shares at the same time ASX grants permission for Listing. Shares issued on conversion of the notes rank equally with existing Shares from the day of conversion. The interest rate and conversion price of the convertible notes vary and are summarised as follows:

Convertible Note	Issue Date	Face Value \$	Interest Rate %	Discount to Listing Price %	Estimated Value of C Notes to Convert Including Interest \$	Estimated Number of Shares to be Issued on Conversion
Series 1	3/04/06	735,437.00	25	50	691,834.47	6,103,005
Series 2	5/07/07	2,963,755.35	20.5 to 30	30 to 50	3,730,889.15	38,711,075
Series 3	10/06/08	870,000.00	20.5	50	546,119.18	5,461,192
Series 4	4/07/08	651,803.00	0.0 to 32	50	693,326.77	6,168,678
Series 5	26/02/09	2,070,000.00	20.5	50	2,070,000.00	20,700,000
<b>Total</b>		<b>7,290,995.35</b>			<b>7,732,169.57</b>	<b>77,143,950</b>



### c. Options

The Company will issue the following series of Options to proposed Option holders;

Share Options	Number of Share Options Issued	Issue Price \$	Option Exercise Price \$	Vesting Date	Option Expiry Date	Exercisable after vesting date and before Expiry Date
Series 1	49,508,374	NIL	0.25	12 months after Listing	4 years after Listing	Yes
Series 2	50,000,000	NIL	0.25	6 months after Listing	4 years after Listing	Yes
Series 3	14,362,360	NIL	0.25	Date of Listing	7 years after Listing	Yes
Series 4	10,000,000	NIL	0.25	Date of Listing	4 years after Listing	Yes
<b>Total</b>	<b>123,870,734</b>					

For further details on the terms of these Options please refer to section 10.2 in this Prospectus. No monies will be payable on the issue of the Options.

### 5.4 Historical consolidated financial information as at 30 June 2008

The following Financial Information sets out the Consolidated Income Statement of Azurn International Limited for the financial years ended 30 June 2008 and 30 June 2007 and the Consolidated Balance Sheet as at these dates. This information should be read in conjunction with Note 1 below.

The historical financial information has been extracted from the 30 June 2008 audited financial report. The financial report was audited by Moore Stephens.

Please refer to section 6 for the Investigating Accountant's Report on the historical financial information.

<i>Consolidated Income Statement For the year ended 30 June</i>		
	2008 \$	2007 \$
Revenues	3,506,889	165,859
Operating Expenses	(5,866,194)	(1,641,500)
EBITDA	(2,359,305)	(1,475,605)
Depreciation, amortization, impairment expense	(4,461,029)	(101,581)
EBIT	(6,820,334)	(1,577,186)
Net interest & financial charges	(1,837,939)	(470,786)
Net Loss before tax	(8,658,273)	(2,047,972)
Tax	655,560	-
Net Loss after tax	(8,002,713)	(2,047,972)
Loss attributable to outside equity interests	2,461	1,968
Net Loss after tax	(8,000,252)	(2,046,004)

*Azurn International Limited*  
*Consolidated Balance Sheet*  
*As at 30 June*

	2008 \$	2007 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	509,859	-
Trade and other receivables	1,599,032	376,537
Other assets	1,737,419	28,044
<b>Total Current Assets</b>	<b>3,846,310</b>	<b>404,581</b>
<b>Non-Current Assets</b>		
Financial assets	-	-
Property, plant and equipment	593,033	186,754
Intangible assets	25,661,441	13,101,059
Deferred tax assets	5,885	-
<b>Total Non-Current Assets</b>	<b>26,260,359</b>	<b>13,287,813</b>
<b>TOTAL ASSETS</b>	<b>30,106,669</b>	<b>13,692,394</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	8,453,679	4,190,914
Financial liabilities	5,497,626	900,087
<b>Total Current Liabilities</b>	<b>13,951,305</b>	<b>5,091,001</b>
<b>Non-Current Liabilities</b>		
Trade and other payables	1,191,864	34,324
Financial liabilities	-	37,879
Deferred tax liabilities	4,614,079	3,900,000
Other liabilities	157,087	-
	5,963,030	3,972,203
<b>TOTAL LIABILITIES</b>	<b>19,914,335</b>	<b>9,063,204</b>
<b>NET ASSETS</b>	<b>10,192,334</b>	<b>4,629,190</b>
<b>EQUITY</b>		
Issued capital	34,173,929	20,763,874
Foreign Currency Translation Reserve	321,565	168,579
Accumulated losses	(24,607,999)	(16,607,747)
<b>Parent interest</b>	<b>9,887,495</b>	<b>4,324,706</b>
Outside equity interests	304,839	304,484
<b>TOTAL EQUITY</b>	<b>10,192,334</b>	<b>4,629,190</b>



## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Azurn as an individual entity and Azurn and controlled entities as the consolidated group. Azurn is a public company limited by shares incorporated and domiciled in Australia whose shares are not publicly traded on the Australian Securities Exchange.

The financial report of Azurn as an individual entity and Azurn and controlled entities complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### Basis of Preparation

#### 1. Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Australian Accounting Standards issued or amended which are applicable to the parent and the consolidated group but are not yet effective and which have not been adopted in preparation of the financial statements at reporting date.

### Accounting Policies

#### 1. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Azurn Group as at 30 June 2008. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the Subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra group transactions have been eliminated in full. Subsidiaries are consolidated from the date on which control is obtained by the Azurn Group and cease to be consolidated from the date on which control is transferred out of the Azurn Group.

The acquisition of Subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.


#### 2. Business Combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Azurn Group's share of the identifiable net assets acquired is recognised as goodwill.

#### 3. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).



Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### 4. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Azurn Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Azurn Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Azurn Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which goodwill relates.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.



of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

#### 5. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

A summary of the policies applied to the Azurn Group's intangible assets is as follows:

	Intellectual Property Rights	Customer Contract	Patents	Software Development Costs
Useful Lives	Finite	Finite	Indefinite	Finite
Amortisation method	Straight line method	Straight line method	n/a	Straight line method
Amortisation period	7 years from the date technology is in a state to commence utilisation	3 years	n/a	16.2% from the date technology is in a state to commence utilisation
Internally generated or acquired	Acquired	Acquired	Acquired	Internally generated
Impairment testing	When an indication of impairment exists	When an indication of impairment exists	At least annually and more frequently when an indication of impairment exists	When an indication of impairment exists

#### 6. Impairment of Assets

At each reporting date, the Azurn Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement


Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 7. Foreign Currency Transactions and Balances

##### i. Functional and presentation currency

The functional currency of each of the Azurn Group's entities is measured using the currency of the primary





economic environment in which that entity operates, being Singapore Dollars, Indian Rupee and Australian Dollars. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

*ii. Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost continue to be carried at the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

The financial results and position of foreign operations whose functional currency is different from the Azurn Group's presentation currency are translated as follows:

- assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the year; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Azurn Group's foreign currency translation reserve in the balance sheet.

**8. Financial Instruments**

*i. Recognition*

Financial instruments are initially measured at fair value on the trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

*ii. Financial assets as fair value through profit and loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term of is so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the year in which they arise.

*iii. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

*iv. Held-to-maturity investments*

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised costs using the effective interest rate method.

*v. Available-for-sale assets*

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

*vi. Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.



vii. *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

viii. *Compound financial instruments*

Compound financial instruments arise where a financial instrument contains both a liability and an equity component. In these instances, each component of the financial instrument is recognised and disclosed separately. The instrument is initially recognised by valuing the liability component, and assigning the residual value to equity after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

ix. *Impairment*

At each reporting date, the Azurn Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

9. **Revenue Recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Azurn Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- i. Revenue from the rendering of services is recognised based on milestones achieved and in accordance with the terms as specified in the contracts as per the proportionate completion method on the basis of work completed.
- ii. Revenue from the sale of products is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.
- iii. Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant year using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

10. **Segment Reporting**

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

11. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

12. **Critical Accounting Estimates and Judgements**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally. Actual results may differ from the judgments, estimates and assumptions.

Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

*i. Impairment of non-current assets*

The Azurn Group assesses impairment of all non-current assets at each reporting date by evaluating conditions specific to the Azurn Group and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and judgements. Refer to Note 2 for more details for details of impairment losses that have been recognised.

*ii. Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

*iii. Allowance for impairment loss on trade receivables:*

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

**13. Going Concern**

The financial statements have been prepared on a going concern basis. The consolidated entity incurred an operating loss after tax of \$8,000,252 for the financial year ended 30 June 2008. At that date, the consolidated Azurn Group had a net asset position of \$10,192,334 and held cash reserves of \$509,859.

The Directors believe that, although there is significant uncertainty, the Company and the consolidated entity will be able to continue as a going concern on the basis that sufficient funds will be generated from a combination of sources during the coming twelve-month period to enable the Company and the consolidated entity to meet their debts as and when they fall due.

Details of the factors which the Directors have taken into consideration when forming their belief are detailed below.

- The Company is currently in negotiation with a number of interested parties to receive funding and the Directors are confident that additional funding in the Company will be secured in the short term.
- On 31 October 2007, Azurn acquired Value VCIL and its consolidated group. It is expected that the consolidated group will be well placed to pursue business opportunities which will lead to increased revenue streams.
- Azurn and VCIL have entered into agreements with several new major customers after 30 June 2008, including Hughes Communications (details of the Hughes Communication agreement are set out in section 9 of this Prospectus).

The ability of the Company and the consolidated entity to continue as going concerns is dependent on the achievement of the above items. If the Company and the consolidated entity are unable to continue as going concerns, they may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities, which might be necessary should the Company or the consolidated entity not be able to continue as a going concern.

The financial report was authorised for issue on 1 December 2008 by the Board.



## NOTE 2: INTANGIBLE ASSETS

	Note	Consolidated Group	
		2008 \$	2007 \$
Goodwill	2(a)	9,370,509	-
Intellectual property rights	2(a)	15,826,987	13,000,000
Customer contract	2(a)	92,009	-
Patents	2(a)	89,214	101,059
Software development costs	2(a)	282,722	-
		25,661,441	13,101,059
<b>(a) Movements in Carrying Amounts</b>			
Movement in the carrying amounts for each class of intangible asset is as follows:			
<b>GOODWILL</b>			
Cost		10,705,509	-
Accumulated impairment charge		(1,335,000)	-
Net carrying value		9,370,509	-
<b>Reconciliation of Goodwill on Consolidation</b>			
Balance at the beginning of year		-	-
Arising from acquisition of Value Chain (International) Limited			
- Goodwill on consolidation		9,306,102	-
- Goodwill on intellectual property rights		1,335,000	-
- Goodwill on customer contract		64,407	-
Impairment charge		(1,335,000)	-
Closing carrying value at 30 June 2008		9,370,509	-
<b>INTELLECTUAL PROPERTY RIGHTS</b>			
Cost		27,943,345	21,296,869
Accumulated impairment and amortisation charge		(12,116,358)	(8,296,869)
Net carrying value		15,826,987	13,000,000
<b>Reconciliation of Intellectual Property Rights</b>			
Balance at the beginning of year		13,000,000	13,000,000
Arising on the acquisition of Value Chain (International) Limited		4,450,000	-
Additions through acquisition		1,143,678	-
Amortisation charge		(2,766,691)	-
Closing carrying value at 30 June 2008		15,826,987	13,000,000
<b>CUSTOMER CONTRACT</b>			
Cost		214,688	-
Accumulated amortisation charge		(122,679)	-
Net carrying value		92,009	-

<b>Reconciliation of Customer Contract</b>		
Balance at the beginning of year	-	-
Arising on the acquisition of Value Chain (International) Limited	214,688	-
Amortisation charge	(122,679)	-
Closing carrying value at 30 June 2008	92,009	-
<b>PATENTS</b>		
Cost	103,718	117,489
Accumulated amortisation charge	(14,504)	(16,430)
Net carrying value	89,214	101,059
<b>Reconciliation of Patents</b>		
Balance at the beginning of year	101,059	117,489
Foreign Currency Translation	(11,845)	(16,430)
Closing carrying value at 30 June 2008	89,214	101,059
<b>SOFTWARE DEVELOPMENT COSTS</b>		
Cost	342,514	-
Accumulated impairment charge	(59,792)	-
Net carrying value	282,722	-
<b>Reconciliation of Software Development Costs</b>		
Balance at the beginning of year	-	-
Additions	179,791	-
Additions through acquisition	102,931	-
Amortisation charge	-	-
Closing carrying value at 30 June 2008	282,722	-

Intangible assets included in the balance sheet relate to:

1. **Goodwill on consolidation**

On 31 October 2007, Azurn acquired VCIL and its consolidated group. Goodwill amounting to \$9,306,102 at 30 June 2008 arose from the acquisition of VCIL.

Goodwill is tested annually for impairment, and the value at year end is supported through a value in use calculation.

The Directors are satisfied there have been no material changes to the assumptions made in valuing the VCIL group which existed at the acquisition date.

A deferred tax liability has been recognised which relates to the intellectual property and the customer contract that was acquired when VCIL was acquired where the tax base of the asset is nil.

Under AASB 112, it is inherent in the recognition of an asset that its carrying amount will be recovered in the form of economic benefits that flow to the entity in future periods. When the carrying amount of the asset exceeds its tax base, which is the case with the acquired Intellectual Property, the amount of the taxable economic benefits will exceed the amount that will be allowed as a deduction for tax purposes.

As a result, the difference is a taxable temporary difference with an obligation to pay the resulting income taxes in future periods a deferred tax liability. Where the entity recovers the carrying amount of the asset, the taxable temporary difference will reverse and the entity will have taxable profit.





On initial recognition of the deferred tax liability, the corresponding entry is to goodwill which is represented by this balance.

## 2. Intellectual Property Rights

The Company acquired \$21,296,869 of intellectual property rights through the acquisition of Azurn America Inc., and \$5,593,678, through the acquisition of VCIL. These rights include:

- Unified XML Voice and Data Media converging switch and application delivery system;
- Programmable Network convergence edge switch;
- Converged conferencing appliance and methods for concurrent voice and data conferencing sessions over networks;
- Voice / data sessions switching in a converged application delivery system.

The intellectual property is now deemed to be in a state to commence utilisation. As a result, in the current year, the intellectual property rights have been amortised as disclosed in Note 1(e). As a result of the losses incurred by the consolidated entity, intellectual property was tested for impairment, and the value at year end is supported through a value in use calculation.

### *Impairment losses recognised*

In the 2006 financial year, the Directors took the view that the value of the acquired intellectual property rights was impaired and went through the process to determine a value which appropriately represented the value of the acquired intellectual property rights. This process was based on a value in use calculation, and an impairment expense of \$8,296,869 was recognized during the financial year. The written down value of the intellectual property at year end amounted to \$13,000,000. No further impairment triggers had been identified at 30 June 2008.

### *Intellectual Property – Azurn America Inc.*

In respect of the value in use calculation for intellectual property relating to Azurn America Inc., the following considerations applied:

- a valuation period of 5 years;
- No growth in revenues from years 3 to 5;
- a residual value of three times the final revenue flow; and
- a discount rate of 30.7%.

On the basis of the above assumptions, no impairment was identified by the external valuation.

A sensitivity analysis was performed in respect of changes to growth rates. This analysis did not identify any impairment charges for changes in growth rate assumptions. No sensitivity analysis was performed in respect of the discount rate as this was determined to be at the high end of the range of discount factors appropriate to this asset.

### *Intellectual Property and Goodwill – VCIL and its controlled entities*

In respect of the value in use calculation for intellectual property and goodwill relating to intellectual property and goodwill relating to the acquisition of VCIL and its controlled entities, the following considerations applied:

- a valuation period of 5 years;
- 20% growth in the first year with a decreasing growth rate in subsequent years such that by the fifth year, there is no growth;
- a residual value of three times the final revenue flow;
- a discount rate approximating 19.8%.

On the basis of the above assumptions, no impairment was identified by the external valuation.

A sensitivity analysis on the growth rates and discount factor in respect of intellectual property and goodwill acquired on the acquisition of VCIL and its controlled entities is reflected below. The table reflects the recoverable amount of goodwill and intellectual property compared to a net carrying value at 30 June 2008 amounting to \$13.9million.

		Growth rates				
		20%	15%	10%	5%	0%
		\$000	\$000	\$000	\$000	\$000
Discount rates	15%	25,171	23,035	21,038	19,177	17,445
	20%	17,174	15,867	14,643	13,500	12,434
	25%	13,076	12,184	11,348	10,566	9,836
	30%	10,616	9,968	9,359	8,789	8,255
	35%	8,994	8,502	8,039	7,605	7,199
	40%	7,854	7,469	7,107	6,767	6,447

### 3. Customer contract

Through the acquisition of VCIL and its consolidated group, Azurn acquired a customer contract that was initially entered into on 1 July 2003 with Taylor & Francis Group Plc.

The customer contract is considered to be a separately identifiable intangible asset and as such, has been separately recorded. The customer contract has been amortised as disclosed in Note 1(e).

### 4. Patents

Patents of \$103,718 were acquired through the acquisition of Azurn America Inc.,. These include:

- Unified XML Voice and Data Media converging switch. Patent filed 26 March 2002 and granted on 13 June 2006. US patent number 7061928B2.
- Programmable Network convergence edge switch. Patent filed 23 April 2003 and granted on 6 May 2008. US patent number 7369540B1.
- Converged conferencing application and methods. Patent filed 25 April 2003. The patent has been published and, as at the date of this Prospectus, remains pending.
- Voice / data sessions switch. Patent filed 25 April 2003. The patent has been published and, as at the date of this Prospectus, remains pending.

### 5. Software development costs

Software development costs are those costs that have been directly incurred to further develop the company's software. The software development costs have been amortised as disclosed in Note 1(e).



### NOTE 3: SEGMENT REPORTING

The Azurn Group operates predominantly in one primary business segment being digital publishing, which consists of software development and digital publishing. The Azurn Group's geographical segments are across Australia, India, Singapore, the United Kingdom and the USA.

#### Business segments

The Group is operating only in one business segment pertaining to the digital publishing segment, hence no business segment reporting is prepared.

#### Geographical segments

The Group's geographical segments are determined based on the location of the Azurn Group's assets. The analysis of geographical segments is based on the geographical location of the operation. The following table presents revenue and certain asset information regarding geographical segments for each relevant year for the Azurn Group:

	Australia	India	Singapore	United Kingdom	USA	Consolidation Adjustments	2008 Consolidated Group	2007 Consolidated Group
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
External sales	1,167,984	14,045	1,988,046	-	-	-	3,170,075	130,624
Other	4,443	71,668	64	-	45	(57,966)	18,254	947
Total revenue							3,188,329	131,571
<b>Result</b>								
Segment result	(5,782,956)	280,772	4,685	(558,780)	(161,383)	(2,440,611)	(8,658,273)	(2,047,972)
Income tax benefit							655,560	-
Profit after income tax							(8,002,713)	(2,047,972)
<b>Assets</b>								
Segment assets	33,244,744	3,171,926	918,110	191,829	131,175	(7,551,115)	30,106,669	13,692,394
<b>Liabilities</b>								
Segment liabilities	14,632,715	2,044,337	2,399,668	1,517,024	1,588,110	(2,267,519)	19,914,335	9,063,204
<b>Other</b>								
Depreciation and amortisation of segment assets	148,943	143,739	143,222	-	-	2,690,125	3,126,029	101,581

## 6. INVESTIGATING ACCOUNTANT'S REPORT

2 March 2009

**MOORE STEPHENS**

The Directors  
Azurn International Limited  
Level 8  
520 Collins Street  
MELBOURNE VIC 3000

Dear Sirs

### Investigating Accountant's Report

Moore Stephens Consulting (Melb) Pty Ltd ("Moore Stephens Consulting") has been engaged by Azurn to prepare this Investigating Accountant's Report ("report") for inclusion in a Prospectus dated on or about 2 March 2009, to be issued by Azurn, in relation to the proposed issue of a minimum of 5,000,000 shares and a maximum of 15,000,000 shares at an Issue Price of \$0.20.

Expressions defined in the Prospectus have the same meaning in this report.

### Scope

Moore Stephens Consulting has been requested to prepare a report covering:

1. the historical consolidated financial information incorporating:
  - a. the consolidated balance sheets as at 30 June 2007 and 30 June 2008;
  - b. the consolidated income statements for the years ended 30 June 2007 and 30 June 2008;
  - c. the selected notes thereto; and
2. the pro forma consolidated balance sheet as at 30 June 2008,

disclosed in Section 5 of the Prospectus.

#### *Review of historical consolidated financial information*

The historical consolidated financial information, as set out in section 5.4 of the Prospectus, has been extracted from the financial statements of Azurn International Limited and Controlled Entities (the "Azurn Group") for the year ended 30 June 2008. The financial statements were audited by Moore Stephens in accordance with Australian Auditing Standards. The audit opinion relating to the financial statements was unqualified however it contained two emphasis of matter in relation to significant uncertainty regarding going concern and significant uncertainty regarding accounting estimate. As the significant uncertainties pertain to the historical consolidated financial information contained in the Prospectus they have been included in the opinion section of this report.

The directors of the Azurn Group are responsible for the preparation and fair presentation of the historical consolidated financial information and have presented it in an abbreviated form which does not include all the disclosures required by Australian Accounting Standards applicable to an annual financial report prepared in accordance with the Corporations Act 2001.

We have reviewed the historical financial information of the Azurn Group for the year ended 30 June 2008 in order to report whether anything has come to our attention which causes us to believe that the historical consolidated financial information, as set out in section 5.4 of the Prospectus, does not present fairly:

Moore Stephens Consulting (Melb) Pty Ltd ABN 34 006 341 386  
Australian Financial Services Licence 236556  
14th Floor, 607 Bourke Street, Melbourne, Victoria, 3000 Australia  
Telephone: +61 3 9614 4444 Facsimile: +61 3 9629 5716

Email: melbourne@moorestephens.com.au Web: www.moorestephens.com.au/fp

*An independent member of Moore Stephens International Limited – members in principal cities throughout the world  
Liability limited by a scheme approved under Professional Standards Legislation*



- the consolidated balance sheet of the Azurn Group as at 30 June 2007 and 30 June 2008;
- the consolidated income statement of the Azurn Group for the years ended 30 June 2007 and 30 June 2008,

in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by the Azurn Group and disclosed in section 5.4 of the Prospectus.

Our review has been conducted in accordance with Auditing Standard on Review Engagements *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. We performed the procedures and made enquiries which we, in our professional judgement, considered reasonable in the circumstances. The procedures and enquiries included:

- a review of the work papers, accounting records and other supporting documents;
- analytical procedures on the historical consolidated financial information;
- enquiry of directors, senior management, consultants and others; and
- comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including Australian Accounting Interpretations), and the accounting policies adopted by the Azurn Group disclosed in Section 5.4 of the Prospectus.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Review of pro forma consolidated balance sheet*


The pro forma consolidated balance sheet, as set out in section 5.2 and 5.3 of the Prospectus, has been derived from the historical consolidated financial information after adjusting for the pro forma transactions described in section 5.2 of the Prospectus.

The directors of the Azurn Group are responsible for the preparation and fair presentation of the pro forma consolidated balance sheet, including determining the pro forma transactions, and have presented it in an abbreviated form which does not include all the disclosures required by Australian Accounting Standards applicable to an annual financial report prepared in accordance with the Corporations Act 2001.

We have reviewed the pro forma consolidated balance sheet of the Azurn Group for the year ended 30 June 2008 in order to report whether anything has come to our attention which causes us to believe that the pro forma consolidated balance sheet, as set out in section 5.2 and 5.3 of the Prospectus, does not present fairly the consolidated balance sheet of the Azurn Group as at 30 June 2008, on the basis of the pro forma transactions described in section 5.2 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by the Group and disclosed in section 5.4 of the Prospectus.

Our review has been conducted in accordance with Auditing Standard on Review Engagements *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*. We performed the procedures and made enquiries which we, in our professional judgement, considered reasonable in the circumstances. The procedures and enquiries included:

- a review of the work papers, accounting records and other supporting documents;
- a review of the pro forma transactions adjusted against the historical consolidated financial information;
- enquiry of directors, senior management, consultants and others; and
- comparison of consistency in application of the recognition and measurement principles in Australian Accounting Standards (including Australian Accounting Interpretations), and the accounting policies adopted by the Azurn Group disclosed in Section 5.4 of the Prospectus.



A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

### *Review statement on historical consolidated financial information*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the historical consolidated financial information, as set out in section 5.4 of the Prospectus, does not present fairly:

- the consolidated balance sheet of the Azurn Group as at 30 June 2007 and 30 June 2008;
- the consolidated income statement of the Azurn Group for the years ended 30 June 2007 and 30 June 2008,

in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by the Azurn Group and disclosed in section 5.4 of the Prospectus.

### *Review statement on pro forma consolidated balance sheet*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the pro forma consolidated balance sheet, as set out in section 5.2 and 5.3 of the Prospectus, does not present fairly the consolidated balance sheet of the Azurn Group as at 30 June 2008, on the basis of the pro forma transactions described in section 5.2 of the Prospectus and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (including Australian Accounting Interpretations), and accounting policies adopted by the Azurn Group and disclosed in section 5.4 of the Prospectus.

### *Significant Uncertainty Regarding Going Concern*

Without qualification to the review statements expressed above, attention is drawn to the following matter. As a result of the matters disclosed in Note 1(l) Going Concern of section 5.4, there is significant uncertainty whether the Azurn Group will be able to continue as a going concern and, therefore, whether they will be able to pay their debts as and when they become due and payable, and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the historical consolidated financial information. The historical consolidated financial information does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Azurn Group not continue as a going concern.

### *Significant Uncertainty Regarding Accounting Estimate*

Without qualification to the review statements expressed above, the impairment analyses performed for the intangible assets and investment recognised on acquisition of Value Chain (International) Limited and Controlled Entities are based on a number of assumptions and accounting estimates whose outcome depends on future events which are significantly uncertain. The ultimate amount of the impairment, if any, cannot be presently determined, and no impairment loss has been recognised in the historical consolidated financial information, with the exception of the impairment loss relating to goodwill recognised as required under AASB 112 *Income Taxes*.

## Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of the Azurn Group have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.





### Responsibility

Moore Stephens Consulting has consented to the inclusion of this report in the Prospectus in the form and context in which it is so presented but has not authorised the issue of the Prospectus. Accordingly, Moore Stephens Consulting makes no representation regarding, and takes no responsibility for, any statements or material in, or omissions from, the Prospectus.

### Independence or Disclosure of Interest

Moore Stephens does not have any interest in the outcome of this issue other than in our capacity as investigating accountants for which normal professional fees will be received. In our capacity as investigating accountants we have prepared this report and participated in due diligence procedures.

Yours faithfully

Grant Sincock  
Director

**MOORE STEPHENS**  
**CONSULTING (MELB) PTY LTD**

## 7. PATENT ATTORNEY'S REPORT

**middletons**

Melbourne | Perth | Sydney

Our reference  
IROS/NBES.1776348

6 February 2009

The Directors  
Azurn International Limited  
Level 8, 520 Collins Street  
Melbourne VIC 3000  
AUSTRALIA

Dear Sirs

### **Patent and Trade Mark Prospectus Report**

#### **Azurn International Limited**

This report on patents and trade marks in the names of Azurn America, Inc. and Azurn International Limited has been prepared at the request of Deacons Lawyers on behalf of Azurn International Limited for inclusion in a prospectus.

This report has been prepared on the basis of Middletons' records, information publicly available in the records of the United States Patent and Trademarks Office and IP Australia and copies of various documents provided to us by Mark Levy & Associates, the US patent attorneys acting for Azurn Networks, Inc. and Azurn America, Inc.

#### **1. Patents**

##### **1.1 Background**

Patents are an important form of protection that companies or individuals can utilise in respect of Intellectual Property developed by or for the company or individual. A patent is a monopoly right granted by a Government in respect of a new and inventive innovation and provides the patentee with the exclusive rights to exploit the invention in the jurisdiction concerned and also to licence the right to exploit the patent in that jurisdiction. However, a patent has a limited term (20 years in the major countries) after which the patented invention is available for others to use; without restriction.

In order to obtain a patent the invention must be new at the time of lodging the patent application and also must be inventive. The requirements for newness and inventiveness basically require the invention to be a significant development over what was previously known and not merely a workshop improvement or a modification, which any practitioner in the relevant field would be expected to arrive at based on his usual knowledge and practice in the field concerned.

Most countries in the world have patent systems and usually a patent granted in one country protects an invention only in that country. However, there are some regional patents; for example the European Patent System, which has a unified examination and administrative procedure covering 28 countries (and 5 "extension states") that are members of the European Patent Organisation. Once the regional application has been examined and accepted by the European patent Office, a series of individual national patents is granted.



The usual manner of obtaining patents in Australia and overseas countries is to initially file a home patent application, which in Australia or the US is generally in the form of a provisional patent application. An International Convention (the Paris Convention) exists which enables foreign patent applications to be filed within 12 months from the filing of a first home patent application for an invention and for the foreign applications to claim priority from the home patent application. Thus, foreign patent applications are normally filed 12 months from the lodgement of the initial provisional application and, if filed in this time period, can claim priority from the initial application. The effect of claiming priority from the initial application is, in essence, to cause the foreign applications to have an effective date as of the date of lodgement of the initial application as if they were lodged on that date in the foreign countries concerned.

Thus, patent applications filed by Australian entities in foreign countries generally are filed 12 months after lodgement of the initial Australian application with a claim to priority based on the home Australian provisional application. Alternatively, if no foreign applications are to be filed, the applicant can choose to file only an Australian complete patent application at the 12-month date but that application also can claim the priority of the initial provisional application. A very similar procedure of provisional and complete (non-provisional) patent applications is available to applications filed in the US.

Foreign patent applications can be filed by lodgement of the patent applications direct in the country or region concerned. However, an International system referred to as the Patent Cooperation Treaty (PCT) exists which enables a single International patent application to be filed and for a number of countries to be designated in that application. The effect of such an International application is generally the same as filing individual patent applications in all of the countries designated in the International patent application. However, the International application does not result in the grant of an International patent and, within prescribed time limits, it is necessary to file national phase patent applications in all of the countries in which patent protection is to be sought. This may include all of the applications designated in the International application or only some of those countries. This is known as the "national phase" of the International (PCT) application.

Usually before patents are granted in any jurisdictions the patents are examined by the national or regional Patent Office for newness and inventive step. The degree of examination varies from country to country and in some jurisdictions can merely be an examination for the formality of the paper work. In other jurisdictions the examination is much more rigorous and subject to that examination a patent may or may not be granted in respect of an invention.

## 1.2 Patent Portfolio

A summary of the patent portfolio is outlined in the table shown under heading 4.


Azurn America, Inc. is the owner, by assignment, of United States patents and patent applications no. US 7,061,928, US 7,369,540, US 7,492,873 and US 10/423,615. While Azurn International Ltd is the owner of Australian patent application no. 2008903037.

This portfolio of three US patents, one US patent application relate to apparatus and methods in the field of telecommunications and IP networks and network delivery of computer application services to end users.

More specifically, the patents describe a system that enables integration of telecommunications application services with databases and applications on a data network for delivering converged network services. A conferencing appliance enables remote and local participants to connect to one another using disparate devices. The appliance establishes and manages concurrent voice, data and video conferencing sessions initiated by one or more of such devices over heterogeneous networks.

As is required under US law, the respective applications were filed in the name(s) of the inventor(s), who assigned them to Azurn Networks, Inc. Further assignments from Azurn Networks, Inc. to Azurn America, Inc., were executed for each of the patent applications on 21 April 2005. Recordal of those subsequent assignments was made with the US Patent & Trademark Office on 8 August 2005.

It should be noted that the patents are only in force in the country of registration. Subsequent patent protection could be available in the US and elsewhere for any new and inventive improvements that might be made to the present inventions. Those applications could then proceed through the procedural steps described above to obtain international or national protection.



The Australian patent application relates to a hardware and software platform with integrated audio, video and data connection capability that allows multi-party telephone and/or video communication.

As discussed above, the Australian provisional patent provides a right to file associated patents in other countries claiming Paris Convention priority. The final date for filling those applications is 16 June 2009.

## 2. Trade Marks

### 2.1 Background

Trade marks are signs which are used to identify products and services offered by owners in order to distinguish their products and services from those of other traders. Trade mark registrations generally have a term of ten years and can last indefinitely by ensuring that the registrations are renewed at the end of each term.

It is important to note that it is not compulsory to register a trade mark. An unregistered trade mark is called a "common law trade mark" and is essentially a "property" right provided by the goodwill associated with the trade mark. Thus, a brand may become a trade mark through use. However, goodwill in a common law trade mark is not a registered asset with statutory protection.

A common law trade mark does not give exclusive rights to use the brand. The owner may however, sue for "passing off" a third party using a similar brand for the same type of goods or services. To do so requires proof of a substantial reputation in the brand and that the third party's use of a brand is likely to cause confusion or mislead people in the same geographical and product market. It can be hard, and expensive, to do that.

Most countries in the world have a trade mark system and usually a trade mark registration in one country protects the trade mark only in that country. In order to register a trade mark, it is generally necessary that the trade mark not be descriptive of the goods or services in question and not be substantially identical or deceptively similar to another trade mark that is already in existence in the jurisdiction concerned. The requirements for registration differ from country to country and in some jurisdictions the examination procedure can be merely a formal checking of paper-work, and in other jurisdictions a much more vigorous examination of the descriptive nature of the trade mark concerned and also of whether the trade mark does conflict with any earlier trade marks in the jurisdiction.

The usual manner of obtaining trade mark registrations in Australia and overseas is to initially file a home application and then to file applications in foreign jurisdictions. As mentioned above in relation to patents, a trade mark owner can make use of the Paris Convention when filing foreign applications. If the foreign applications are filed within six months of the date of the first application, they can claim the benefit in those countries of the "priority" of the date of that first application. It should be noted however, that, unlike patents, a foreign trade mark application will not necessarily be invalid if it is filed after the expiry of the Paris Convention priority period.

### 2.2 Trade Mark Portfolio

Azurn International Limited is the current owner of the following nine Australian trade mark applications, as outlined in the table shown under heading 5.

Applications 1035653, 1035654, 1035655, 1035657, 1230925 and 1240634 have been registered. The remaining applications 1236352 and 1256508 are pending, under examination. Acceptance of application 1236352 is due by 2 October 2009 and acceptance of application 1256508 is due by 18 February 2010.

In addition, Azurn International Limited uses the slogan "No More Clouds" as a common law trade mark in association with its various "Azurn" and "Azurn logo" registered trade marks.

It should be noted that the filing of a trade mark application in Australia does not guarantee the ultimate registration of that trade mark. However, irrespective of registration, common law rights in the trade mark continue to develop, both in Australia and in any other countries in which the trade mark is used.



### 3. Disclaimer

We have given our consent to the issue of this Prospectus with this report appearing in the Prospectus. We have been involved only in the preparation of this report and have not been involved in the preparation of any other part of this Prospectus, and specially disclaim liability to any person in respect of any statements included elsewhere in this Prospectus. We have not, other than set out above, been involved in the preparation of, or authorised, or cause, the issue of this Prospectus.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ian Rose', written over a light blue background.

Ian Rose

Registered Patent and Trade Mark Attorney

Special Counsel


#### 4. Patents

Application Serial Number	Filing Date	Priority Date	Publication Date	Inventor(s) Applicant(s)	Status
<b>1. Unified XML voice and data media converging switch and application delivery system</b>					
US 7,061,928	26 Mar 02	26 Mar 01	23 Jan 03	Sudhir K. Giroti Mandakini Pahooja	Granted on 24 May 2006
<b>2. Programmable network convergence edge-switch</b>					
US 7,369,540	23 Apr 03	23 Apr 02	Non-publication requested	Sudhir K. Giroti	Granted on 16 Apr 2008
<b>3. Voice / data session switching in a converged application delivery environment</b>					
US 7,492,873	25 Apr 03	25 Apr 02	16 June 05	Sudhir K. Giroti Mandakini Pahooja	Granted on 17 Feb 2009
<b>4. Converged conferencing appliance and methods for concurrent voice and data conferencing sessions over networks</b>					
US 10/423,615	25 Apr 03	25 Apr 02	19 Feb 04	Sudhir K. Giroti	Pending awaiting PTO action
<b>5. Multi-media business process collaboration platform</b>					
AU 2008903037	16 Jun 08	16 Jun 08	-	Bala Kumble, Rama Kumble, Richard Flory	Pending complete patent application to be filed by 16 Jun 09



## 5. Trade Marks

### 5.1 Registered Trade Mark

Trade Number	Mark	Words/Image Phrase	Goods and Services	Filing Date	Status
1035653		AZURN	<p><b>Class 9:</b> IT, communication and ICT devices; devices for multi-media convergence and conferencing, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media; parts and accessories for the foregoing; computer software and associated materials for the foregoing.</p> <p><b>Class 38:</b> Communications services; multi-media convergence and conferencing services, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media.</p> <p><b>Class 42:</b> Provision of services to facilitate customers' access to computers and computer-related equipment.</p>	29 December 2004	Registered
1035654			<p><b>Class 9:</b> IT, communication and ICT devices; devices for multi-media convergence and conferencing, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media; parts and accessories for the foregoing; computer software and associated materials for the foregoing.</p> <p><b>Class 38:</b> Communications services; multi-media convergence and conferencing services, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media.</p> <p><b>Class 42:</b> Provision of services to facilitate customers' access to computers and computer-related equipment.</p>	29 December 2004	Registered



1035655		<p>Class 9: IT, communication and ICT devices; devices for multi-media convergence and conferencing, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media; parts and accessories for the foregoing; computer software and associated materials for the foregoing.</p> <p>Class 38: Communications services; multi-media convergence and conferencing services, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media.</p> <p>Class 42: Provision of services to facilitate customers' access to computers and computer-related equipment.</p>	29 December 2004	Registered
1035656	UnifiedXML	<p>Class 9: IT, communication and ICT devices; devices for multi media convergence and conferencing, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media; parts and accessories for the foregoing; computer software and associated materials for the foregoing.</p> <p>Class 38: Communications services; multi-media convergence and conferencing services, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media.</p> <p>Class 42: Provision of services to facilitate customers' access to computers and computer-related equipment.</p>	29 December 2004	Registered
1035657	UXML	<p>Class 9: IT, communication and ICT devices; devices for multi-media convergence and conferencing, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media; parts and accessories for the foregoing; computer software and associated materials for the foregoing.</p> <p>Class 38: Communications services; multi-media convergence and conferencing services, including Internet, broadband, telephone and wireless protocols for convergence of voice/audio, data, video and multi-media.</p> <p>Class 42: Provision of services to facilitate customers' access to computers and computer-related equipment.</p>	29 December 2004	Registered

1230925	KLIK 2 KONNECT	<p>Class 9: Software in relation to telecommunication services; software to enable the provision of telecommunication services via the global computer network; software to enable conference telephone calls</p> <p>Class 38: The provision of telecommunication services; provision of telecommunications services via the global computer network; provision of telephone conferencing services</p>	20-MAR-2008	Registered
1236352	eCOMPILE	<p>Class 9: Computer software for use in the publishing; software packages; computer software programs; computer programs for use in desktop publishing; computer software programs for use in composing digital books; computer software which allows digital literary works to be recombined and compiled into new works.</p>	22-APR-2008	<p>Examined</p> <p>Acceptance of application the due by 2 October 2009.</p>
1240634		<p>Class 9: Software in relation to telecommunication services; software to enable the provision of telecommunication services via the global computer network; software to enable conference telephone calls</p> <p>Class 38: The provision of telecommunication services; provision of telecommunications services via the global computer network; provision of telephone conferencing services</p>	15-MAY-2008	Registered
1256508	DIGITAL DROPSHIP	<p>Class 9: Software and hardware for use in digital publishing, methodology platforms for use in digital publishing</p> <p>Class 35: Advertising services, business administration services, business management services</p>	12-AUG-2008	<p>Examined</p> <p>Acceptance of the application is due by 18 February 2010</p>

## 5.2 Common Law Trade Marks

<b>Words/Image Phrase</b>	<b>Goods and Services</b>
NO MORE CLOUDS	Use in association with the goods and services similar to AZURN trade mark registration numbers 1035653; 1035654; 1035655.



## 8. RISK FACTORS

There are a number of risk factors which could adversely impact on the Company's performance and the value of its Shares. Applicants should consider these risk factors and should consult their stockbroker, accountant, lawyer or other professional adviser before deciding whether to subscribe for New Shares under the Offer. These risk factors include those set out below:

### 8.1 General risk factors

**Share price variations** – The Shares are to be quoted on ASX, where their price may rise or fall in relation to the offer price. The Shares offered under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. The value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors. Share market fluctuations in Australia and other stock markets around the world may negatively affect the value of the Shares. Factors that may influence the investment climate in stocks, which may not relate to actual performance of the Company, include general economic outlook, changes in government fiscal, monetary and regulatory policies, movements in commodity prices, exchange rate movements, interest rates, inflation and political developments.

**Economic conditions** - The performance of the Company may be significantly affected by changes in economic conditions, and particularly conditions which affect the ICT industry. Profitability of Azurn's business may be affected by factors such as market conditions, interest rates, inflation and consumer demand.

**Geo-political factors** - The Company may be affected by the impact that geo-political factors have on the various world economies or the Australian economy or on the financial markets and investments generally or specifically.

**Australian and foreign government policies & legislation** - The Company may be affected by changes to government policies and legislation (both in Australia and in foreign jurisdictions) concerning property, the environment, superannuation, taxation and the regulation of trade practices and competition, government grants and incentive schemes.

**Other** - Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise) or any other cause, including strikes, loss of service of key management or operational personnel, non-insurable

risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of the Company.

### 8.2 Specific risks

In addition to the above, there are a number of specific risks concerning the Company and Shares in the Company of which Applicants should be aware. The following is not an exhaustive summary, but points to some of the risks that are specific to the Company. Any one or a combination of such risks could affect the Company adversely and thus the value of any investment in the Company.

Like other companies at a similar stage of development, the Company faces a number of risks, both general and project specific, including but not limited to the risks set out below:

**Commercialisation** - The financial success of the Company will be dependent on the Company's ability to successfully commercialise its XML platform. In addition, the financial performance of the Company will depend largely on the demand for the Company's collaboration platform and its other products and services. There is a risk that the level of demand will be insufficient for the Company to generate a commercial return from its products and services.

**Competition** - The ICT market in which the Company operates is characterised by rapidly evolving technology and intense competition, including that related to:

1. developing products for existing and new markets;
2. obtaining and sustaining proprietary rights to technology; and
3. marketing, selling and distributing information and communications products.

There is a risk that competitors' products and services, whether currently existing or yet to be developed, will gain greater market share, be superior, be more cost effective or acceptable to customers than the Company's products and services. The existence of such products and services may reduce the value of the Company's products and services or make the Company's other products and services or the Company's research and development obsolete.

In addition, academic institutions, government agencies and other public and other private organisations may seek intellectual property protection with respect to potentially competitive products or technologies. There is a risk that



these organisations may establish exclusive collaborative or licensing relationships with the Company's competitors.

The realisation of any of the above risks is likely to have an adverse affect on the Company's financial performance and the value of its Shares.

**Future financial performance** – The financial performance of the Company and the value of its Shares will be affected by the Company's ability to manage costs and execute its development and growth strategies, economic conditions in the markets in which the Company operates or supplies, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve sustained profitability is uncertain.

Other risks that may have an adverse affect on the Company's financial performance include:

1. the inability to make reliable forecasts of the Company's future financial performance;
2. the Company's reliance on a limited range of products and services and the risk that the Company will not be able to develop additional products and services;
3. the fact that the Company has not established a significant market for its products and relies on acceptance of its products and services by end consumers; and
4. the Company needing to establish new markets and potentially displace accepted existing technologies.

**Limited operating history and growth management** – The Company has a limited operating history and is likely to encounter the risks, expenses and difficulties frequently encountered by early-stage companies in developing industries, particularly companies involved in relatively new and rapidly evolving markets such as:

1. an evolving and unpredictable business model;
2. uncertain acceptance of new products and services; and
3. the ability to manage the expansion of operations effectively including ensuring that systems, procedures or controls are adequate to support operations.

There is a risk that the Company will not successfully address or overcome these risks, which is likely to have an adverse affect on the Company's financial performance.

**Collaborations** – In order to commercialise the Company's products and services, the Company will rely on third party organisations by way of licensing, partnership and alliance agreements. There is a risk that the Company will not be able to find suitable commercial partners. There is also a risk that the Company's arrangements will not be successful or that the Company's commercial partners will be unable, or unwilling to perform their obligations.

**Reliance on third-party products and services** – To fully utilise and commercialise the Company's products and services, the Company is in part reliant on:

1. the ability to integrate its products with other technologies and products;
2. third parties manufacturing those technologies and products successfully and at a competitive cost;
3. third parties to obtain regulatory approvals for those technologies and products; and
4. third parties to effectively distribute those technologies and products.


The non-achievement of any of the above factors is likely to have an adverse affect on the Company's financial performance.

**Delay and cost overruns** – There is the risk that the Company may experience delays in the execution of its plans, potentially negatively impacting upon the Company's business and operations. There is also a risk of cost overruns due to unforeseen events or delays in the Company's research projects, commercialisation process or it's obtaining of regulatory approvals. Significant and unforeseen cost overruns and extended delays may seriously impact on the Company's ability to fund its operations and meet its corporate objectives, which in turn is likely to adversely affect the financial performance of the Company.

**Intellectual property rights** – The Company's success is affected by its ability to maintain patent protection for products and processes, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties.

The validity and breadth of claims covered in information technology patents involve complex legal and factual questions and therefore may be highly uncertain. Existing patent applications have only been made in the USA and Australia. There are risks that:



- 
1. the pending applications will not result in patents being issued or if issued, that such patents or the current patents will not provide a competitive advantage;
  2. that competitors of the Company will design around any patents issued; and
  3. as any information contained in the patent applications becomes part of the public domain, it will not be protected as confidential information or by a patent if the application is not successful and it may be used by a competitor to the detriment of the Company.

As legal regulations and standards relating to the validity and scope of patents continue to evolve, the degree of future protection for the Company's proprietary rights is uncertain.

**Confidentiality and non-disclosure** – There is a risk that the Company's confidentiality or non-disclosure agreements and other safeguards will not protect its proprietary information and know-how or provide adequate remedies for the Company in the event of unauthorised use or disclosure of such information or that others will not be able to independently develop such information.

**Litigation** – There has been substantial litigation regarding patent and other intellectual property rights in the ICT industry. There is a risk that litigation, which could result in substantial cost to and diversion of effort by the Company, may be necessary to enforce patents, to protect trade secrets or know how, to defend against claimed infringement of the rights of others or to determine the ownership, scope or validity of the proprietary rights of the Company and others. An adverse determination in any such litigation could subject the Company to significant liabilities to third parties, require the Company to seek licences from third parties or prevent the Company from using its technology.

Furthermore, such disputes may require the Company to develop non-infringing technology or seek to negotiate or enter into royalty or licensing agreements. Such agreements, even if necessary, may not be negotiable on terms acceptable to the Company, if at all. The Company may also be unable to develop non-infringing technology.

**Third-party challenge**– There is a risk that others will challenge the ownership or validity of the Company's rights in its technology, a licensor's rights in relevant technology or the underlying patents or other intellectual rights in relevant technology.

**Uncertain legal framework** – The Company has applied for certain patent protection in the USA and Australia but has not sought patent protection elsewhere. Although the Company intends to seek patent protection in other countries where possible and appropriate, it cannot obtain protection in all countries because patent protection may be unavailable or limited in certain countries. As a result, there is a risk that competitors may use the Company's patented information in those countries to the detriment of the Company.

**Costs of Protection** – There is a risk that the costs of seeking to protect the Company's technology, trade secrets and proprietary information or in applying for or obtaining letters patent, particularly overseas, may be prohibitively expensive or not commercially practical.

The eventuation of any of the above risks may impede the operations of the Company and have an adverse effect on the Company's financial performance and the price and value of Shares and Options.

**Exchange Rates** – The revenue and expenditure of the Company will be denominated in a number of currencies including US dollars and Australian dollars. At the current time, the Company has no foreign currency hedging arrangements in place. The Company's financial performance may be adversely affected by fluctuations in exchange rates.

**No Valuation** – No formal or informal valuation has been completed of the Azurn Technology or other assets of the Company and the Company makes no representation as to the value of its technology. Accordingly, potential Applicants and their advisers should make their own assessments as to these matters after having regard to all of the matters contained in this Prospectus. There is a risk that any value attributed to the Company's assets and technology will exceed the value realised from those assets and technology.

**Licences** – There is a risk that the Company does not have, may not obtain, or might lose any or all of the licences and permits required for the implementation or operation of its business or that the Company will not comply with the ongoing requirements imposed under any licences or permits it obtains.

There is also a risk that the licences and permits required, or the conditions imposed on the Company under them, will change from time to time. The Company's ongoing compliance costs may increase as a result.





Either of the above may adversely affect the Company's financial performance.

**Reputation** – The performance of the Company's products and services is critical to its reputation and to its ability to achieve market acceptance of these products and services. Any product or services failure could have a material adverse effect on the Company's reputation as a supplier of these products and services. Any adverse change in the Company's reputation and perception in the marketplace may have an adverse impact on the financial performance of the Company.

**Material Contract Risk** – There is a risk that the Company, or a third party that the Company has contracted with, will be unable or unwilling to perform its obligations under the Company's material contracts. If this occurs, the commercialisation of the Azurn Technology and the Company's business plan may be delayed and further costs of making alternative arrangements are likely to be incurred by the Company. The Company may or may not be able to recover damages or other amounts from third parties if they do not uphold the terms of their contracts with the Company. In addition, limitation and capping of liability under these contracts may result in the amounts that the Company may recover not being sufficient to cover the Company's actual loss or damage.

There is also a risk that a material contract may not be renewed or recontracted upon expiry or may be terminated early.

Any of the above may adversely affect the Company's financial performance and the value and price of its Shares.

**Personnel and management** – The Company's management, technical and service delivery personnel are important to the attainment of the business goals of the Company and have significant skills and knowledge regarding the business that could be difficult to replace. The loss of such personnel could delay research and development and the growth of the business until new personnel are found and develop the same levels of knowledge and may adversely affect the Company's financial performance.

Further, due to the specialised nature of the Company's business, its ability to commercialise its products and maintain its research programme will depend in part upon its ability to attract and retain suitably qualified management and research people over time. The Company competes for such personnel with other companies, academic institutions, government entities and other organisations and there is a risk that the

Company will not be successful in hiring or retaining qualified personnel, which may impede the Company's operations and adversely affect the Company's financial performance.


**Additional financing requirements** – For several reasons, the Company may require further financing in addition to amounts raised in the Offer. Depending on the Company's ability to generate income from its operations, the Company may need to issue additional shares or borrow additional money. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed then it may be required to reduce the scope of its operations, scale back its expansion and reduce its research and development programmes as the case may be. The Company's ability to raise additional funds will also be subject to factors beyond the control of the Company, including cyclical factors affecting the economy and share markets generally.

**Taxation** – A change in the tax legislation applicable to the Company in any jurisdiction in which it conducts operations, or a relevant regulatory body taking a contrary view to the Company's interpretation of that tax legislation, could have a material and adverse impact on the Company's financial performance.

Further, governments in any relevant country may also, through the grant of taxation incentives or subsidies, encourage or support competitors of the Company and their products and services. This may have an adverse impact on the demand, and price the Company can obtain, for its products and services, which in turn may have an adverse impact on the Company's financial position.

**Liability and Insurance Risk** – The Company's insurance arrangements may not adequately protect it against liability for all losses, including but not limited to property damage, public liability or losses arising from business interruption and product liability risk. Should the Company be unable to maintain sufficient insurance cover in the future or experience losses in excess of the scope of its insurance cover, the Company's financial performance may be adversely affected.

**Litigation and Dispute Risk** – From time to time, the Company may be involved in litigation. This litigation may include, but is not limited to, customer claims, personal injury claims, employee claims and environmental claims. If a successful claim is pursued against the Company, the litigation may adversely impact the sales, profits or financial position of the company. Any claim, whether successful or not, may adversely impact on the Share price.



**Existing Shareholders** – Following completion of the Offer, the Existing Shareholders, will hold over 50% of the Shares on issue. While the Existing Shareholders do not have a relevant interest in each other's Shares, the exercise of their votes collectively may result in the ability to exercise a controlling influence over the business and affairs of the Company and may have the power to prevent or cause a change in control of the Company. In addition, notwithstanding the voluntary escrow arrangements, if there is a sell-down by any Existing Shareholders following the completion of the Offer, this may adversely impact on the Share price.

### 8.3 Industry Risks

**Technology and development** – There are many risks inherent in the development of ICT products and services – they may fail in development or during trials. The Company cannot guarantee that the development work being undertaken will result in the development of any commercially viable products.

The research and development required for technology enhancements and new products is complex and uncertain and requires significant investment and high levels of innovation. If the Company fails to anticipate or respond adequately to technology developments or customer needs or if the Company experiences any significant delays in product development or introduction, the Company's products may become obsolete and the Company may not be able to sustain or grow its business.

The failure to develop commercially viable new products and services may adversely affect the Company's financial performance and the value and price of its Shares.

**Third-party reimbursement** – The Company benefits from reimbursement and subsidies granted by government bodies. The extent to which reimbursement for the cost of information technology will be available from government authorities and other organisations will affect the Company's ability to successfully commercialise its products. There is a risk that significant changes in subsidies from government or reimbursement for incurred costs may have a substantial adverse impact over time on the manner in which the Company conducts its business and the Company's financial performance.

**Product liability** – The Company's business exposes it to potential product liability risks that are inherent in research and development, manufacturing, marketing and use of its products. It may be necessary for the Company to secure sufficient levels of insurance to cover various product liability risks in the course of maintaining its business. There is a risk that the Company will not, or will not be able to, obtain adequate insurance coverage at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims will be met fully by such insurances (if obtained).

**General market factors** – The Company's operations may be impacted by changes in the market for ICT products and services. Subject to the Company's ability to adapt, its financial performance may be adversely affected by factors influencing the ICT industry, including the demand for ICT products and services.

**Legislative or regulatory changes** – Legislative or regulatory changes, including environmental, import and export and property regulations or regulatory changes in relation to the products and services supplied by the Company, could have an adverse impact on the Company's financial performance.



## 9. MATERIAL CONTRACTS

The Directors of the Company consider the contracts summarised below are significant or material to the Offer and the operation of the Company.

1. **UCMS Solutions** - The Company has entered into a Non-Exclusive Distribution Agreement (**Distribution Agreement**) with UCMS Solutions Pty Ltd whereby UCMS will act as a distributor for the Company's products, principally Azurn MERLIN, to selected customers and business partners in Australia.

The Distribution Agreement is for a 12 month period commencing on 26 June 2008, and which may be extended.

2. **Intel** - VCIL has entered into a Technology Collaboration Agreement (**Collaboration Agreement**) with Intel Corporation and Acryn Pty Ltd (each as an independent contractor) to provide educational collaboration products to schools, initially in the US and then worldwide.

Under the Collaboration Agreement:

- a. Acryn is the intellectual rights owner of the "Knowledge Community" software;
- b. VCIL will work together with Acryn to provide installation, system integration and support for the use of the Knowledge Community software in schools and business, and help develop and promote the software;
- c. Intel will provide its knowledge, insight and name to the project; and
- d. each party is responsible for its own expenses and must provide sufficient staffing facilities and resources to complete the deliverables under the Collaboration Agreement. VCIL shares in the advertising and content revenue with Intel.

The Collaboration Agreement is for a term of 5 years commencing from 31 March 2008, and will be automatically renewed thereafter unless notice is given.

3. **Hughes** - Azurn has entered into a Licence Agreement (**Licence Agreement**) with Hughes Communications India Ltd (as independent contractor).

Under the Licence Agreement:

- a. Azurn is the exclusive owner of all rights, title and interest in the Software and Hardware;
- b. Hughes is engaged in providing an education platform for distribution of education programs

and has agreed to purchase a number of perpetual licenses from Azurn to enable it to deliver the training worldwide; and

- c. For a licence fee, Azurn has agreed to grant licenses to Hughes to install and use its software and hardware on any Hughes Network Platform and user terminals for use by Hughes' customers (worldwide).

Unless terminated earlier, the Agreement is perpetual commencing on 9 October 2008.

4. **Taylor & Francis** - VCIL has entered into a Distribution Agreement with Taylor & Francis Group whereby:

- a. VCIL has granted a non-exclusive licence to Taylor & Francis to use (worldwide) its DX reader software for software development and content production; and
- b. Taylor & Francis has granted a non-exclusive licence to VCIL to use (worldwide) its suite of products known as Kudu for academic publishing and software development for in-house content.

The Distribution Agreement is for a period of 3 years from 18 April 2008.

5. **Langhaven Ltd UK** - Azurn has entered into an exclusive distribution agreement with Langhaven Ltd UK whereby Langhaven Ltd UK will represent and distribute Azurn products in the UK and Europe.

The UK / Europe Distribution Agreement is for a period of 3 years with an automatic renewal of 3 years plus a further 3 years subject to Langhaven reaching minimum yearly billable minutes targets. Langhaven has contracted to provide a minimum guaranteed revenue to Azurn arising out of usage of 100,000,000 minutes a year 2009, 500,000,000 minutes in 2010 and 1,000,000,000 minutes in 2011.

6. **Novus Capital** - On 27 October 2008, Azurn appointed Novus Capital Limited as Lead Broker and Novus Capital Partners Pty Ltd (both referred to as "Novus") as Lead Manager to the listing of the Company on the ASX. The agreement provides as follows:

- a. Novus is entitled to a lead management and lead broker fee of \$110,000.00 plus GST; and
- b. Novus is entitled to be paid a management fee equivalent to 6% of all funds raised by Novus in the listing.



7. **P.J Datermar and Ashwin Investment Holdings Ltd** – On 27 February 2009 Azurn entered into a Subscription Agreement with P.J Datermar and Ashwin Investment Holdings Ltd for the subscription of 9,000,000 ordinary shares in the capital of the Company at a subscription price of \$0.10 per share (**Subscription Agreement**).

Under the terms of the Subscription Agreement, Novus Capital Partners Pty Limited will hold the \$900,000 subscription amount in escrow until Listing. If ASX does not grant permission for Listing by 31 March 2009, Novus Capital Partners Pty Limited must return the \$900,000 subscription amount (including interest) to the subscribers.



## 10. ADDITIONAL INFORMATION

### 10.1 Rights attaching to New Shares

The New Shares will rank equally with and have the same rights and liabilities as existing Shareholders of the Company.

The rights and liabilities attaching to the Company's Shares are set out in the Constitution of the Company and are affected by the Corporations Act, statute and general law. The following is a summary of key rules in the Constitution of the Company.

#### 1. Voting

Subject to any restriction agreement entered into between the Company and a Shareholder, every Shareholder present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a show of hands and one vote on a poll for every Share held. A poll may be demanded by the chairman of the meeting, 5 Shareholders entitled to vote on the resolution or Shareholders who together hold at least 5 percent of the votes that may be cast on the resolution on a poll, or who together hold voting shares paid up to a value of not less than 5 percent of the total sum paid up on all voting shares.

#### 2. General meetings

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders of the Company under the Constitution or the Corporations Act.

#### 3. Dividends

Where dividends are payable out of the Company's profits they will be declared by the Board or the Company in General meeting (provided the Board has recommended a dividend and the dividend is not a greater amount than that recommended). Dividends declared will (subject to any special rights or restrictions attaching to a class of Shares created under any arrangement as to dividend) be payable on the Company's Shares in accordance with the Corporations Act.

#### 4. Transfer of the Company Shares

A Shareholder may transfer Shares by instrument in writing or any other form approved by the Corporations Act or the Board. The Board may refuse to register a transfer of Shares where the refusal to register the transfer is permitted under the Constitution.

#### 5. Issue of Shares

The Board may (subject to the restrictions on the issue of Shares imposed by the Constitution or the Corporations Act) issue, grant options in respect of, or otherwise dispose of further Shares as they see fit.

#### 6. Winding up

Subject to any special or preferential rights attaching to any class or classes of Shares, on a winding up of the Company a liquidator may divide among the Shareholders in kind the whole or any part of the property of the Company in proportion to the Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator may vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is liability.

#### 7. Shareholder liability

As the Shares are fully paid shares, they are not subject to any call for money by the Board and will therefore not become liable for forfeiture.

#### 8. Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of the votes of the Shareholders present and voting at a general meeting.

#### 9. Directors

The minimum number of Directors of the Company is 3 and the maximum is 9 unless the Company in general meeting determines otherwise (provided the number does not fall below 3).

A share qualification for Directors may be fixed by the Company in general meeting. Unless and until such a qualification is fixed, a Director is not required to hold any Shares in the Company.



## 10. Directors' indemnity

To the extent permitted by law and without limiting the powers of the Company, the Company may indemnify each person who is or has been a Director or officer of the Company out of the property of the Company for every liability incurred by the person in that capacity.

## 10.2 Rights attaching to Options

The Company will issue a series of Options to proposed Optionholders.

### 1. Standard Terms

A summary of the standard terms of all Options issued by the Company are as follows:

- No monies will be payable on the issue of the Options.
- Each Option is a right in favour of the Optionholder to subscribe for one Share.
- Options will be exercisable by the Optionholder by delivering a written notice to the Company stating the intention of the Optionholder to exercise all or a specified number of Options (the minimum multiple being 1,000) and pay the subscription monies in full for the exercise of each Option.
- An exercise of only some Options shall not affect the rights of the Optionholder to the balance of the Options held by the Optionholder.
- The Company will allot the resulting Shares and deliver a holding statement within five business days of the exercise of the Options.
- Subject to any restrictions on transfer imposed by the ASX Listing Rules or agreed between the Company and the Optionholder, the Options shall be freely transferable.
- When issued, each Share will rank equally with all other Shares then on issue in the Company.
- The Options do not allow the holder to participate in a new issue of securities in Azurn unless the Options are exercised.
- The Options will not give any right to participate in a new issue unless the options are exercised before the applicable record date for delivering entitlements to the new issue.
- If the Company makes a bonus issue the number of Shares over which the applicable Option is exercisable may be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the applicable record date for the bonus issue.
- If the Company makes a pro rata rights issue of ordinary shares for cash to its ordinary Shareholders, then there is a provision for adjustment of the exercise price of unexercised Options in accordance with the ASX Listing Rules to reflect the diluting effect of the issue.
- If any reorganisation of issued capital of the Company occurs, then the rights attaching to the Options will be changed to the extent necessary to comply with the Listing Rules applying to reorganisation of capital at the time of the reorganisation.
- The Options, and Shares to be issued upon exercise of Options, have not been registered under the US Securities Act and the Options may not be exercised by or on behalf of any US person unless under a relevant exemption under that act.
- Application will not be made for quotation of the Options.

### 2. Series 1 Specific Terms

Azurn will issue a total of 49,508,374 Series 1 Options 1 year after Listing. In addition to the standard terms outlined above, the specific terms of these Series 1 Options are as follows:

- The Options will be issued on the basis of 1 Option for every 3 Shares held by:





- a. those Shareholders holding Shares at 31 October 2007; and
- b. shareholders of VCIL at 31 October 2007

who continuously hold those Shares for a period of 1 year after Listing.

- The Options may be exercised at any time after 1 year from Listing.
- The Options will lapse if they are not exercised within 4 years after Listing.
- The Options each have an exercise price of \$0.25.

### 3. Series 2 Specific Terms (Loyalty Options)

Azurn will issue up to 50,000,000 Series 2 Options 6 months after Listing. In addition to the standard terms outlined above, the specific terms of these Series 2 Options are as follows:

- The Options will be issued on the basis of 1 Option for every 3 Shares held by:
  - a. those Shareholders of Azurn at the date of Listing other than Shareholders that are entitled to the Series 1 Optionholders; and
  - b. noteholders who have converted into Shares at Listing,

who continuously hold those Shares for a period of 6 months after Listing.

- The Options may be exercised at any time after 6 months from Listing.
- The Options will lapse if they are not exercised within 4 years of Listing.
- The Options each have an exercise price of \$0.25.

### 4. Series 3 Specific Terms

Azurn will issue a total of 14,362,360 Series 3 Options pursuant to a previous capital raising. In addition to the standard terms outlined above, the specific terms of these Series 3 Options are as follows:

- The Options will be issued and granted to the following people:
  - a. 11,489, 888 to Evermac Pty Ltd; and
  - b. 2,872,472 to Nicholas Kapes.
- The Options may be exercised at any time after Listing.
- The Options will lapse if they are not exercised within 7 years of Listing
- The Options each have an exercise price of \$0.25.

### 5. Series 4 Specific Terms

Azurn will issue a total of 10,000,000 Series 4 Options to advisers and consultants at the discretion of the Company. In addition to the standard terms outlined above, the specific terms of these Series 4 Options are as follows:

- The Options may be exercised at any time after Listing.
- The Options will lapse if they are not exercised within 4 years of Listing
- The Options each have an exercise price of \$0.25.

## 10.3 Restriction Agreements

A number of Shares will be subject to restriction agreements in accordance with Chapter 9 of the ASX Listing Rules. The number of Shares subject to restriction agreements and the period of restriction has not yet been determined and agreed with ASX, and the Company will issue pre-quotations disclosure prior to listing setting out the full terms of the restriction agreements.

## 10.4 Deeds of Access and Indemnity

The Company has executed Deeds of Access and Indemnity in favour of each Director. The indemnity is subject to the restrictions prescribed in the Corporations Act. The deeds also give each Director a right of access to Board papers and require the Company to maintain insurance cover for the Directors. Such insurance is in place.

## 10.5 Holdings of Directors

At the date of this Prospectus, each of the current Directors (including companies and trusts associated with the Directors) hold or have interests in the following number of Shares:

Director	Number of Shares	Name of shareholder(s)
Peter Jermyn	NIL	Not Applicable
Ananda Rao	32,000,000	<ul style="list-style-type: none"><li>Benchmark Holdings(Aust) Pty Ltd.</li></ul>
Dr Bala Kumble	7,285,279	<ul style="list-style-type: none"><li>B Kumble Et Associates ATF</li></ul>
	1,200,000	<ul style="list-style-type: none"><li>B&amp;H Kumble Family Trust</li><li>Dr B Kumble Et J Nanjappa ATF</li><li>JNanjappa Family Trust</li></ul>
Sudhir (Tony) Kumar Giroti	6,867,059	<ul style="list-style-type: none"><li>Sudhir Kumar Giroti</li></ul>
	6,447,037	<ul style="list-style-type: none"><li>Mandakini Pahooja</li></ul>
	5,513,579	<ul style="list-style-type: none"><li>Aparna Pahooja ATF TMG</li><li>Family Irrevocable Trust</li></ul>
Rama Kumble	32,000,000	<ul style="list-style-type: none"><li>Benchmark Holdings(Aust) Pty Ltd.</li></ul>
	8,660	<ul style="list-style-type: none"><li>Soorya Technologies Pty. Ltd.</li></ul>

The above directors (other than Peter Jermyn) between them may receive up to 19,773,870 Series 1 Options on the terms outlined in section 10.2 of this Prospectus.

Nothing in this Prospectus will be taken to preclude Directors, officers, employees or advisers of the Company, from applying for New Shares on the same terms and conditions as offered pursuant to this Prospectus.

## 10.6 Remuneration of Directors

The Constitution provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by the Company in general meeting. At present that sum is fixed at a maximum of \$250,000, in aggregate, per annum. This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

### 1. Payment of expenses

In addition to remuneration, Directors are entitled to receive travelling and other expenses reimbursement that they properly incur in attending Directors' meetings, attending any general meetings of the Company or in connection with the Company's business.

### 2. Payment for extra services

Any Director called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be in addition to or in substitution for the Director's share in the usual remuneration provided.

### 3. Effect of cessation of office

With the approval of the Company in general meeting the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office whether by retirement or otherwise, pay to the former Director or any of the legal



personal representatives or dependents of the former Director in the case of death a lump sum in respect of past services of the Director of an amount not exceeding the amount either permitted by the Corporations Act or ASX Listing Rules.

The Company may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependants or any of them, unless prohibited by the Corporations Act or the ASX Listing Rules.

**4. Payment of superannuation contributions**

The Company may also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

**5. Financial benefit**

A Director must ensure that the requirements of the Corporations Act are complied with in relation to any financial benefit given by the Company to the Director or to any other related party of the Director.

The Company must not make loans to Directors or provide guarantees or security for obligations undertaken by Directors except as may be permitted by the Corporations Act.

Director's fees to be paid by the Company upon admission to the Official List are as follows.

Director	Per Annum
Peter Jemyn	90,000 plus compulsory superannuation
Ananda Rao	NIL
Dr Bala Kumble	NIL
Sudhir (Tony) Kumar Giroti	NIL
Rama Kumble	NIL

**10.7 Interest of Directors**

Other than as set out above, or elsewhere in this Prospectus, no Director has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:


1. the promotion or formation of the Company;
2. property acquired or proposed to be acquired in connection with its promotion or formation or the Offer under this Prospectus; or
3. the Offer of New Shares under this Prospectus.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

1. to induce him or her to become, or to qualify him or her as, a Director; or
2. for services rendered by him or her in connection with the formation or promotion of the Company of the Offer of New Shares under this Prospectus.

**10.8 Employee Option Plan**

The Company has established an Employee Option Plan (**Plan**) to provide an incentive for eligible employees to remain in their employment in the long term, recognise the ongoing ability of eligible employees and provide eligible employees with the opportunity to acquire options, and ultimately Shares.



Under the Plan, the Nomination and Remuneration Committee may from time to time offer Options to eligible employees which may be exercised for Shares. While the Board retains the power to direct the Nomination and Remuneration Committee in the exercise of its power or rights, the Nomination and Remuneration Committee has the discretion to set the exercise price and determine who is an employee eligible to participate in the Plan.

If there is a reorganisation of capital in the Company or a bonus issue to Shareholders there will be a corresponding adjustment to the number of Options. These provisions are designed to preserve the participants' proportionate entitlement to Shares on the exercise of Options.

The number of Shares which are the subject of an offer of options when aggregated with the number of Shares which would be issued if each outstanding offer of options was accepted, together with the number of Shares issued during the five years prior to the offer of options under the Plan (excluding Shares or Options issued in circumstances that would not require a disclosure document within the meaning of section 708 of the Corporations Act), will not exceed 5% of the total number of shares on issue at the time of the offer of the Options.

While there may be some restrictions on the disposal of Shares, Shares issued on the exercise of options rank equally with all existing Shares on and from the date of issue.

### 10.9 Interest of experts and advisors

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus:

1. has any interest, or has had any interest during the last 2 years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offer; and
2. no amount has been paid, or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of the Company or the Offer.

Deacons has acted as Australian legal advisers to the Company in connection with the Offer and is entitled to receive approximately \$120,000 (exclusive of GST) for these services.

Moore Stephens Consulting (Melb) Pty Ltd has acted as the investigating accountant to the Company in connection with the Offer and has prepared the Investigating Accountant's Report. Moore Stephens are entitled to receive approximately \$50,000 (exclusive of GST) for these services.

Moore Stephens is the auditor of the Company and has been paid fees with respect to these services.

Novus Capital Partners Pty Ltd and Novus Capital Limited have acted respectively as the Lead Manager and Sponsoring Broker to the Offer. Novus Capital Partners Pty Ltd and Novus Capital Limited are collectively entitled to receive:

1. a sponsorship fee of \$110,000; and
2. a fee equal to 6% (exclusive of GST) of the total amount raised by Novus from subscriptions for Shares.

Middletons has acted as the Patent Attorney to the Company in connection with the Offer and has prepared the Patent Attorney's Report. Middletons are entitled to receive approximately \$10,000 (exclusive of GST) for these services.

### 10.10 Privacy

The Company collects information about each Applicant provided on the Application Form and for the purpose of processing applications for New Shares, and to administer the Applicant's security holding in the Company.



By submitting an Application Form, each Applicant agrees that the Company may use the information provided on those forms for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to other regulatory authorities.

The Corporations Act requires the Company to include information about security holders (including name, address and details of the securities held) in its public register. The information contained in the Company's public registers must remain there even if a person ceases to be a security holder of the Company. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If the information required on an Application Form is not provided, the Company may not be able to accept or process the application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company Secretary at the Company's registered office.

### 10.11 Governing law

This Prospectus and the contracts that arise from the acceptance of applications under this Prospectus are governed by the law applicable in the State of Victoria, Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of the State of Victoria, Australia.

### 10.12 Consents and disclaimers

The following persons have given and not withdrawn their consents to be named in this Prospectus in the form and context in which they are named:

1. Deacons (legal advisers to the Company in relation to the Offer);
2. Moore Stephens Consulting (Melb) Pty Ltd (investigating accountant to the Company in relation to the Offer);
3. Moore Stephens (auditor of the Company);
4. Novus Capital Partners Pty Ltd (lead manager of the Offer);
5. Novus Capital Limited (sponsoring brokers to the Offer); and
6. Link Market Services Limited (Share Registry for the Offer).

### 10.13 Directors' consent

This Prospectus is signed on 3 March 2009 by Ananda Rao on behalf of the Directors, each of whom has consented to the signature, lodgement and issue of this Prospectus and none of whom have withdrawn that consent before lodgement.

A handwritten signature in black ink, appearing to be 'Ananda Rao', with a small flourish at the end.

Ananda Rao  
Chief Executive Officer and Managing Director

# 11. DEFINITIONS

Terms and abbreviations used in this Prospectus have the following meaning:

\$ or \$A	Australian dollars (and references to cents are to Australian cents) unless otherwise indicated
AGM	Annual General Meeting
Applicant	A person to whom an Offer is made under this Prospectus and who applies for New Shares under the Offer
Application	A valid application by way of an Application Form made to subscribe for a specified number of New Shares under the Offer
Application Form	The application form attached to or accompanying this Prospectus
Application Monies	Monies paid by Applicants in respect of the New Shares they apply for
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532
Azurn Group	Azurn and its Subsidiaries
Azurn MERLIN	Azurn's platform-based integrated audio, video and web collaboration appliance based on Azurn's Unified XML
Board	The board of directors of the Company
Closing Date	5:00pm, 27 March (unless extended)
Company and Azurn	Azurn International Ltd ABN 75 103 539 135
Collaboration Technology or Azurn Technology	The technology and proprietary information of Azurn, including Unified XML and the Merlin platform
Constitution	The constitution of the Company as amended from time to time
Convergence	The integration of the separate PSTN and broadband networks into a single, common infrastructure capable of transmitting voice, data and video
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	A director of the Company
DPS	Digital Publishing Solutions
Existing Shareholders	The Shareholders of the Company prior to completion of the Offer
GST	Has the meaning ascribed in the <i>A New Tax System (Goods and Service Tax) Act 1999</i> (Cth)
ICT	Information and communications technology
Issue Price	\$0.20 per New Share





K2K	Klik2Kconnect, a trademark of Azurn
Listing	Date on which ASX grants approval for the quotation of the Shares on the Official List
Listing Rules	The Listing Rules published by the ASX
New Share	A Share to be issued pursuant to this Offer
Minimum Subscription	5,000,000 New Shares (\$1,000,000)
Offer	Offer of New Shares under this Prospectus
Official List	The official list of entities that ASX has admitted and not removed
Options	Options to acquire Shares
Optionholders	Optionholders of the Company
Prospectus	This Prospectus dated 3 March 2009
PSTN	The public switchboard telephone network is the network of the world's public circuit-switched telephone networks
Shareholders	Shareholders of the Company
Shares	Fully paid ordinary shares in the capital of the Company
Share Registry	Link Market Services Limited ABN 54 083 214 537, of Level 1, 333 Collins Street, Melbourne, Victoria 3000
Subsidiaries	The subsidiaries of Azurn being Azurn America Inc, VCIL, Digital Publishing Solutions Limited, iSOFTEL Technologies Pte Ltd, Digital Publishing Solutions Pte Limited, Merlion Conversion Labs Private Limited, Amoeba Publishing Solutions Private Ltd and DX Technologies Private Limited.
Unified XML	Azurn's patented technology that integrates various streams of data from a user centric Convergence perspective
VCIL	Value Chain International Limited ACN 118 435 288
XML	Extensible Mark-up Language which enables information systems to share data, particularly via the internet

All references to time in this Prospectus are references to Melbourne time.



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Azurn Shares. Further details about the Shares are contained in the Prospectus dated 3 March 2009 issued by Azurn. The Prospectus will expire on 3 April 2010. While the Prospectus is current, Azurn will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares and the attaching Options.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 5,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Azurn will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Azurn and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your email for the purpose of electronic communication of shareholder information.
- G** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Azurn's issuer sponsored subregister.
- H** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- I** Please complete the details of your cheque in this section. The total amount of your cheque should agree with the amount shown in section B. Make your cheque payable to "Azurn International Limited Share Offer" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque to the Application Form where indicated. If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque must be mailed or delivered so that it is received before 5:00pm on 27 March 2009 at:

Azurn International Limited Share Offer  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

Azurn International Limited Share Offer  
C/- Link Market Services Limited  
Level 12, 680 George Street  
Sydney New South Wales  
**(do not use this address for mailing purposes)**

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

## Application Form

This Application Form relates to the Offer by Azurn International Ltd ("Azurn") of Shares and attaching Options made under the Prospectus lodged with the Australian Securities and Investment Commission on 3 March 2009 ("Prospectus").

**This is an important document should you have any doubt about how to deal with it, please seek appropriate independent advice.** You should read the entire Prospectus carefully before completing this Form. This Application Form must not be handed on unless it is attached to or accompanied by a complete and unaltered copy of the Prospectus. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus and any supplementary document. Any person applying for Shares and attaching Options declares that they have received the entire Prospectus to which this Application Form relates.

Shares Applied for

Price per Share

I/We lodge Application Money

**A**  ,  ,  ,  ,  ,  at **A\$0.20** **B** A\$  ,  ,  ,  ,  ,  .

Minimum 10,000 Shares. Applications for more than 10,000 Shares must be in multiples of 5,000 Shares.

**WRITE HERE THE NAME(S) YOU WISH TO REGISTER THE SHARES AND ATTACHING OPTIONS IN**  
 (refer overleaf for correct forms of registrable names)

Applicant – Surname/Company name

**C**

Title

First Name

Middle Name

Joint Applicant #2 – Surname

Title

First Name

Middle Name

Designated account e.g. &lt;Super Fund&gt; (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant

Joint Applicant #2

Joint Applicant #3

**D**

TFN/ABN type – if NOT an individual, please mark the appropriate box

 Company

 Partnership

 Trust

 Super Fund

**WRITE HERE THE POSTAL ADDRESS YOU WISH TO REGISTER FOR THE SHARES AND ATTACHING OPTIONS**

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

**E**

Unit Number/Level

Street Number

Street Name

Suburb/City or Town

State

Postcode

Email address (only for purpose of electronic communication of shareholder information)

**F**

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

**G X**

The name and address on this form must be exactly the same as CHESS records.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

**H**

Cheques should be made payable to "Azurn International Ltd Share Offer" in Australian currency and crossed "Not Negotiable".

Cheque Number

BSB

Account Number

**I**

### LODGEMENT INSTRUCTIONS

 Total Amount **A\$**  ,  ,  .

You must return your application so it is received before 5:00pm on 27 March 2009 to:

**By Mail:** Azurn International Ltd Share Offer, Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235

**Hand Deliver:** Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 (**Do not use this for mailing purposes**)

\* Azurn International Ltd has the right to close the Offer early or extend the Closing Date without notice to any recipient of the Prospectus or any Applicant.

**AZU IPO002**


# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Azurn Shares. Further details about the Shares are contained in the Prospectus dated 3 March 2009 issued by Azurn. The Prospectus will expire on 3 April 2010. While the Prospectus is current, Azurn will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares and the attaching Options.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 5,000. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Azurn will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Azurn and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Please enter your email for the purpose of electronic communication of shareholder information.
- G** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Azurn's issuer sponsored subregister.
- H** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- I** Please complete the details of your cheque in this section. The total amount of your cheque should agree with the amount shown in section B. Make your cheque payable to "Azurn International Limited Share Offer" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque to the Application Form where indicated. If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque must be mailed or delivered so that it is received before 5:00pm on 27 March 2009 at:

Azurn International Limited Share Offer  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

Azurn International Limited Share Offer  
C/- Link Market Services Limited  
Level 12, 680 George Street  
Sydney New South Wales  
**(do not use this address for mailing purposes)**

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



# CORPORATE DIRECTORY

## Directors

Peter Jermyn – Non Executive Chairman  
Ananda Rao – Chief Executive and Managing Director  
Bala Kumble – Executive Director  
Tony Giroti – Executive Director  
Rama Kumble – Executive Director

## Company Secretary

Roger Anthony

## Chief Financial Officer

Howard Staehr

## Registered Office

Level 8  
520 Collins Street  
MELBOURNE VIC 3000  
Phone: +61 (0)3 9614 8985 /  
1800 2 AZURN (1800 2 29876)  
Fax: +61 (0)3 9614 3425  
www.azurn.com

## Lead Manager

Novus Capital Partners Pty Limited  
Level 8  
330 Collins Street  
MELBOURNE VIC 3000  
Phone: +61 (0)3 8602 1702  
Fax: +61 (0)3 9642 2746

## Sponsoring Broker

Novus Capital Limited  
Level 24  
Royal Exchange Building  
56 Pitt Street  
Sydney NSW 2000  
Phone: +61 (0)2 9375 0100  
Fax: +61 (0)2 9247 4844

## Legal Advisers

Deacons  
RACV Tower  
485 Bourke Street  
MELBOURNE VIC 3000  
Phone: +61 (0)3 8686 6000  
Fax: +61 (0)3 8686 6505  
www.deacons.com.au

## Share Registry

Link Market Services Limited  
Level 12  
680 George Street  
Sydney NSW 2000  
Phone: +61 (0)2 8280 7144 / 1300 558 249  
Fax: +61 (0)2 9287 0303

## Auditors

Moore Stephens  
Level 14  
607 Bourke Street  
MELBOURNE VIC 3000  
Phone: +61 (0)3 9614 4444  
Fax: +61 (0)3 9629 5716



## Contact:

Azurn International Ltd  
ABN 75 103 539 135

Level 8  
520 Collins Street  
MELBOURNE VIC 3000

Phone: +61 (0)3 9614 8985

Fax: +61 (0)3 9614 3425

Email: [enquiries@azurn.com](mailto:enquiries@azurn.com)

Website: [www.azurn.com](http://www.azurn.com)

Contact for Azurn:  
Phone 1800 2 AZURN ( 1800 2 29876)

email: [investor@azurn.com.au](mailto:investor@azurn.com.au)