

Connxion Ventures Limited ACN 003 607 074
Registered office: Level 5, 22 Market Street, Sydney NSW 2000.

CONNXION VENTURES LIMITED

ACN 003 607 074

NOTICE OF ANNUAL GENERAL MEETING

Time: 11:00am (EDST)

Date: 30 November 2010

Place: 3 Spring Street,
Sydney, NSW, 2000

The Annual Report is now available on the Company's website via the following link:

www.connxion.com

This Notice of Meeting should be read in its entirety. If shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Mr Andrew Phillips, Company Secretary on 0403 388 447.

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Notice of Annual General Meeting

- setting out proposed resolutions

Explanatory Statement

- explaining the proposed resolutions

Proxy Form

Instructions for completing “Appointment of Proxy” Form

Time and place of meeting

The Annual General Meeting of the shareholders to which this Notice relates will be held at 11:00am (EDST) on 30 November 2010 at:

3 Spring Street,
Sydney, NSW, 2000

How to vote

The business of the Annual General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed proxy form and return by:

- (a) post to Share Registry – Registries Limited, GPO Box 3993, Sydney NSW 2001; or
- (b) fax to +612 9290 9655

so that it is received not later than 11:00am (EDST) on 28 November 2010.

Proxy forms received later than this time will be invalid.

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of shareholders of Connxion Ventures Limited (**Connxion** or **Company**) will be held at 11:00am (EDST) on 30 November 2010 at 3 Spring Street, Sydney 2000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The directors of the Company (**Directors**) have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered shareholders of the Company at 11:00am on 28 November 2010.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the financial statements of the Company for the financial year ended 30 June 2010, together with the Declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report as set out in the Annual Report.

The Annual Report was sent to those shareholders who elected to receive a hard copy. A copy of the Annual Report is also available on the Company's website (www.connxion.com).

Resolutions

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given to the adoption of the Remuneration Report as contained in the Company's financial report for the year ended 30 June 2010.”

Resolution 2 – Re-election of Director – Mr Rod Olsen

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

“That, for the purposes of rule 6.4 of the Company's constitution and for all other purposes, Mr Rod Olsen retires as a Director of the Company, and being eligible for re-election, is re-elected as a Director of the Company.”

Resolution 3 – Re-election of Director – Mr Ian Smith

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

“That, for the purposes of rule 6.4 of the constitution and for all other purposes, Mr Ian Smith retires as a Director of the Company, and, being eligible for re-election, is re-elected as a Director of the Company.”

Resolution 4 – Re-election of Director – Mr Andrew Phillips

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

“That, for the purposes of Listing Rule 14.4 of the ASX Listing Rules and for all other purposes, Mr Andrew Phillips retires as a Director of the Company, and, being eligible for re-election, is re-elected as a Director of the Company.”

Resolution 5 – Re-election of Director – Mr Bill Brooks

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

“That, for the purposes of Listing Rule 14.4 of the ASX Listing Rules and for all other purposes, Mr Bill Brooks retires as a Director of the Company, and, being eligible for re-election, is re-elected as a Director of the Company.”

Resolution 6 - Re-appointment of BDO Audit (NSW-Vic) Pty Ltd as Auditor

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

“That, for the purposes of section 327B(1)(b) of the Corporations Act and for all other purposes, the Company appoint BDO (NSW-Vic) Pty Ltd (having been nominated by a shareholder of the Company and consented in writing to act in the capacity of auditor and having not withdrawn that consent) as auditor of the Company.”

SPECIAL BUSINESS

Resolution 7 – Approval of amendments to the Investment Management Agreement between the Company and First Capital Management Aust Pty Ltd

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

“That, for the purposes of section 208 of the Corporations Act and the ASX Listing Rules and for all other purposes, subject to and conditional upon the passing of resolution 8, approval is given to the amendments to the Investment Management Agreement dated 2 June 2009 between the Company and First Capital Management Aust Pty Ltd, as detailed in the Explanatory Statement.”

Note: A voting exclusion statement applies to this resolution. Please refer to Voting and Proxy Form requirements.

Resolution 8 – Approval of the issue of 44,444,444 shares to First Capital Management Aust Pty Ltd or its nominee as consideration for the amendments to the Investment Management Agreement

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

“That, for the purposes of section 208 of the Corporations Act and ASX Listing Rule 10.11 and for all other purposes, subject to and conditional upon the passing of resolution 7, approval is given for the issue and allotment to First Capital Management Aust Pty Ltd or its nominee of 44,444,444 fully paid ordinary shares at an issue price of \$0.045 cents as consideration for the amendments to the Investment Management Agreement, as detailed in the Explanatory Statement.”

Note: A voting exclusion statement applies to this resolution. Please refer to Voting and Proxy Form requirements.

Resolution 9 – Ratification of previous share issue for capital raising

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

“That, for the purposes of Listing Rule 7.4 of the ASX Listing Rules and for all other purposes, approval is given to the previous issue and allotment of 44,961,538 fully paid ordinary shares at an issue price of \$0.0325 per share to existing and new strategic investors, with the result of excluding those shares from the calculation of the number of securities that can be issued by the Company in a 12 month period within the 15% limit set out in ASX Listing Rule 7.1 as detailed in the Explanatory Statement.”

Note: A voting exclusion statement applies to this resolution. Please refer to Voting and Proxy Form requirements.

Resolution 10 – Issue of Convertible Notes

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

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the previous issue of convertible notes with an aggregate face value of \$1,250,000, which based on an amended conversion rate of \$0.035 per share, will convert into 35,714,286 fully paid ordinary shares, on the terms set out in the Explanatory Statement.”

Note: A voting exclusion statement applies to this resolution. Please refer to Voting and Proxy Form requirements.

Resolution 11 – Change of Company Name

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

That, for the purposes of section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to 'Connxion Limited' effective from the close of this Meeting as detailed in the Explanatory Statement."

Dated: 28 October 2010

BY ORDER OF THE BOARD



Andrew Phillips
Company Secretary
Connxion Ventures Limited

VOTING AND PROXY FORMS INFORMATION

Voting entitlement

Only shareholders of the Company and invited guests may attend the Annual General Meeting. If you were a shareholder of the Company during the financial year ended 30 June 2010 then you are entitled to attend, even if you are not a shareholder now. Only current shareholders may vote on resolutions. The Board has determined that shareholders' voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of shareholders as at 11:00am (EDST) on 28 November 2010.

Voting Exclusion Statement

According to the Listing Rules of Australian Securities Exchange, the Company will disregard any votes cast on:

- Resolution 7 – by First Capital Management Aust Pty Ltd and any of its associates;
- Resolution 8 – by First Capital Management Aust Pty Ltd and any of its associates;
- Resolution 9 – by investors who participated in the capital raising and any of their associates; and
- Resolution 10 – by investors who have been issued convertible notes and any of their associates.

However the Company will not disregard a vote if it is cast by:

- a person who is a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
 - the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form to vote as the proxy decides.
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Majority Required

All of the Resolutions are ordinary resolutions except for Resolution 11 which is a special resolution. Resolutions 1 to 10 will be passed if more than 50% of the votes cast by shareholders entitled to vote on the Resolution are cast in favour of the Resolution. Resolution 11 will be passed if more than 75% of the votes cast by shareholders entitled to vote on Resolution 11 are cast in favour of Resolution 11.

Interconditional Resolutions

Resolutions 7 and 8 are interconditional. If one of these Resolutions is not passed, then neither of these Resolutions will be passed.

Proxy instructions

A Proxy Form with instructions is included with this document. In summary:

- Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.
- The Proxy Form must be signed by the shareholder or his/her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act.
- A proxy need not be a shareholder of the Company.
- **To be effective**, a Proxy Form and the original (or a certified copy) of any power of attorney or other instrument under which it is signed, must be sent to - Share Registry – Registries Limited, GPO Box 3993, Sydney NSW 2001 or sent by facsimile transmission to +612 9290 9655.

by no later than 11:00am on 28 November 2010.

Connexion Ventures Limited ACN 003 607 074
Registered office: Level 5, 22 Market Street, Sydney NSW 2000.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the shareholders in connection with the business to be conducted at the Annual General Meeting (**AGM**) to be held at 11:00am (EDST) on 30 November 2010 at 3 Spring Street, Sydney, NSW 2000.

The purpose of this Explanatory Statement is to provide information that the Directors believe to be material to shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

The Directors recommend that shareholders read this Explanatory Statement (including the independent expert's report which has been prepared by Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) and is attached to and forms part of this Explanatory Statement (**IER**)) in its entirety before making any decision in relation to voting on the Resolutions contained in the Notice of Meeting. The information contained in this Explanatory Statement has been prepared by the Company and its Directors and is the responsibility of the Company. Grant Thornton has prepared the IER which forms Annexure A and takes responsibility for that report.

Financial Statements, Directors' Report and Auditor's Report

In accordance with the constitution the business of the AGM will include receipt and consideration of the Company's annual financial report and the reports of Directors and auditors for the year ended 30 June 2010.

Shareholders are not required to vote on the Financial Statements and the reports of the Directors and auditors. However, shareholders will be given the opportunity to raise questions at the meeting.

Resolution 1 – Adoption of Remuneration Report

At a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. A copy of the report appears in the Company's Annual Report for the year ended 30 June 2010.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The vote on this item of business is advisory only and does not bind the Directors.

Resolution 2 – Re-election of Director – Mr Rod Olsen

In accordance with rule 6.4 of the Company's constitution, at every AGM one third of the Directors must retire from office and are eligible for re-election. Mr Rod Olsen retires by rotation and, being eligible, is offering himself for re-election to the office of Director. Brief biographical details of Mr Rod Olsen are as follows:

Mr Rod Olsen

Mr Rod Olsen, the chairman and a non-executive and an independent Director, was appointed to the Board on 21 July 2009. Mr Olsen has extensive international business experience, including 22 years with Cable and Wireless PLC, 13 of these serving as an executive director on the main Board and a director for numerous other subsidiary Cable and Wireless boards. He was also Deputy Chairman of Optus Australia. He has also served as a non-executive director of Standard Chartered Bank plc and Astec (BSR) plc, both UK public companies.

The Directors (except for Rod Olsen who has abstained from voting on Resolution 2) recommend that shareholders vote in favour of Resolution 2.

Resolution 3 – Re-election of Director – Mr Ian Smith

In accordance with rule 6.4 of the Company’s constitution, at every AGM, one third of the Directors must retire from office and are eligible for re-election. Mr Ian Smith retires by rotation and, being eligible, is offering himself for re-election to the office of Director. Brief biographical details of Ian Smith are as follows:

Mr Ian Smith

Mr Ian Smith, non-executive and an independent Director, was appointed to the Board on 20 July 2009. Mr Smith has over 20 years CEO experience in Australia, US, Europe and Asia including Yahoo!7 in Australia and New Zealand, Communications Group Ltd and President International for Bates Worldwide. He was previously a director of the Garvan Medical Research institute.

Mr Smith is currently a non-executive director and Chairman of Engin Limited and Prime Digital Media Limited.

The Directors (except for Ian Smith who has abstained from voting on Resolution 3) recommend that shareholders vote in favour of Resolution 3.

Resolution 4 – Re-election of Director – Mr Andrew Phillips

Under Listing Rule 14.4 of the ASX Listing Rules a director appointed as an addition to the board must not hold office without re-election past the next AGM of the company. Brief biographical details of Mr Andrew Phillips are as follows:

Mr Andrew Phillips

Mr Andrew Phillips, an executive Director was appointed to the Board on 22 January 2010. Mr Phillips has over 15 years international experience previously working in senior finance and commercial management positions. He has served previously as Group Financial Controller for Aristocrat Limited, as an executive director for The Recovre Group (a former division of Allianz Insurance), and a director and CFO of Hoya Lens Australia.

Mr Phillips is also Company Secretary of the Company.

Mr Phillips is also a director of First Capital Management Aust Pty Ltd and a non-executive director of The Beauty Health Group Limited and Richfield International Limited.

The Directors (except for Andrew Phillips who has abstained from voting on Resolution 4) recommend that shareholders vote in favour of Resolution 4.

Resolution 5 – Re-election of Director – Mr Bill Brooks

Under Listing Rule 14.4 of the ASX Listing Rules a director appointed as an addition to the board must not hold office without re-election past the next AGM of the company. Brief biographical details of Mr Bill Brooks are as follows:

Mr Bill Brooks

Mr Bill Brooks, an executive Director, was appointed to the Board on 28 October 2010. Mr Brooks has more than 20 years experience with Fortune 500 public and private companies, including Barclays (UK), HSBC, Telstra Corporation Limited and China Mobile.

The Directors (except for Bill Brooks who has abstained from voting on Resolution 5) recommend that shareholders vote in favour of Resolution 5.

Resolution 6 – Re-appointment of BDO Audit (NSW-Vic) Pty Ltd as Auditors

The Directors have reviewed the audit needs of the Company, particularly with regard to the Company’s expansion strategy throughout Australia, Asia and China.

BDO Audit (NSW-Vic) Pty Ltd was appointed auditors at the previous AGM, and has performed the audit duties to the satisfaction of the directors.

As a consequence, the Directors are of the view that BDO Audit (NSW-Vic) Pty Ltd are suitably placed to provide audit services to the Company and are to be re-appointed for a further 12 months.

The Directors unanimously recommend that shareholders vote in favour of Resolution 6.

Resolution 7 - Approval of amendments to the Investment Management Agreement between the Company and First Capital Management Aust Pty Ltd

1. Background

In transforming the Company from an investment company to a standalone operating company in the data services sector, the Company and FCM agreed to review the IMA to reflect the increased role of the Company’s management in its day to day operations whilst continuing to utilise the strategic value of FCM and its related entities in driving the Company’s growth and expansion.

The Board engaged Grant Thornton to prepare the IER on the effect of the Proposed Amendments in accordance with the *Corporations Act 2001 (Cth)*. A copy of the IER is attached as Annexure A and forms part of this Explanatory Statement. Based on the conclusions in the IER, the Board believes that the Proposed Amendments to the IMA provide FCM with clearer targets and the market with better visibility on the possible future obligations of the Company and, as a result, the interests of non-associated shareholders and FCM are further aligned.

(a) **Summary of the proposed amendments to the Investment Management Agreement**

Subject to obtaining shareholder approval, Connxion and First Capital Management Aust Pty Ltd (**FCM**) (formerly named FCP Camino Management Pty Ltd) propose to amend the Investment Management Agreement dated 2 June 2009 between Connxion and FCM (**Investment Management Agreement**). The proposed amendments to the Investment Management Agreement are described below (**Proposed Amendments**).

The Proposed Amendments are also summarised in a comparative table in Section 1 (page 10) of the IER.

(i) **Term**

Existing Provisions

Under the existing provisions of the Investment Management Agreement, the Investment Management Agreement terminates on the 10th anniversary of the Commencement Date (which was 2 July 2009), subject to an option exercisable by FCM to renew the Investment Management Agreement for a further 10 year term (provided shareholder approval is obtained).

The Company may terminate the Investment Management Agreement without any further liability for fees to FCM in the event of the insolvency of FCM or if FCM materially breaches a material provision of the Investment Management Agreement. If the Company terminates the Investment Management Agreement for any other reason (other than the expiry of the term), the Company must pay to FCM the lesser of:

- (A) a fee equal to 8 times the quarterly Management Fee (as defined) payable to FCM; or

- (B) an amount that is the total of:
- (1) any amounts due and payable to FCM at the date of termination;
 - (2) the cost of cancellation of all agreements, arrangements or understandings entered into by FCM in accordance with the Investment Management Agreement for the benefit of the Company;
 - (3) reasonable costs of termination of any of FCM's employees or contractors as a result of early termination of the Investment Management Agreement; and
 - (4) an amount representing the profit FCM would reasonably have expected to earn if FCM's appointment had continued until completion of the term of the Investment Management Agreement.

Proposed Amendments

It is proposed that the Investment Management Agreement be amended to change the term of the agreement to a fixed 5 years (with no option to renew) commencing on the date that the Proposed Amendments are approved by the shareholders of the Company at a general meeting (which is proposed to be the date of the AGM, namely 30 November 2010).

(ii) **Management Fee**

Existing Provisions

Under the existing provisions of the Investment Management Agreement, FCM is paid a Management Fee which is calculated as the higher of the following:

- (A) \$500,000 per annum; or
- (B) the amount equivalent to 2.5% per annum of the consolidated audited net asset value of the Company; or
- (C) the amount equivalent to 2.5% per annum of the market capitalisation of the Company determined by reference to the volume weighted average price (**VWAP**) of the Company's fully paid ordinary shares (**Shares**) for the last 20 days on which the Company's Shares were traded on the ASX.

Proposed Amendments

It is proposed that the Investment Management Agreement be amended to change the Management Fee to a cash payment only of \$250,000 per annum, effective from 1 July 2011, and to be increased 5% per annum (beginning on 1 July 2012) for the term of the Investment Management Agreement.

(iii) **Transaction Fee**

Proposed Amendments

Under the existing provisions of the Investment Management Agreement, FCM is paid a Transaction Fee, which is calculated as 2.5% of the transaction value of any acquisition or divestment made by the Company.

It is proposed that the Investment Management Agreement be amended so that following the implementation of the Proposed Amendments there is no provision in the Investment Management Agreement for transaction fees to be paid to FCM. Following the implementation of the Proposed

Amendments, any work carried out on transactions by FCM will be charged on a case by case basis at a level appropriate to the work carried out and FCM will receive no benefit if work on the acquisition was conducted internally or by a third party.

(iv) **Performance Fee**

Existing Provisions

Under the existing provisions of the Investment Management Agreement, FCM is paid a Performance Fee, which is calculated as follows:

- (A) where the pre-tax Internal Rate of Return (as defined) (**IRR**) is 10% or less, no Performance Fee will be payable;
- (B) where the pre-tax IRR is greater than 10% and less than or equal to 25%, the Performance Fee will be calculated as 20% of the amount by which the Shareholder Return (as defined) exceeds the Capitalised Return (as defined) implied by a notional 10% pre-tax IRR; or
- (C) where pre-tax IRR is greater than 25%, the Performance Fee will be calculated as the aggregate of:

20% of the amount by which the Capitalised Return implied by a notional 25% pre-tax IRR exceeds the Capitalised Return implied by a notional 10% pre-tax IRR,

plus

30% of the amount by which the Shareholder Return exceeds the Capitalised Return implied by a notional 25% pre-tax IRR,

less

the aggregate of all Performance Fees previously paid by the Company to FCM in respect of the period from the Commencement Date up to the end of the previous Performance Fee Period (as defined).

Proposed Amendments

It is proposed that the Investment Management Agreement be amended to change the Performance Fee so that it is calculated based on revenue performance hurdles subject to a minimum earnings before interest tax depreciation and amortisation (**EBITDA**) at the operating level of 10 (**Performance Hurdles**). As Performance Hurdles are met, FCM will be issued performance bonus Shares at a price based on the 30 day VWAP average of the Company's Shares at the time of issue (**Performance Shares**) and unlisted bonus options (**Performance Options**) exercisable within 36 months at the 30 day VWAP prior to the date of issue of the Performance Options:

	Performance Hurdle	Performance Shares and Performance Options issued to FCM
1.	\$25 million revenue and EBITDA of at least \$2.5 million	Performance Shares to the value of \$1.5 million <u>OR</u> Performance Shares to the value of \$1 million and such number of Performance Options which if exercised would have an aggregate exercise cost of \$1 million (Total Option Exercise Cost)
2.	\$50 million revenue and EBITDA of at least \$5 million	Performance Shares to the value of \$1.5 million <u>OR</u> Performance Shares to the value of \$1 million and Performance Options with a Total Option Exercise Cost

		of \$1 million
3.	\$75 million revenue and EBITDA of at least \$7.5 million	Performance Shares to the value of \$1.5 million <u>OR</u> Performance Shares to the value of \$1 million and Performance Options with a Total Option Exercise Cost of \$1 million
4.	\$100 million revenue and EBITDA of at least \$10 million	Performance Shares to the value of \$1.5 million <u>OR</u> Performance Shares to the value of \$1 million and Performance Options with a Total Option Exercise Cost of \$1 million

These Performance Fees are payable only once upon the achievement of each Performance Hurdle. When a Performance Hurdle is achieved for the first time, the relevant Performance Fee is paid, but not again thereafter. Performance Hurdles are not accumulated for the purposes of determining the achievement of other Performance Hurdles.

In accordance with clauses 11.13 – 11.15 of the Investment Management Agreement, the issue of Performance Shares and Performance Options to FCM as payment of the Performance Fee will be subject to prior shareholder approval.

(b) **Effect of Proposed Amendments on the Company**

(i) **Term**

The Proposed Amendments will reduce the term of the Investment Management Agreement to a fixed 5 year period (from its current term of 10 years with a 10 year option). The Board believes the current 10 year term with a 10 year option is no longer in shareholders’ best interests and the proposed reduced 5 year fixed term is in line with normal commercial performance based arrangements and in shareholders’ best interests.

Furthermore, if the Investment Management Agreement was to be terminated by Connxion without cause immediately following implementation of the Proposed Amendments, the total fees payable to FCM for such termination may be lower than if the existing term had remained in place. While reducing the term to a level that the Board believes is in line with current best practices, this amendment to the term also provides the Company with some certainty as to FCM’s commitment to management of the Company’s operations over the next 5 years.

(ii) **Management Fee**

The effect of the proposed changes to the Management Fee in the Investment Management Agreement are set out in section 5 of the IER.

(iii) **Transaction Fee**

The effect of the proposed changes to the Transaction Fee in the Investment Management Agreement are set out in section 7 of the IER.

(iv) **Performance Fee**

The effect of the proposed changes to the Performance Fee in the Investment Management Agreement are set out in section 6 of the IER.

2. Approvals Required

(a) Section 208 of the *Corporations Act*

Section 208 of the *Corporations Act* requires that for a public company to give a financial benefit to a related party of the public company:

- (i) the public company must:
 - (A) obtain the approval of the public company's members in the way set out in sections 217 to 227 of the *Corporations Act*; and
 - (B) give the benefit within fifteen months after the approval; or
- (ii) the giving of the benefit must fall within an exception set in sections 210 to 216 of the *Corporations Act*.

In accordance with the requirements of section 208, the Company is seeking the approval of shareholders for the Proposed Amendments to the Investment Management Agreement under Resolution 7. As required by section 219 of the *Corporations Act*, the Company provides the following information in relation to the Proposed Amendments to the Investment Management Agreement:

- (i) the related party is FCM. FCM has voting power (on an undiluted basis) in up to 11.5% of the total issued Shares in the Company. Mr Andrew Phillips, a director of the Company, is also a director of FCM;
- (ii) the nature of the financial benefits – the Company will provide the following financial benefits to FCM:
 - (A) the term will decrease to a fixed period of 5 years;
 - (B) payment of a Management Fee of \$250,000 per annum from July 2011 (increased 5% per annum from 1 July 2012); and
 - (C) payment of the Performance Fee in the manner described in paragraph 1(a)(iv) above;
- (iii) the Directors make the following recommendations to shareholders about Resolution 7, including if they are not providing a recommendation, the reasons for not doing so:
 - (A) Ian Smith – Ian Smith recommends that shareholders vote in favour of Resolution 7;
 - (B) Rod Olsen – Rod Olsen recommends that shareholders vote in favour of Resolution 7;
 - (C) Bill Brooks – Bill Brooks recommends that shareholders vote in favour of Resolution 7;
 - (D) Andrew Phillips – Andrew Phillips abstains from making a recommendation in relation to Resolution 7 as he is a director and associate of FCM.
- (iv) whether the Directors have an interest in the outcome of Resolution 7 – Ian Smith, Rod Olsen and Bill Brooks do not have an interest in the outcome of Resolution 7. Andrew Phillips has an interest in the outcome of Resolution 7 as he is a director and associate of FCM;
- (v) all other information that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 7 and is known to the Company or to any of the Directors – Resolution 7 and Resolution 8 of this Explanatory Statement set out all information reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 7 and is known to the Company or any of the Directors.

(b) ASX Guidance Note 26

It is not a specific requirement of the Corporations Act (other than under section 208) or the ASX Listing Rules that shareholder approval is required to an amendment to the Investment Management Agreement. However, ASX Guidance Note 26 encourages entities with a management agreement in place to obtain shareholder approval for any material change to that management agreement.

The proposed changes to the Investment Management Agreement are described in detail in paragraph (a) above.

The Directors (other than Andrew Phillips who has abstained from voting on Resolution 7) recommend that shareholders vote in favour of Resolution 7. In making their recommendation, the Directors advise shareholders to read this Explanatory Statement in its entirety.

If Resolution 7 is approved, its implementation will be conditional upon the passing of Resolution 8 of the Notice of Meeting.

Resolution 8 – Approval of the issue of 44,444,444 shares to First Capital Management Aust Pty Ltd or its nominee as consideration for the amendments to the Investment Management Agreement

1. Background

(a) Summary of proposed issue of FCM Shares

Subject to shareholder approval, the Company intends to issue 44,444,444 Shares in the Company to FCM at 4.5 cents (comprising a total value of \$2 million) (**FCM Shares**). The FCM Shares are being issued to FCM as compensation for the amendments to the Investment Management Agreement described in detail in Resolution 7 above.

(b) Effect of proposed issue of FCM Shares

The Board engaged Grant Thornton to prepare the IER to report on the Proposed Amendments and the issue of the FCM Shares as compensation for those amendments, a copy of which is attached as Annexure A and forms part of this Explanatory Statement. Section 5.3 of the IER discusses the valuation of the FCM Shares proposed to be issued as compensation for the Proposed Amendments.

2. Approvals Required

(a) Section 208 of the *Corporations Act*

Section 208 of the Corporations Act requires that for a public company to give a financial benefit to a related party of the public company:

- (i) the public company must:
 - (A) obtain the approval of the public company's members in the way set out in sections 217 to 227 of the *Corporations Act*; and
 - (B) give the benefit within fifteen months after the approval; or
- (ii) the giving of the benefit must fall within an exception set in sections 210 to 216 of the *Corporations Act*.

In accordance with the requirements of section 208, the Company is seeking the approval of shareholders for the issue of the FCM Shares under Resolution 8. As required by section 219 of the Corporations Act, the Company provides the following information in relation to the proposed issue of the FCM Shares:

- (i) the related party is FCM. FCM has voting power (on an undiluted basis) in up to 11.5% of the total issued Shares in the Company. Mr Andrew Phillips, a director of the Company, is also a director of FCM;
- (ii) the nature of the financial benefits – the Company will provide financial benefits to FCM in the form of 44,444,444 newly issued Shares in the Company at 4.5 cents (comprising a total value of \$2 million). This financial benefit is being provided to FCM as compensation for Proposed Amendments, which will result in the reduction of the term of the Investment Management and the amendment of the Management Fee and the Performance Fee payable by the Company to FCM under the Investment Management Agreement. Following the issue of the FCM Shares, FCM will have voting power (on an undiluted basis) in up to 19.9% of the total issued Shares in the Company;
- (iii) the Directors make the following recommendations to shareholders about Resolution 8, including if they are not providing a recommendation, the reasons for not doing so:
 - (A) Ian Smith – Ian Smith recommends that shareholders vote in favour of Resolution 8;
 - (B) Rod Olsen – Rod Olsen recommends that shareholders vote in favour of Resolution 8;
 - (C) Bill Brooks – Bill Brooks recommends that shareholders vote in favour of Resolution 8;
 - (D) Andrew Phillips – Andrew Phillips abstains from making a recommendation in relation to Resolution 8 as he is a director and associate of FCM.
- (iv) whether the Directors have an interest in the outcome of Resolution 8 – Ian Smith, Rod Olsen and Bill Brooks do not have an interest in the outcome of Resolution 8. Andrew Phillips has an interest in the outcome of Resolution 8 as he is a director and associate of FCM;
- (v) all other information that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 8 and is known to the Company or to any of the Directors – Resolution 7 and Resolution 8 of this Explanatory Statement set out information reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass Resolution 8 and is known to the Company or any of the Directors.

(b) ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that an entity must not issue or agree to issue securities to a related party of that entity without the approval of the holders of ordinary share in that entity.

The Company requires shareholder approval to issue the FCM Shares to FCM for the purpose of ASX Listing Rule 10.11, as FCM is a related party of the Company. In accordance with ASX Listing Rule 10.13, the following additional information is provided:

- (i) the related party is FCM or its nominee. FCM has voting power (on an undiluted basis) in up to 11.5% of the total issued Shares in the Company. Mr Andrew Phillips, a director of the Company, is also a director and associate of FCM;
- (ii) the maximum number of securities to be issued is 44,444,444 FCM Shares. Following the issue of the FCM Shares, FCM will have voting power (on an undiluted basis) in up to 19.9% of the total issued Shares in the Company;
- (iii) the FCM Shares will be issued within 10 business days of the AGM unless otherwise agreed between the parties, but no later than 1 month after the AGM;
- (iv) the FCM Shares will be issued at 4.5 cents, and will rank pari passu with existing ordinary Shares on issue;
- (v) the FCM Shares are being issued to FCM as compensation for the Proposed Amendments.

The Directors (other than Andrew Phillips who has abstained from voting on Resolution 8) recommend that shareholders vote in favour of Resolution 8. In making their recommendation, the Directors advise shareholders to read this Explanatory Statement in its entirety.

If Resolution 8 is approved, its implementation will be conditional upon the passing of Resolution 7 of the Notice of Meeting.

Resolution 9 – Ratification previous share issue for capital raising

1. Background

The Company issued a total of 44,961,538 Shares on the 14th and 15th of September 2010 at a price of \$0.0325, effectively raising a total of \$1,461,250.00 (**Placement**).

This capital was raised from current and targeted strategic investors and was raised utilising the Company's 15% placement capacity under Listing Rule 7.1. The Shares rank equality with all other ordinary shares of the Company.

The capital raised was kept to a minimum and is to be used to fast track the regional organic growth strategy in Singapore and China by strengthening the Company's IT infrastructure capabilities in these markets. This will result in increased revenue, and improved margins and profitability of the Company's operations throughout the region. Resolution 9 seeks to ratify the issue of 44,961,538 Shares under the Placement.

2. Approvals Required

ASX Listing Rule 7.1 permits a company to issue securities representing no more than 15% of the issued capital of that company in any 12 month period without shareholder approval. The Company issued the Shares in the Placement within the 15% capacity permitted under ASX Listing Rule 7.1.

However, ASX Listing Rule 7.4 allows an issue of securities made without the approval of shareholders to be treated as having been made with approval for the purposes of ASX Listing Rule 7.1 provided the issue did not breach ASX Listing Rule 7.1 and shareholders subsequently approve the issue.

Approval is now sought pursuant to ASX Listing Rule 7.4 to approve the prior issue of the Shares under the Placement so that the Company retains its capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval. This will enable the Company to continue to its regional organic growth strategy in Singapore and China.

In compliance with the information requirements of ASX Listing Rule 7.5, shareholders are advised of the following particulars in relation to the issue:

- (a) the total number of Shares issued was 44,961,538;
- (b) the Shares were issued as part of a fundraising by the Company at a price of \$0.0325 per Share;
- (c) the Shares pari passu with the existing ordinary Shares on issue;
- (d) the allotment of the Shares were to eight separate individual or institutional investors;
- (e) \$1,461,250.00 was raised by the Placement. The funds raised will be used to fast track the Company's regional organic growth strategy in Singapore and China.

The Directors unanimously recommend that shareholders vote in favour of Resolution 9.

Resolution 10 – Issue of Convertible Notes

1. Background

In January 2010, the Company issued convertible notes with an aggregate face value of \$1,250,000 on the terms summarised in paragraph 2 below (**Convertible Notes**), except that the Convertible Notes had a conversion rate of \$0.05 per Share (**Original Conversion Rate**). The funds from these Convertible Notes have been used for the acquisition of assets related to the business of KAZ Singapore, a company which provides data management, IT support and call centre services (which was acquired by the Company on 4 May 2010) and working capital for the restructure and development of those assets. Given the Company's recent share price and as an incentive to the holders of the Convertible Notes to convert the Convertible Notes into new Shares and continue to support the Company, the Company has decided to amend the conversion rate in the Convertible Notes from the Original Conversion Rate to \$0.035 (**New Conversion Rate**).

2. Approvals Required

ASX Listing Rule 7.1

ASX Listing Rule 7.1 permits a company to issue securities representing no more than 15% of the issued capital of that company in any 12 month period without shareholder approval. The definition of "equity securities" for the purposes of ASX Listing Rule 7.1 includes securities which are convertible into shares such as the Convertible Notes.

The effect of Resolution 10, if approved, will be that the holders of the Convertible Notes will be entitled to convert the Convertible Notes into Shares at the New Conversion Rate and otherwise on the terms set out below without further approval required from Shareholders.

Listing Rule 7.3 requires the following information to be provided to approve the issue of Convertible Notes:

- (i) the maximum number of fully paid ordinary shares to be issued (after taking into account the New Conversion Rate) is 35,714,286;
- (ii) the Convertible Notes have been issued at the Original Conversion Rate and the Convertible Notes will be amended to include the New Conversion Rate within 3 months of the date of the AGM;
- (iii) the amended issue price of each Convertible Note at the New Conversion Rate is \$0.035. On conversion of the Notes, Noteholders (as defined) will receive 1 Share for every \$0.035 of the face value of the Convertible Note (interest may also be converted);
- (iv) the Company has entered into Convertible Note Deeds to issue the Convertible Notes to sophisticated and strategic investors;
- (v) the terms of the Convertible Notes are as follows:
 - (1) **Coupon:** the Convertible Notes have a coupon rate of 10% per annum;
 - (2) **Shareholder approval:** if the issue of Shares the subject of a Conversion Notice (as defined) would exceed the 15% threshold set out in Listing Rule 7.1, the Convertible Notes cannot be converted until shareholder approval (i.e. this Resolution 10) is obtained;
 - (3) **Expiry:** the Notes will expire 2 years after the date of issue (**Maturity Date**) at which time the principal sum plus any interest accrued but not paid (**Repayment Amount**) are due and payable in cash, Shares at the Conversion Rate (as defined) or a combination of both at the Noteholder's election, unless otherwise repaid or satisfied earlier (see paragraph (4));
 - (4) **Early repayment:** at any time before the Maturity Date the Company may redeem a Convertible Note with the Noteholder's prior consent by paying the Repayment Amount to the Noteholder;
 - (5) **Conversion:** at any time before the Maturity Date a Noteholder may convert up to 100% of the Repayment Amount into shares at the New Conversion Rate;

- (6) **Conversion Rate:** the New Conversion Rate is 1 Share for each \$0.035 of the Repayment Amount;
 - (7) **Ranking:** the Convertible Notes will rank:
 - (A) pari passu among themselves; and
 - (B) rank in priority to all other unsecured securities issued by the Company;
 - (8) **Redemption:** if the Company breaches a material term of the Convertible Note Deed, fails to pay any amount owing to a Noteholder within 30 days of the Noteholder requesting payment, an insolvency event occurs in relation to the Company or shareholder approval is not obtained by the Company for the issue of Shares the subject of a Conversion Notice which would exceed the 15% threshold set out in Listing Rule 7.1, all amounts owing to the Noteholder (including any interest accrued and to be accrued up to the Maturity Date) will be immediately due and payable by the Company;
 - (9) **Fractional entitlements:** in calculating a Noteholder's entitlement to Shares on conversion, an entitlement to a fraction of a Share will be disregarded; and
 - (10) **Additional entitlements:** in the event that the Company conducts a:
 - (A) pro rata offer of Shares to shareholders, an offer will be made to Noteholders on the same terms as the pro rata offer and proportionate to the number of Shares that the Noteholder would have if it had converted its Note immediately before the entitlement date for that pro rata offer; and
 - (B) bonus issue, Noteholders will receive (on conversion of the Convertible Note) the number of Shares that it would have received if the Noteholder had converted its Convertible Note immediately before the entitlement date for that bonus issue;
 - (11) **Reconstructions:** in the event of a reconstruction of the capital of the Company by way of consolidation, subdivision, reduction, return, scheme of arrangement or otherwise (but other than by way of a bonus issue, rights issue or other security issue), a proportionate adjustment will be made to the number and issue price of Shares to which the Noteholder is entitled upon conversion of the Note so that: the value of the Note is not adversely affected by the reconstruction; the Noteholder is not conferred with any additional benefits which are not also conferred on Shareholders; and in all other respects the terms for the conversion of the Note remains unchanged;
- (vi) The funds raised from the issue of the Convertible Notes have been used for the acquisition of assets related to the business of KAZ Singapore, a company which provides data management, IT support and call centre services (which was acquired by the Company on 4 May 2010) and working capital for the restructure and development of those assets.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 10.

Resolution 11 – Change of Company Name

As part of Connxion's restructure and rebranding achieved over the past 18 months, the Directors propose to change the Company's name to 'Connxion Limited', thus removing the word "Ventures" from the name. This to better reflect the Company's business as a provider of data and transactional services.

Section 157(1) of the Corporations Act states that if a Company wishes to change its name, it must pass a special resolution adopting that name. A special resolution is a resolution which is passed by at least 75% of the votes that are cast by shareholders entitled to vote on the resolution (in person or by proxy).

The change of name will be effective on and from the passing of the Resolution.

Connexion Ventures Limited ACN 003 607 074
Registered office: Level 5, 22 Market Street, Sydney NSW 2000.

The Directors unanimously recommend that shareholders vote in favour of Resolution 11.