Grant Thornton

ConnXion Ventures Limited

Independent Expert's Report and Financial Services Guide

15 October 2010

The Independent Directors
ConnXion Ventures Limited
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15 October 2010

Dear Sirs

Independent Expert's Report and Financial Services Guide

Introduction

ConnXion Ventures Limited ("ConnXion" or "the Company") is listed on the Australian Securities Exchange ("ASX") and provides integrated online, data, rewards and payments services. The Company's headquarters are based in Sydney with operations in Australia, Singapore, Hong Kong and China.

ConnXion entered into an Investment Management Agreement dated 2 June 2009 with First Capital Management Aust Pty Ltd ("FCP") for FCP to assist the Company in managing and supervising its investments (the "Existing IMA").

Subject to obtaining the approval of shareholders not associated with FCP ("Non-Associated Shareholders"), ConnXion and FCP propose to amend the Existing IMA ("the Proposed Amendments"). FCP is deemed a related party in accordance with the requirements of the Corporations Act 2001 ("Corporations Act").

Purpose of the report

FCP may receive a financial benefit as a result of the Proposed Amendments to the Existing IMA. Accordingly, the Independent Directors of ConnXion have engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to provide the Non-Associated Shareholders of ConnXion with an independent expert report in relation to the merits or otherwise of the potential financial benefits to FCP.

In our opinion, the most appropriate way to evaluate the Proposed Amendments is to consider whether they are in the best interests of the Non-Associated Shareholders by comparing the likely advantages and disadvantages associated with the Proposed Amendments.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the likely advantages of the Proposed Amendments outweigh the likely disadvantages, accordingly the Proposed Amendments are in the best interest of Non-Associated Shareholders.

In forming our opinion on the Proposed Amendments, we have considered the following issues:

- The terms of the Existing IMA and the Proposed Amendments;
- The implications if the Proposed Amendments are not approved;
- Any other advantages and disadvantages of the Proposed Amendments.

The key amendments to the Existing IMA are in relation to the management fee, performance fee and transaction fee which are analysed individually below together with other relevant considerations for the Non-Associated Shareholders.

Management Fee

The term of the Existing IMA is proposed to be reduced from ten years[1] to five years commencing on the date shareholders approval is obtained and the minimum annual management fee is proposed to be reduced from $500,000[2] to $250,000. Refer to Section 1 for further details. In order to compensate FCP for the proposed changes to the management fee, the Independent Directors are also seeking shareholders approval to issue $2 million ConnXion Shares at 4.5 cents (i.e. 44,444,444 shares).

A comparison of the Existing Management Fee and the Proposed Management Fee plus the Compensation is set out below:

ConnXion Ventures Limited Management fee valuation summary	Section reference	Low A$'000	High A$'000
Existing management fee	5.1	3,492	3,492
Management fee amendments			
Proposed management fee	5.2	1,341	1,341
Compensation value	5.3	1,298	1,712
Amended management fee		2,639	3,053
Financial benefit to FCP - Base Case		**(854)**	**(440)**

Based on the above, we have assessed that the Proposed Amendments to the management fees do not give rise to an additional financial benefit to FCP.

[1] Under the terms of the Existing IMA, FCP have the option to renew the IMA for a further term of ten years subject to shareholders approval

[2] Under the terms of the Existing IMA, the management fee is the higher of $500,000 per annum or 2.5 percent per annum of the ConnXion's net assets or 2.5 percent per annum of ConnXion's market capitalisation.

Performance Fees Assessment

Under the Existing IMA, the annual performance fee is triggered only if total shareholders return is in excess of 10 percent after taking into account the dilutionary impact of future capital raisings and issue of shares. Under the Proposed Amendments, the Performance Fees are based on non-market hurdles based on the level of revenue and EBITDA margin.

It is our opinion that any attempt to assess the fair market value of the Performance Fee under the Existing IMA and Proposed Amendments will involve significant elements of subjective judgement and it will be based on initiatives yet to be implemented or completed which would prevent our assessment of the performance fee to be based on reasonable assumptions.

Specifically, the fair market value of the Existing Performance Fee is dependant upon the future market capitalisation and the implied total shareholders' return at each future reporting date over the term of the Existing IMA. The future market capitalisation of ConnXion can be affected by the performance and trends in the overall financial markets; financial performance of ConnXion; potential future acquisitions of other businesses; general level of competition in the industry and potential capital raising and related issue price to fund future growth and external acquisitions. Refer to Section 6 for further detailed discussion.

Accordingly, we have undertaken a qualitative analysis of the advantages and disadvantages of the Existing and Proposed Performance Fee as set out below.

Advantages

Term of the agreement

Under the Proposed Amendments, the term will be reduced from ten years[3] commencing on the 2 June 2009 to five years commencing from the date the Non-Associated Shareholders approve the Proposed Amendments. As a result, Non-Associated Shareholders are less exposed to the risks associated with a longer term fixed contract which includes the payment of performance fees on an annual basis for the duration of the Existing IMA. Under the Proposed Amendments, the Company makes a one-off performance fee payment for the achievement of certain performance hurdles.

Transparency of the performance fee calculation

The calculation of the performance fee payable under the Existing IMA is complex and difficult to understand and calculate for unsophisticated investors. The Proposed Amendments provides clear hurdles for FCP to achieve and sets out the Company's obligations under the circumstances in which these hurdles are met. This provides FCP with clearer targets and the market with better visibility on the possible future obligations of the Company.

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[3] Under the terms of the Existing IMA, FCP have the option to renew the IMA for a further term of ten years subject to shareholders approval.

Non market based performance hurdles

The non-market performance conditions attached to the Proposed Amendments are based on a target level of revenues and EBITDA margin which are in line with the Company's growth strategy. We note, the target EBITDA margin of 10 percent to be achieved to trigger the performance fee payment is consistent with the average EBITDA margin of companies operating in the IT sector.

Method of payment

Under the Proposed Amendments, the performance fee is to be paid in shares and/or options. This reduces liquidity risk for the Company and if the options are exercised, the Company will benefit from the cash inflow arising from the exercise price. Under the Existing IMA, the performance fee is payable in cash, although at the agreement of both parties the obligation may be satisfied with the issue of shares. As a result the interests of Non-Associated Shareholders and FCP are further aligned.

Disadvantages

Dilution as a result of new capital raisings

The performance hurdles set out in the Proposed Amendments do not consider the dilutionary impact for the Non-Associated Shareholders which may arise from the completion of future acquisitions. The Existing IMA provided better alignment between payment of the performance fee and total shareholders return as the performance fee calculation takes into account the dilution of the Company's shares as a result of future transactions. The Proposed Amendments do not reflect this dilution on existing shareholders' that may be necessary required in order to achieve the revenue and EBITDA hurdles.

We note that any substantial issue of new shares would be subject to shareholder's approval and shareholders would therefore retain the right to decide upon major acquisitions.

Dilution as a result of new performance fee consideration

Under the Proposed Amendments, FCP will receive shares and options as consideration of the performance fee. The shareholding of existing Non-Associated Shareholders will be diluted, which may impact the ability of existing Non-Associated Shareholders to influence the future direction of the Company. Further, FCP will increase its voting power in the Company as a result of the issue of shares and options under the Proposed Amendments.

Timing of payment of performance fee

If the revenue and profit guidance provided by the Company for FY11 are achieved, the first performance fee hurdle may be triggered under the Proposed Amendments in FY11. This would give rise to a performance fee of $1.5 million in FY11 payable in ConnXion securities. The timing and quantum of this payment is likely to be materially higher than the performance fee payable under the Existing IMA in FY11.

Under the Existing IMA the performance fee payable for the year ended 30 June 2010 was provisionally calculated by Management at approximately $95,000, subject to sign off from the Company's auditors. We also note that Management have estimated that the performance fee payable for FY11 under the Existing IMA would be significantly higher than FY10. However, in our opinion, the structure and terms of the performance fee under the Existing IMA would prevent its assessment to be based on reasonable assumptions. As a result we have not conducted a valuation of the performance fee or a review of Management's assumptions.

Non market based performance hurdles

If the Proposed Amendments are approved, FCP interest may not be fully aligned with shareholders of the Company as an increase of the Company's revenue and EBITDA margin, which may trigger the payment of the performance fee, may not directly translate into shareholder return.

Tax deduction on performance fee

Under the Existing IMA, the cash based consideration for performance fees may qualify for a tax deduction in Australia. However under the Proposed Amendments, consideration for the performance fees is in the form of shares and options, which may not qualify as a tax deduction.

Transaction fees assessment

Under the terms of the Existing IMA, FCP receives a fee equal to 2.5% of the transaction value of any acquisition irrespective of the amount of work and involvement of FCP in executing and completing the transaction.

Under the terms of the Proposed Amendments there is no provision for transaction fees. Any work carried out on transactions by FCP would be charged on a case by case basis at a level appropriate to the work carried out and FCP would receive no benefit if work on the acquisition was conducted internally or by a third party.

Other factors to be considered by the Non-Associated Shareholders

Term of the agreement

The full term of the Existing IMA is 10 years with the option of a further 10 years at the election of FCP, subject to shareholder approval by a simple majority. Under the Proposed Amendments, the term is five years from the date ConnXion obtains shareholders approval at which point the shareholders will be free to reconsider their position without obligation to FCP.

Termination without cause

The Existing IMA provides that if the Company terminates the IMA without cause, the Company has the obligation to pay FCP the lesser of:

- An amount equivalent to 8 times the Existing Management Fee in the quarter immediately preceding the issue by the Company of a notice of termination; or

- The total of:
  - Any amounts due and payable to FCP as at the date of termination;
  - The cost of cancellation of all agreements, arrangements, or understandings entered into by FCP in accordance with the Existing IMA for the benefit of the portfolio and the Company or the discharge of FCP's duties and obligations under the Existing IMA;
  - Reasonable costs of termination of the employment of any of FCP's employees or contractors as a result of the early termination of the Existing IMA; and
  - An amount representing the profit that FCP would reasonably have expected to earn if their appointment had continued until completion of the term.

The Independent Directors are not proposing to amend the termination without cause provision however, due to the shorter term of the Proposed Amendments and the lower management fee after FY11, a termination of the agreement without cause may give rise to lower financial obligations than an equivalent event under the Existing IMA.

Final Agreement

We note that we have not been provided with a copy of the revised IMA but only with an indication of the commercial terms of the Proposed Amendments agreed between the parties. In the event the final terms differ from those detailed in this report and relied on by us, this may have a material impact on our opinion. In the event that there is a material change we will notify shareholders and consider the implications, if any for our report.

Position of ConnXion Shareholders if the Proposed Amendments are not approved

If the Proposed Issue is not approved, it would be the independent directors' intention to continue the relationship with FCP based on the Existing IMA.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Amendments is a matter for each ConnXion Shareholder to decide based on their own views of the relative values of the Existing and Proposed Amendments and expectations about future market conditions, ConnXion performance, risk profile and investment strategy. If ConnXion Shareholders are in doubt about the action they should take in relation to the Proposed Amendments, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

SCOTT GRIFFIN
Director

15 October 2010

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by ConnXion Ventures Limited ("ConnXion") to provide general financial product advice in the form of an independent expert's report in relation to the proposed amendments (the "Proposed Amendments") to terms of the Investment Management Agreement ("IMA") between ConnXion and First Capital Management Aust Pty Ltd ("FCP") dated 2 June 2009. This report is included in the Company's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

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

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from ConnXion a fee of $50,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of ConnXion in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Outline of the Proposed Amendments

ConnXion Ventures Limited ("ConnXion") is an Australian public company listed on the Australian Securities Exchange ("ASX") primarily engaged in the provision of services for documentation, multi channel document delivery, archive and presentment, and payment solutions throughout Southeast Asia and Europe.

ConnXion entered into an Investment Management Agreement dated 2 June 2009 with FCP for FCP to assist the Company in managing and supervising its investments (the "Existing IMA").

FCP is deemed a related party to the Company in accordance with Chapter 2E of the Corporations Act as the FCP Group has a voting power in the Company of 13.29 percent[4] of the total issued capital on an undiluted basis and Mr. Andrew Phillips is a director of the Company and also a director of FCP.

Subject to shareholders approval, ConnXion is proposing to amend key terms of the Existing IMA as summarised in the following table. The other terms of the Existing IMA are expected to remain unchanged.

	Terms of the Existing IMA	**Terms of the Proposed Amendments**
Term	10 years from July 2009, with a further 10 year option at the election of FCP, subject to shareholders approval.	Five years from the date of approval from the Non-Associated Shareholders.
Management fee	The management fee is the higher of: • $500,000 per annum; or • 2.5 percent per annum of the ConnXion's net assets; or • 2.5 percent per annum of ConnXion's market capitalisation. The management fee is payable quarterly in advance at the start of each calendar quarter.	$500,000 per annum to 1 July 2011. Thereafter $250,000 per annum plus a 5 percent annual increase from 1 July 2012. As compensation for the reduced life of the agreement and the adjusted terms of the management fees, FCP will receive $2 million ConnXion Shares at 4.5 cents (i.e. 44,444,444 shares). If the Proposed Amendments are approved by the Non-Associated Shareholders, FCP will increase their interest in ConnXion from 13.29% to 21.59% on an undiluted basis and 19.10% to 25.67% on a fully diluted basis.

[4] Source Appendix 3B and FCP detailed shareholding dated 14 October 2010, however, we have been advised by the Independent Directors that FCP's holding is in the process of being reduced to 11.5 percent interest in ConnXion on an undiluted basis and a relevant shareholder interest notice will be lodged with the ASX in due course

<table>
<tr><td>Transaction fee</td><td>2.5 percent of the acquisition price of any acquisition.</td><td>To be charged on an ad hoc basis.</td></tr>
<tr><td>Performance fee</td><td>The performance fee is calculated as follows:

• Where the pre-tax internal rate of return (“IRR”) is 10 percent or less, no performance fee will be payable; or

• Where the pre-tax IRR is greater than 10 percent and less than or equal to 25 percent, the performance fee will be calculated as 20 percent of the amount by which the shareholder return exceeds the capitalised return implied by a notional 10 percent pre-tax IRR; or

• Where the pre-tax IRR is greater than 25 percent, the performance fee will be the aggregate of:

– 20 percent of the amount by which the capitalised return implied by a notional 25 percent pre-tax IRR exceeds the capitalised return implied by a notional 10 percent pre-tax IRR; plus

– 30 percent of the amount by which the shareholder return exceed the capitalised return implied by a notional 25 percent pre-tax IRR;

Less the aggregate of all performance fees previously paid by the Company to FCP from the commencement of the agreement up to the end of the previous performance fee period.</td><td>The amended performance fee is based on one-off revenue and EBITDA hurdles as follows;

• Where the Company earns $25 million of revenue and EBITDA of at least $2.5 million, FCP will be entitled to receive Performance Shares to the value of $1.5 million OR 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;

• Where the Company earns $50 million of revenue and EBITDA of at least $5 million, FCP will be entitled to receive Performance Shares to the value of $1.5 million OR 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;

• Where the Company earns $75 million of revenue and EBITDA of at least $7.5 million, FCP will be entitled to receive Performance Shares to the value of $1.5 million OR 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;

• Where the Company earns $100 million of revenue and EBITDA of at least $10 million, FCP will be entitled to receive Performance Shares to the value of $1.5 million OR 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;

The above amended performance fees are one-off payments that are not cumulative.</td></tr>
</table>

2 Purpose and scope of the report

Under the terms of the Proposed Amendments, FCP may receive a financial benefit as a result of the Proposed Amendments to the IMA.

Section 208 of the Corporations Act 2001 ("the Act") requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in section 210 of the Act.

There is no specific requirement for an independent expert's report to be commissioned in relation to the Proposed Amendments under Chapter 2E of the Act. However, ASIC Media Release 05-63 requires a valuation of a financial benefit provided to related parties to be included in the Explanatory Memorandum. Specifically, ASIC Media Release 05-63 requires the following to be included in the Explanatory Memorandum:

- The provision of a valuation of the financial benefit, including disclosure of the basis of the valuation and the main assumptions utilised;
- In some circumstances, the appointment of an independent expert particularly if there is a possibility of the directors having a conflict of interest in relation to the proposed transaction;
- The reasons for giving that benefit; and
- The basis for the financial benefit.

The independent directors of ConnXion have engaged Grant Thornton Corporate Finance to provide the Non-Associated Shareholders of the Company with an independent expert report in relation to the potential financial benefits that FCP may receive in conjunction with the Proposed Amendments.

In our opinion, the most appropriate way to evaluate the Proposed Amendments is to consider whether they are in the best interests of the Non-Associated Shareholders by comparing the likely advantages and disadvantages associated with the Proposed Amendments as set out in Resolutions 7 and 8 of the Notice of Meeting.

2.1 Basis of assessment

In forming our opinion on the merits of the Proposed Amendments and the potential financial benefit to FCP, we have considered the following issues:

- The terms of the Existing and Proposed Amendments including but not limited to:
  - Fees payable;
  - Potential term; and
  - Termination and change of control provisions;
- The implications if the Proposed Amendments are not approved;

- Any other advantages and disadvantages of the Proposed Amendments.

2.2 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Report" ("RG112").

In this regard, we note that Grant Thornton Corporate Finance provided financial advisory services to ConnXion in the past. This engagement was completed at the time when we were engaged to prepare this independent expert's report. Grant Thornton Corporate Finance and/or other related entities of Grant Thornton Australia Limited do not hold any shares or direct or indirect interest in ConnXion as at the date of this report and at the time of our engagement.

In our opinion, our previous engagement and dealing with ConnXion do not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Amendments. In our opinion, Grant Thornton Corporate Finance is independent of ConnXion, its Directors and all other parties involved in the Proposed Amendments.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Amendments by the Non-Associated Shareholders other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Amendments.

2.3 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 28 October 2010 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of whether or not to approve the Proposed Amendments. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Amendments to the Non-Associated Shareholders as a whole. We have not considered the potential impact on individual ConnXion Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications on individual shareholders.

The decision of whether or not to approve the Proposed Amendments is a matter for each Non-Associated Shareholder based on their own views of the value of the Existing and Proposed Amendments and expectations about future market conditions, ConnXion performance, risk profile and investment strategy. If the Non-Associated Shareholders are in any doubt about the action they should take in relation to whether or not to approve the Proposed Amendments, they should seek their own professional advice.

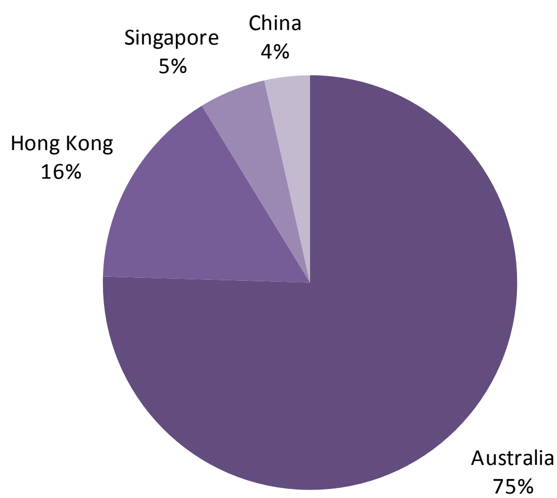
3 Profile of ConnXion

3.1 Overview

ConnXion is listed on the Australian Securities Exchange ("ASX") and provides integrated online, data, rewards and payments services. The Company's headquarters are based in Sydney with operations in Australia, Singapore, Hong Kong and China.

The geographical distribution of revenue in FY10 is set out below:

ConnXion Geographical distribution of revenue FY10



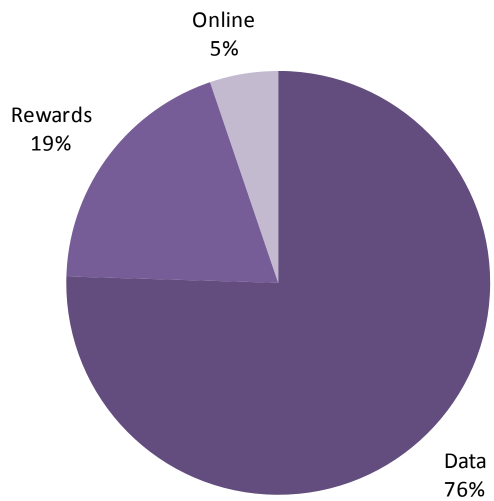
Source: ConnXion Appendix 4E FY10

ConnXion has the following operational divisions:

- ConnXion Data – provides communication services across multiple delivery channels. The services provided include data rendering, delivery, archiving and analysis;
- ConnXion Rewards – offers customer acquisition and retention services and employee rewards services. Customer acquisition and retention services are provided to luxury hotel chains, allowing patrons to be rewarded through the use of hotel facilities. Employee rewards services provide corporate clients with a mechanism to reward and incentivise their staff;
- ConnXion Payments – provides secure payment options for the customers of clients without the cost of in-house implementation; and
- ConnXion Online – provides a variety of services including IT outsourcing, data centre hosting, consulting and call centre services.

In FY10 the contribution to total revenue of each division was as set out below:

ConnXion Divisional distribution of revenue FY10



Source: ConnXion Appendix 4E FY10

ConnXion's key customers include Vodafone, Le Meridien, Singapore Post, People Telecom, News Ltd, Radisson, DHL, Jetstar, Cummins, W Hotels, Coca Cola Amatil, Harvey Norman, Sheraton Hotels and Resorts, Telstra International, TRU Energy, Bank of East Asia, Commonwealth Bank, Fairfax Media and BNP Paribas.

3.2 Recent acquisitions

During FY10 ConnXion completed four acquisitions as detailed below:

- In November 2009 ConnXion acquired 88.5 percent of Coverdrive Limited ("Coverdrive") for a total consideration of $2.3 million for this stake.

- In December 2009 ConnXion acquired Sonnet Corporation Limited ("Sonnet") for a total consideration of $2.9 million. The annualised revenue of Sonnet is estimated to be approximately $8.0 million.

- In April 2010 ConnXion acquired a 55 percent holding in Peppers & Rogers Group Pty Limited ("Peppers & Rogers"). ConnXion paid a total consideration of $0.3 million for this stake. Peppers & Rogers' annualised revenue is estimated to be approximately $1.0 million.

- In May 2010 ConnXion acquired the business, assets and customer contracts of KAZ Singapore ("KAZ"). ConnXion paid a total consideration of $0.8 million for KAZ's business, assets and customer contracts. KAZ's annualised revenue is estimated to be approximately $4.5 million.

3.3 Memoranda of understanding

In May and July 2010 ConnXion signed two Memoranda of Understanding ("MOU") as detailed below:

- In May 2010 ConnXion signed a MOU with Ease Card to create a payroll employee and rewards card issuing business with the intention of servicing the growing Chinese employment market. Discussions are currently underway to formalise the execution of the joint venture agreement.

- In July 2010 ConnXion signed a MOU with the Chinese company Global Data Solutions Limited to establish a China based data and transaction services business joint venture. Upon formal completion of the joint venture agreement ConnXion will have access to nine data centres in China that will extend the Company's capabilities in the electronic communication and billing space.

3.4 Financial information

3.4.1 Financial performance

The following table summaries the financial performance of ConnXion for the year ended 30 June 2009 and the year ended 30 June 2010:

ConnXion Income Statement	Audited FY09 $'000	Audited FY10 $'000
Revenue	3,903	12,615
Expenses		
Commercial costs	(1,161)	(1,951)
Staff costs	(2,885)	(9,423)
Premises	(199)	(396)
Communication	(546)	(977)
Sales and marketing	(9)	(230)
Transport and travel	(79)	(419)
Professional and advisory	(146)	(1,681)
General overheads	(188)	(485)
EBITDA	**(1,310)**	**(2,947)**
Depreciation and amortisation expense	(654)	(1,317)
EBIT	**(1,964)**	**(4,264)**
Interest expense	(98)	(257)
Interest income	14	40
FX translation	-	137
Profit / (loss) before tax	**(2,048)**	**(4,344)**
Income tax credit / (expense)	(515)	(336)
Net profit / (loss)	**(2,563)**	**(4,680)**

Source: ConnXion FY10 Annual Report

We note the following in relation to the above financial performance of ConnXion:

- Revenue increased by 223 percent to $12.6 million in FY10 driven by the contribution of the new acquisitions described in Section 1.2 and organic growth from the expanded product offering;
- Approximately $3 million of revenue was contributed in FY10 from ConnXion's Asian operations; and
- EBITDA loss in FY10 includes $1.5 million of one-off costs principally related to restructuring and acquisition costs.

3.4.2 Forecast and year to date financial performance

ConnXion has recently issued market guidance in relation to FY11. The Company forecast to achieve revenue of $38 million and EBITDA of $4 million. The Management of the Company have represented to us that the year to date EBITDA is in line with the FY11 EBITDA budget.

3.4.3 Financial position

The financial position of ConnXion as at 30 June 2009, 30 June 2010 and 31 August 2010 (unaudited) is set out in the table below:

ConnXion Balance Sheet	Audited As at 30 Jun 09 $'000	Audited As at 30 Jun 10 $'000	Unaudited As at 31 Aug 10 $'000
Current assets			
Cash and cash equivalents	135	2,410	2,187
Trade and other receivables	1,314	3,146	3,070
Current tax assets	240	240	-
Other current assets	39	164	425
Total current assets	**1,728**	**5,960**	**5,682**
Non-current assets			
Property, plant and equipment	40	2,723	2,955
Intangible assets	1,403	6,701	6,212
Deferred tax asset	1,000	709	696
Other non-current assets	193	691	897
Total non-current assets	**2,636**	**10,824**	**10,760**
Total assets	**4,364**	**16,784**	**16,442**
Current liabilities			
Trade and other payables	2,071	4,894	3,726
Borrowings	846	1,407	1,105
Current tax liabilities	-	18	-
Other creditors	-	1,588	3,260
Total current liabilities	**2,917**	**7,907**	**8,091**
Non-current liabilities			
Borrowings	479	2,650	2,500
Provisions	57	11	-
Other	-	877	974
Total non-current liabilities	**535**	**3,538**	**3,474**
Total liabilities	**3,452**	**11,445**	**11,565**
Net assets	**912**	**5,339**	**4,877**
Equity			
Issued capital	27,044	36,080	36,080
Equity-based payments reserve	(26,276)	(31,026)	(31,349)
Accumulated profits / (losses)	143	315	198
Non-controlling interest	-	(30)	(53)
Total equity	**911**	**5,339**	**4,876**

Source: ConnXion FY10 Annual Report and management accounts for August 2010

With regard to the above balance sheet of ConnXion, we note the following:

- As at 31 August 2010 $1.6 of other creditors related to deferred consideration payable on the acquisitions of Sonnet ($1.4 million) and Peppers & Rogers ($0.2 million);

- As at 30 June 2010 intangibles included \$2.5 million of goodwill, \$3.4 million of intellectual property and customer contracts and \$0.8 million of software;

- Net debt as at 31 August 2010 amounted to approximately \$1.4 million; and

- The deferred tax asset of \$0.7 million as at 31 August 2010 is related to tax losses which can be potentially used to offset future taxable income. Total gross tax losses carried forward at 30 June 2010 were \$6.6 million.

3.5 Capital Structure

As at 11 October 2010, ConnXion had the following securities on issue:

- 419,715,079 ConnXion Shares;

- 24,999,980 ConnXion convertible notes with a face value of \$1,249,999; and

- 82,933,390 unexpired ConnXion options ("ConnXion Options").

3.6 ConnXion share ownership

The top 10 shareholders of ConnXion as at 14 October 2010 on an undiluted basis are set out below:

Shareholder	No of shares	% of issued shares
FCP Group	55,778,564	13.3%
Welas Pty Ltd	18,803,418	4.5%
National Nominees Ltd	17,945,336	4.3%
Mr Kevin Tay Hak-Leong	12,983,532	3.1%
J P Morgan Nominees Australia Limited	12,130,091	2.9%
New fund Pty Ltd	11,250,000	2.7%
Fifty Second Celebration Pty Ltd	10,000,000	2.4%
Spinite Pty Ltd	9,314,534	2.2%
UBS Wealth Management Australia Nominees Pty Ltd	7,707,890	1.8%
Jasforce Pty Ltd	7,235,890	1.7%
Total Top Ten Shareholders	163,149,255	38.9%
Other Shareholders	256,565,824	61.1%
Total	419,715,079	100.0%

Source: ConnXion

The shareholdings of FCP, pre-Proposed Amendments and post-Proposed Amendments on an undiluted and fully diluted basis are set out below:

FCP Group Shareholding	Pre-Compensation Undiluted	Pre-Compensation Diluted	Post- Compensation Undiluted[1]	Post-Compensation Fully Diluted
FCP Group	13.29%	19.10%	21.59%	25.67%
Other	86.71%	80.90%	78.41%	74.33%
Total	100.00%	100.00%	100.00%	100.00%

Note 1 - FCP Group's undiluted holding post Proposed Amendments w ould be 19.97% if its pre Proposed undiluted holding w as 11.5 percent - refer to footnote 4 for further details

Source: ConnXion and calculations

3.7 ConnXion Options

A summary of the ConnXion Options on issue at 15 October 2010 is outlined in the table below:

Class	Expiry date	Exercise price A$	Number of Options
Class 1	16-Jul-12	0.07	60,975,610
Class 2	07-Oct-12	0.07	942,237
Class 3	12-Nov-12	0.07	21,015,543
			82,933,390

Source: ConnXion

The top 10 option holders of ConnXion as at 15 October 2010 on an undiluted basis are set out below:

Option Holders	No of options	% of issued options
FCP Group	40,241,373	48.5%
Jasforce Pty Ltd	7,235,890	8.7%
Transcontinental Asset Management	7,235,890	8.7%
Spinite Pty Ltd	4,341,534	5.2%
Koolew ong Partners Pty Ltd	4,492,086	5.4%
Olw yn Enterprises Pty Ltd	3,467,502	4.2%
Mr Michael Crow ley &	2,966,754	3.6%
Cardy & Company Pty Ltd	2,894,356	3.5%
Avitw o Pty Ltd	1,483,377	1.8%
Chalayer Holdings Pty Ltd	1,447,178	1.7%
Total Top Ten Option holders	75,805,940	91.4%
Other Option Holders	7,127,450	8.6%
Total	82,933,390	100.0%

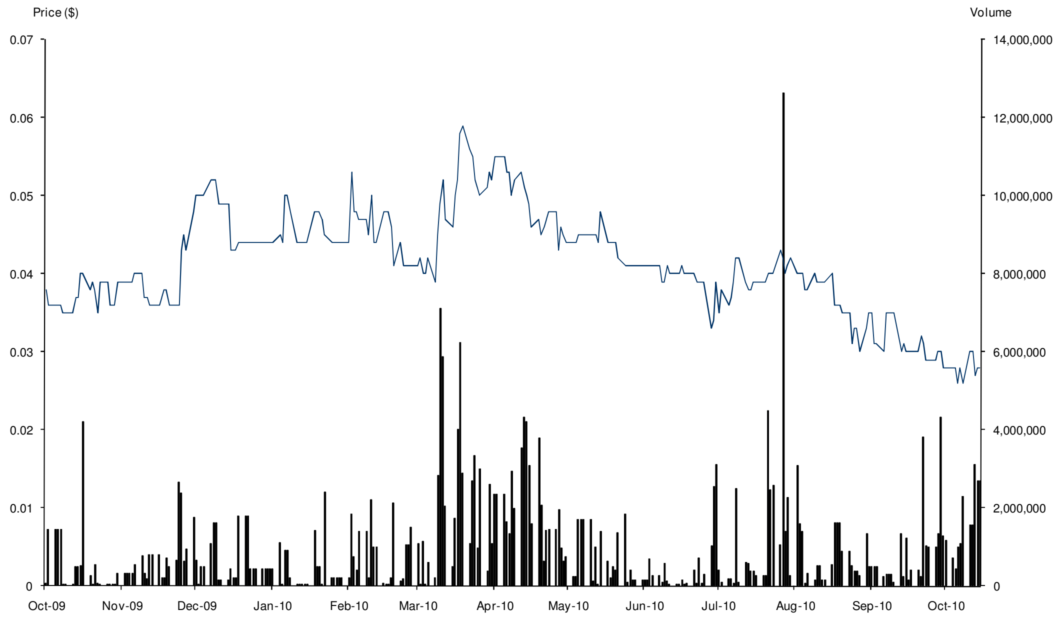
Source: ConnXion

3.8 Share price performance

The share market price movements and volumes of ConnXion Shares traded on the ASX from 1 October 2009 to 15 October 2010 are set out below:

	Share price			Average weekly volume
CXN	High ($)	Low ($)	Close ($)	(000's)
Month ended				
October 2009	0.040	0.035	0.039	2,964
November 2009	0.048	0.036	0.048	3,862
December 2009	0.052	0.043	0.044	3,414
January 2010	0.050	0.044	0.044	2,304
February 2010	0.055	0.040	0.041	4,192
March 2010	0.061	0.039	0.052	11,187
April 2010	0.057	0.043	0.044	10,644
May 2010	0.048	0.037	0.041	3,758
June 2010	0.042	0.031	0.039	2,469
July 2010	0.045	0.035	0.042	7,600
August 2010	0.041	0.030	0.035	4,235
September 2010	0.035	0.028	0.028	4,674
October 2010	0.030	0.026	0.028	8,304
Week ended				
29-Apr-2010	0.048	0.043	0.045	6,480
6-May-2010	0.045	0.040	0.045	4,647
13-May-2010	0.045	0.040	0.044	4,579
20-May-2010	0.048	0.041	0.044	3,132
27-May-2010	0.043	0.037	0.041	3,865
3-Jun-2010	0.042	0.040	0.041	1,282
10-Jun-2010	0.041	0.038	0.041	1,345
17-Jun-2010	0.041	0.040	0.040	199
24-Jun-2010	0.040	0.038	0.039	1,368
1-Jul-2010	0.040	0.031	0.035	7,362
8-Jul-2010	0.044	0.036	0.042	3,036
15-Jul-2010	0.042	0.038	0.039	2,039
22-Jul-2010	0.041	0.039	0.040	7,786
29-Jul-2010	0.045	0.040	0.041	19,906
5-Aug-2010	0.042	0.038	0.038	6,427
12-Aug-2010	0.040	0.036	0.039	1,708
19-Aug-2010	0.040	0.035	0.036	5,580
26-Aug-2010	0.035	0.030	0.033	3,095
2-Sep-2010	0.035	0.030	0.031	3,098
9-Sep-2010	0.035	0.030	0.035	1,648
16-Sep-2010	0.035	0.030	0.030	3,024
23-Sep-2010	0.032	0.029	0.029	5,910
30-Sep-2010	0.030	0.028	0.028	8,984
7-Oct-2010	0.029	0.026	0.028	4,413
14-Oct-2010	0.030	0.026	0.028	11,175

Source: Reuters



Source: Reuters

We note the following in relation to the recent share price history shown above:

Date	Comments
8 September 2009	ConnXion announced the acquisition of Sonnet Corporation Plc subject to due diligence and shareholder approval. The ConnXion share price closed at 4 cents.
8 December 2009	ConnXion announced the completion of the Sonnet Acquisition. The ConnXion share price closed at 5.2 cents.
2 February 2010	ConnXion announced the completion of a $4.3 million capital raising to fund ongoing growth. The ConnXion share price closed at 5.3 cents.
8 March 2010	ConnXion announced $4 million of new and extended contracts. The ConnXion share price closed at 3.9 cents.
9 April 2010	ConnXion announced a strategic partnership with Peppers and Rogers. The ConnXion share price closed at 5.2 cents.
14 April 2010	ConnXion announced the acquisition of the business, assets and customer contracts of KAZ. The ConnXion share price closed at 5.0 cents.
19 April 2010	ConnXion announced the acquisition of a controlling interest in Peppers & Rogers Group Pty. The ConnXion share price closed at 4.7 cents.
20 May 2010	ConnXion announced new and extended contracts of $3.5 million. The ConnXion share price closed at 4.4 cents.
9 June 2010	ConnXion announced a joint venture with Ease Card China. The ConnXion share price closed at 3.9 cents.

21 June 2010	ConnXion issued revenue and profit guidance of $38 million and $4 million for FY11. The ConnXion share price closed at 4.0 cents.
5 July 2010	ConnXion announced entry into China's e-billing and payments market through an agreement with GDS China. The ConnXion share price closed at 3.6 cents.
30 July 2010	ConnXion announced the intention to raise $3 million to $5 million to fund expansion in Asia. The ConnXion share price closed at 4.2 cents.
30 August 2010	ConnXion released its preliminary final report for FY10. The ConnXion share price closed at 3.3 cents.
10 September 2010	ConnXion announced the completion of the first phase of its capital raising with the issue of 45 million new shares at 3.25 cents per share. The ConnXion share price closed at 3.5 cents.

Source: ASX

4 Assessment of the financial benefit

4.1 Approach

We have assessed the potential financial benefit to be provided to FCP by comparing the key changes in the IMA in relation to the following:

- Management Fee;
- Performance Fee;
- Transaction Fee; and
- Other Changes.

Set out in the following sections is our assessment of the merits of the proposed changes for each of the items above.

5 Valuation of management fees

Based on the terms of the Existing and Proposed Amendments, we have compared the following in our assessment of the financial benefit related to the management fee:

- The value of the existing management fee (the "Existing Management Fee"); and
- The value of the proposed management fee (the "Proposed Management Fee") plus the compensation ("Proposed Compensation") for the change in the terms and make-up of the Existing Management Fee.

A detailed description of our selected valuation approach is set out in Appendix B.

5.1 Valuation of Existing Management Fee

Based on the terms of the Existing IMA, the Existing Management Fee is calculated as the higher of:

- $500,000 per annum; or
- 2.5 percent of ConnXion's net asset value; or
- 2.5 percent of ConnXion's market capitalisation.

As at 30 June 2010, the book value of ConnXion's net assets was approximately $5.3 million and as at 14 October 2010 ConnXion's market capitalisation was approximately $11.8 million. Accordingly, for the purpose of this valuation we have assessed the present value of the Existing Management Fee based on $500,000 per annum over the remaining term of the existing management agreement.

We note that the Existing IMA is over a total initial term of 10 years. FCP may elect to exercise the option to extend the initial term by a further 10 year term, subject to shareholder approval by simple majority. We have been advised by ConnXion and its legal advisors that FCP will be precluded from voting in relation to the potential extension of the IMA in accordance with the requirements of the Corporations Act. As at the date of this report it is unknown whether or not FCP will elect to extend the IMA for a further 10 years and if the Non-Associated Shareholders will approve the extension. However we note that even under the proposed IMA FCP is not prevented from seeking an extension at the end of the five year term.

We have assessed the net present value of the future Existing Management Fee at $3.5 million. We have discounted the expected cash flows attributable to the Existing Management Fee at the risk free rate. The risk free rate is used to reflect the fact that the management fees are contracted annual cash flows over the term of the IMA. We have selected a risk free rate having regard to the yield on 10 year government bonds in Australia.

We note that, in the event that the market capitalisation increases above $20.0 million during the term of the Existing IMA, the annual management will be calculated as 2.5% of ConnXion's market capitalisation and it will increase accordingly compared with the management fee included in our valuation assessment.

5.2 Valuation of Proposed Management Fee

The Proposed Management Fee is $500,000 for the year ending 30 June 2011 and thereafter is equal to $250,000 per annum for the remaining term of the agreement with an annual increase of 5 percent.

As discussed above, we have discounted the expected cash flows attributable to the Proposed Management Fee at the risk free rate.

We have assessed the net present value of the Proposed Management Fee at $1.3 million.

5.3 Valuation of Proposed Compensation

The Proposed Compensation for the changes in the term of the Management fee is the issue of $2 million worth of shares ("Compensation Shares") at 4.5 cents (i.e. 44,444,444 shares).

Set out below is our assessment of the Compensation Shares.

5.3.1 Valuation of Compensation Shares

In order to assess the financial benefits to be provided to FCP, we have valued the Compensation Shares having regard to the underlying value of ConnXion shares by reference to:

- Earnings multiples;
- The historical quoted price of ConnXion shares; and
- The price of recent issues of ConnXion shares.

We have assessed the fair market value per share of ConnXion between $0.029 and $0.039. Refer to Appendix A for a detailed valuation assessment. Set out below is a summary of our assessment of value per ConnXion share:

ConnXion Ventures Limited Value per share summary	Section reference	Low A$	High A$
Capitalisation of earnings	Appendix A1	0.029	0.039
Historical VWAP	Appendix A2	0.028	0.035
Recent capital raising	Appendix A3	0.033	0.033

Based on the above, we have assessed the total value of the Compensation Shares in the range of $1.3 million to $1.7 million.

5.4 Management fee valuation summary

A comparison of the Existing Management Fee and the Proposed Management Fee plus the Compensation in the Base Case scenario is set out below:

ConnXion Ventures Limited Management fee valuation summary	Section reference	Low A$'000	High A$'000
Existing management fee	5.1	3,492	3,492
Management fee amendments			
Proposed management fee	5.2	1,341	1,341
Compensation value	5.3	1,298	1,712
Amended management fee		2,639	3,053
Financial benefit to FCP - Base Case		**(854)**	**(440)**

Based on the above, we have assessed that the Proposed Amendments to the management fees do not give rise to an additional financial benefit to FCP.

6 Performance fee assessment

In accordance with the requirements of the Corporations Act, a valuation of the potential financial benefits arising from the Proposed Amendments is required to be provided to the Non-Associated Shareholders of ConnXion. However, we note that we have not conducted a quantitative valuation assessment of the potential financial benefits arising from the Proposed Amendments to the Performance Fees due to the following:

- The fair market value of the Existing Performance Fee is dependant upon the future market capitalisation and the implied total shareholders return at each future reporting date over the term of the Existing IMA. The future market capitalisation of ConnXion can be affected by the following factors:
  - Performance and trends in the overall financial markets;
  - Financial performance of ConnXion;
  - Potential future acquisitions of other businesses. We note that the Directors of ConnXion have stated that they intend to grow the business aggressively, principally by way of external acquisitions, and they have set a strategic target to achieve $100 million in revenue by 2012;
  - Overall supply and demand for ConnXion services and general level of competition in the industry; and
  - Potential capital raising and related issue price to fund growth and external acquisitions.

Whilst a valuer can use sophisticated algorithms and mathematical models to forecast the future share price of a listed company, such as Montecarlo simulation, we are of the opinion that this model will not yield a reasonable and meaningful assessment of the share price of ConnXion given the strategy of the Directors to grow the business aggressively with external acquisitions. This assumption cannot be incorporated into a Montecarlo simulation to assess the future share price of the Company.

- The fair market value of the Proposed Performance Fee is dependant upon the future level of revenue and EBITDA of ConnXion which is dependent upon the completion of future acquisitions and organic growth. Furthermore, we note that our valuation assessment of the fair market value of the Proposed Performance Fee is limited by the following:
  - The Company does not prepare long term forecasts beyond 30 June 2011 which would be of assistance in assessing the forecast level of revenue and EBITDA over the remaining term of the IMA; and
  - ConnXion has limited coverage from financial analysts with only one broker's report released in the last twelve months.

Based on the discussions above, it is our opinion that any attempt to assess the fair market value of the Existing and Proposed Performance Fee will involve significant elements of subjective judgement and it will be based on initiatives yet to be implemented or completed which would prevent our assessment to be based on reasonable assumptions.

Accordingly, we have undertaken a qualitative analysis of the advantages and disadvantages of the Existing and Proposed Performance Fees as set out below.

6.1 Advantages

Term of the agreement

Under the Proposed Amendments, the term will be reduced from ten years[5] commencing on the 2 June 2009 to five years commencing from the date the Non-Associated Shareholders approve the Proposed Amendments. As a result, Non-Associated Shareholders are less exposed to the risks associated with a longer term fixed contract which includes the payment of performance fees on an annual basis for the duration of the Existing IMA. Under the Proposed Amendments, the Company makes a one-off performance fee payment for the achievement of certain performance hurdles.

Transparency of the performance fee calculation

The calculation of the performance fee payable under the Existing IMA is complex and difficult to understand and calculate for unsophisticated investors. The Proposed Amendments provides clear hurdles for FCP to achieve and sets out the Company's obligations under the circumstances in which these hurdles are met. This provides FCP with clearer targets and the market with better visibility on the possible future obligations of the Company.

Non market based performance hurdles

The non-market performance conditions attached to the Proposed Amendments are based on a target level of revenues and EBITDA margin which are in line with the Company's growth strategy. We note, the target EBITDA margin of 10 percent to be achieved to trigger the performance fee payment is consistent with the average EBITDA margin of companies operating in the IT sector.

Method of payment

Under the Proposed Amendments, the performance fee is to be paid in shares and/or options. This reduces liquidity risk for the Company and if the options are exercised, the Company will benefit from the cash inflow arising from the exercise price. Under the Existing IMA, the performance fee is payable in cash, although at the agreement of both parties the obligation may be satisfied with the issue of shares. As a result the interests of Non-Associated Shareholders and FCP are further aligned.

6.2 Disadvantages

Dilution as a result of new capital raisings

The performance hurdles set out in the Proposed Amendments do not consider the dilutionary impact for the Non-Associated Shareholders which may arise from the completion of future

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[5] Under the terms of the Existing IMA, FCP have the option to renew the IMA for a further term of ten years subject to shareholders approval.

acquisitions. The Existing IMA provided better alignment between payment of the performance fee and total shareholders return as the performance fee calculation takes into account the dilution of the Company's shares as a result of future transactions. The Proposed Amendments do not reflect this dilution on existing shareholders' that may be necessary required in order to achieve the revenue and EBITDA hurdles.

We note that any substantial issue of new shares would be subject to shareholder's approval and shareholders would therefore retain the right to decide upon major acquisitions.

Dilution as a result of new performance fee consideration

Under the Proposed Amendments, FCP will receive shares and options as consideration of the performance fee. The shareholding of existing Non-Associated Shareholders will be diluted, which may impact the ability of existing Non-Associated Shareholders to influence the future direction of the Company. Further, FCP will increase its voting power in the Company as a result of the issue of shares and options under the Proposed Amendments.

Timing of payment of performance fee

If the revenue and profit guidance provided by the Company for FY11 are achieved, the first performance fee hurdle may be triggered under the Proposed Amendments in FY11. This would give rise to a performance fee of $1.5 million in FY11 payable in ConnXion securities. The timing and quantum of this payment is likely to be materially higher than the performance fee payable under the Existing IMA in FY11.

Under the Existing IMA the performance fee payable for the year ended 30 June 2010 was provisionally calculated by Management at approximately $95,000, subject to sign off from the Company's auditors. We also note that Management have estimated that the performance fee payable for FY11 under the Existing IMA would be significantly higher than FY10. However, in our opinion, the structure and terms of the performance fee under the Existing IMA would prevent its assessment to be based on reasonable assumptions. As a result we have not conducted a valuation of the performance fee or a review of Management's assumptions.

Non market based performance hurdles

If the Proposed Amendments are approved, FCP interest may not be fully aligned with shareholders of the Company as an increase of the Company's revenue and EBITDA margin, which may trigger the payment of the performance fee, may not directly translate into shareholder return.

Tax deduction on performance fee

Under the Existing IMA, the cash based consideration for performance fees may qualify for a tax deduction in Australia. However under the Proposed Amendments, consideration for the performance fees is in the form of shares and options, which may not qualify as a tax deduction.

7 Transaction fee assessment

Under the terms of the Existing IMA, FCP receives a fee equal to 2.5% of the transaction value of any acquisition irrespective of the amount of work and involvement of FCP in executing and completing the transaction.

Under the terms of the Proposed Amendments there is no provision for transaction fees. Any work carried out on transactions by FCP would be charged on a case by case basis at a level appropriate to the work carried out and FCP would receive no benefit if work on the acquisition was conducted internally or by a third party.

8 Other factors to be considered by the Non-Associated Shareholders

Term of the agreement

The full term of the Existing IMA is 10 years with the option of a further 10 years at the election of FCP, subject to shareholder approval by a simple majority. Under the Proposed Amendments, the term is five years from the date ConnXion obtains shareholders approval at which point the shareholders will be free to reconsider their position without obligation to FCP.

Termination without cause

The Existing IMA provides that if the Company terminates the IMA without cause, the Company has the obligation to pay FCP the lesser of:

- An amount equivalent to 8 times the Existing Management Fee in the quarter immediately preceding the issue by the Company of a notice of termination; or

- The total of:

  - Any amounts due and payable to FCP as at the date of termination;

  - The cost of cancellation of all agreements, arrangements, or understandings entered into by FCP in accordance with the Existing IMA for the benefit of the portfolio and the Company or the discharge of FCP's duties and obligations under the Existing IMA;

  - Reasonable costs of termination of the employment of any of FCP's employees or contractors as a result of the early termination of the Existing IMA; and

  - An amount representing the profit that FCP would reasonably have expected to earn if their appointment had continued until completion of the term.

The Independent Directors are not proposing to amend the termination without cause provision however, due to the shorter term of the Proposed Amendments and the lower management fee after FY11, a termination of the agreement without cause may give rise to lower financial obligations than an equivalent event under the Existing IMA.

9 Sources of information, disclaimer and consents

9.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Annual report of ConnXion for FY08, FY09 and FY10;
- Management accounts of ConnXion for the financial year to 31 August 2010;
- Management budget of ConnXion for FY11;
- Investment Management Agreement;
- Reuters;
- Onesource:
- IBISWorld; and
- Other publicly available information.

9.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act 2001 and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to ConnXion and all other parties involved in the Proposed Amendments with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to ConnXion, its shareholders and all other parties involved in the Proposed Amendments.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with ConnXion or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Amendments.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Amendments, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Amendments. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

9.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by ConnXion and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by ConnXion and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of ConnXion.

This report has been prepared to assist the directors of ConnXion in advising the Non-Associated Shareholders in relation to the Proposed Amendments. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Amendments are fair and reasonable to the Non Associated Shareholders.

ConnXion has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by ConnXion which ConnXion knew or should have known to be false and/or reliance on information, which was material information ConnXion had in its possession and which ConnXion knew or should have known to be material and which ConnXion did not provide to Grant Thornton Corporate Finance. ConnXion will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

9.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to the ConnXion Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A – Valuation of the Compensation Shares

We have assessed the fair market value of the Compensation Shares having regard to the following valuation methodologies:

- The capitalisation of earnings method;
- The market value of listed securities; and
- The prices at which recent issues of ConnXion shares have taken place.

A detailed assessment of the value per ConnXion share using the above approaches is set out below.

1 Capitalisation of earnings

i EBITDA

ConnXion has recently released market guidance of $4 million for the FY11 EBITDA. Furthermore, the YTD EBITDA for the first quarter of FY11 was in line with the monthly budget for FY11.

We note that the FY11 EBIDA guidance of $4 million does not include potential synergies achievable from the recently completed acquisition and it refers to the existing structure of the Management Fee (i.e. $0.5 million per annum as opposed to $0.25 million per annum).

Accordingly, we have assessed the future maintainable EBITDA between $4.25 million to $4.75 million for the purpose of our valuation assessment of ConnXion following the implementation of the Proposed Amendments.

ii EBITDA multiple of comparable companies

ConnXion operates an integrated online, data, rewards and payments services business in Australia, Singapore, Hong Kong and China. The following table summarises the trading multiples for listed companies operating in similar industry sectors as ConnXion, which are listed on the Australian stock exchange. We have also considered the direct competitors of ConnXion set out in the companies Share Purchase Plan of September 2010 and companies listed in Singapore, Hong Kong and China. Companies listed in Asia operating in similar industry sectors were excluded from the analysis below as they were either too large to be usefully comparable, or insufficient financial information was available.

ConnXion Ventures Limited						
Comparable listed company trading multiples						
Company	**Country**	**Currency**	**Market Cap (Millions)**	**EV/EBITDA FY11**	**EV/EBITDA FY12**	**EV/EBITDA FY13**
Comparables						
CSG Ltd	Australia	AUD	444	5.7x	5.3x	5.0x
SMS Management & Technology Ltd	Australia	AUD	427	8.7x	7.6x	7.1x
DWS Advanced Business Solutions Ltd	Australia	AUD	215	6.7x	6.0x	5.5x
ASG Group Ltd	Australia	AUD	210	6.9x	5.9x	5.0x
Data#3 Ltd	Australia	AUD	149	4.8x	4.5x	4.4x
Customers Ltd	Australia	AUD	275	5.7x	5.4x	5.3x
RP Data Ltd	Australia	AUD	158	5.4x	4.8x	4.6x
eServGlobal Ltd	Australia	AUD	112	2.9x	2.7x	N/a
Competitors						
Computershare Ltd	Australia	AUD	5,445	11.3x	10.0x	9.3x
Total System Services Inc	United States	USD	2,958	6.4x	6.1x	N/a
Comparables Mean				**5.9x**	**5.3x**	**5.3x**
Comparables Median				**5.7x**	**5.4x**	**5.0x**

Note 1 - ConnXion is currently trading at an enterprise value of approximately 2.6x FY11 budget EBITDA of $6.3 million, however we note that the most recent FY11 target EBITDA released to the market in the Company's annual report on 30 September 2010 was $4.0 million, indicating an EV/FY11 EBITDA multiple for ConnXion of approximately 4.0x

Source: Reuters

As competitors of ConnXion, Computershare Limited and Total System Services Inc are included for reference, but are considered to be too large and diverse to be directly comparable to ConnXion.

We note the following in relation to the comparable companies selected:

- The comparable companies have a range of EV/ FY11 forecast EBITDA multiples of 2.9x to 8.7x with a mean of 5.9x and a median of 5.7x;

- All of the above companies are materially larger than ConnXion;

- All of the companies with the exception of eServGlobal Limited ("eServGlobal") were profitable at the EBITDA level in the latest financial year;

- CSG Limited operates in Australia and New Zealand in the IT outsourcing and office services sector, although it is also a provider of office supplies;

- SMS Management & Technology Limited operates in the management and technology related business services sector in Australia, notably in the information and data management and customer relationship management areas;

- DWS Advanced Business Solutions Limited operates in the IT services sector throughout Australia, offering services including custom software development and data management;

- ASG Group Limited provides IT services in Australia, including applications and infrastructure outsourcing, business intelligence and IT consulting;

- Data#3 Limited provides IT software and hardware solutions to business customers as well as consulting services, information and communication technology solutions and recruitment in Australia;

- Customers Limited provides automated teller machine and payment system services in Australia and New Zealand;

- RP Data Limited provides property information services in Australia and New Zealand, including the collection, storage, analysis and distribution of data;

- eServGlobal has worldwide operations, providing solutions for mobile payment for telecom service providers.

We have set out in Appendix C a brief description of the companies selected.

iii EBITDA multiples conclusion

Prior to us forming an opinion on the appropriate EBITDA multiple range to value ConnXion, we have further considered the size of the companies selected as compared to ConnXion. The majority of the comparable companies are materially larger than ConnXion. In general, larger companies tend to have higher trading multiples than smaller companies.

We note the following additional risks specific to ConnXion that are not fully reflected in the observed multiples:

- Lack of historical profitability;

- Expansion into new geographical markets;

- Expansion into new service lines;

- Integration of the recently completed acquisitions; and

- Lack of historic basis for future projections.

Based on the above, Grant Thornton Corporate Finance has assessed an EBITDA multiple for the valuation of ConnXion in the range of 4.25x to 4.75x, on a minority basis.

For the purposes of reporting our assessment of the selected EBITDA multiples, we have further considered the EBITDA multiples implied by recent transactions in the relevant industry sectors as set out below.

ConnXion Ventures Limited
Comparable transaction multiples

Date	Target	Acquirer	Enterprise Value (A$ millions)	EV/EBITDA (times)
24/09/2007	First Data Corporation	Kohlberg Kravis Roberts & Co	33015.44	14.8x
31/10/2008	Ikon Office Solutions Inc	Ricoh Company Ltd	2705.12	8.4x
29/12/2008	SI International Inc	Serco Inc.	596.38	11.0x
22/07/2008	Datacraft Asia Ltd (55.11% stake)	Dimension Data Holdings Plc	477.53	9.5x
30/10/2008	MYOB Limited	Manhattan Softw are Bidco Pty Limited	404.00	5.6x
25/08/2008	Singapore Computer Systems Limited	Computer Systems Holdings Pte Ltd	142.27	4.9x
10/03/2008	Hostw orks Group Limited	Broadcast Australia Pty Limited	65.54	11.0x
15/01/2010	NetStar Group Holding Ltd	Datatec Limited	22	3.1x
Mean				**8.5x**
Median				**9.0x**

Source: Mergermarket and company data

A brief description of the target companies is set out in Appendix D.

In relation to the EBITDA multiples implied by the above transactions, we note that:

- The transaction value may incorporate various levels of the control premium and special values paid for by the acquirers; and
- The transactions observed took place during the period from FY07 to FY10. Economic factors, including interest rates and consumer confidence, during that period varied materially from those current as at the date of this report. These factors may influence the amounts paid by the acquirers for these businesses.

Based on the above we consider that our selected EV/EBITDA multiple range of 4.25x to 4.75x on a minority basis is not unreasonable.

iv Net debt/cash

The capitalisation of ConnXion's EBITDA results in an enterprise value. In order to arrive at the equity value of ConnXion and, by extension, its underlying share price, we have deducted the level of net debt from the enterprise value.

Based on the financial position of ConnXion, as at 31 August 2010, we have adopted a net debt balance of approximately $3.25 million for the purpose of our valuation. We have included the deferred consideration of $1.6 million outstanding on the Sonnet and Peppers & Rogers acquisitions in the net debt and a one-off additional $0.25 million to reflect the higher Proposed Management Fee of $0.5 million in FY11 not incorporated in our EBITDA assessment.

v Value of existing ConnXion Options

We have adopted the Binomial option valuation approach to the value of the ConnXion Options. The key assumptions for the valuation of the options are set out as below:

- Underlying share price – we have adopted the current share price in the range of 3.0 cents per share on a minority basis, which is consistent with our valuation range of the ConnXion Shares;
- Exercise price as per the specific terms of each class of options;
- Volatility – we have adopted a volatility of between 70 percent and 80 percent having regard to the volatility of ConnXion and its comparable companies and the terms of the options;
- Risk free rate - we have adopted the three years Australian Commonwealth Government Bond yield of 4.79 percent as the risk free rate; and
- Option life as per the specific terms of each class of options.

Based on the above, we have assessed the value of the existing ConnXion options in the range of $0.4 million to $0.5 million.

vi Value of Convertible Notes

We have estimated the fair market value of the convertible notes using a valuation methodology based on the model set out by Tsiveriotis and Fernandes.[6] This model is based on the principle that a convertible note consists of two components, an equity component and a debt component which are subject to different risks.

The model assumes that the equity component of the convertible notes follow an amended version of the Black-Scholes model based on the underlying share price. The model takes into account the possibility of an early exercise of the option embedded in the convertible note and calculates the value at selected testing dates over the life of the instrument.

The debt component is discounted at the risk free rate plus an appropriate credit spread, as the coupon and principal payments require cash settlement.

The value of the convertible notes was assessed based on the following assumptions:

- Face value of the notes $1,249,999;
- Expiry date of February 2012;
- Conversion price of 3.5 cents;
- Underlying share price of 3.0 cents;

[6] Tsiveriotis, K. and Fernandes, C., "Valuing convertible bonds with credit risk', Journal of Fixed Income, 95-102, September 1998

- Risk free rate of 4.79 percent, based on the average yield on Australian Government Bonds of comparable life to the notes; and

- Market based interest rate for a bond with similar terms and risk profile assessed at 15 percent;

- The notes are convertible into 35,714,257 ordinary shares; and

- Assessed annualised volatility of between 70 percent and 80 percent over the life of the notes.

Based on the above, we have assessed the equity value of the existing ConnXion convertible notes in the range of $0.3 million to $0.4 million and the debt component to be $1.25 million.

vii Tax losses

At the end of FY10 ConnXion had carried forward gross tax losses of approximately $6.6 million. For the purposes of this valuation and in the absence of detailed forecast future cash flows, we have adopted Management's estimate of the net value of these tax losses of $0.9 million. We note that Management's estimate of the net present value of tax losses is based on a profit before tax growth rate that is conservative in comparison to that adopted in recent brokers' reports on the Company.

viii Performance fee assessment

We note that the assessment of maintainable EBITDA in Appendix A1i does not include any consideration of performance fees. As described in Section 6, the uncertainty surrounding any long term forecasts in a business of this nature renders any valuation impractical. We have therefore removed a one-off performance fee cost of $1.5 million under the assumption that a maintainable EBITDA of $4.25 million to $4.75 million would only exceed the first performance fee hurdle under the terms of the Proposed Amendments.

ix Underlying share price based on capitalised earning method

Our assessment of the underlying share price of ConnXion is set out below. We note that the EBITDA used does not include any deduction for the Proposed Performance Fee. As such we have deducted an estimated net present value of the performance fee from the enterprise value to adjust for this.

ConnXion Ventures Limited Underlying share price	Section reference	Low	High
FY11 Forecast EBITDA (A$'000)	Appendix A1i	4,250	4,750
EV/EBITDA Multiple	Appendix A1ii	4.25x	4.75x
Enterprise value (A$'000)		**18,063**	**22,563**
First hurdle Proposed performance fee	Appendix A1viii	(1,500)	(1,500)
Net debt (A$'000)	Appendix A1iv	(3,256)	(3,256)
Existing options value (A$'000)	Appendix A1v	(389)	(516)
Convertible notes equity component (A$'000)[1]	Appendix A1vi	(305)	(355)
Value of tax losses (A$'000)[2]	Appendix A1vii	939	939
Equity value (A$'000)		**13,551**	**17,874**
Shares outstanding (Million)[3]		464.16	464.16
Value per share (A$)		**0.029**	**0.039**

Note 1 - Convertible notes equity component calculated using the binomial approach, assuming a risk free rate of 4.79%, volatility of 70% to 80% and share price of A$0.03
Note 2 - Tax losses as calculated by CXN Management
Note 3 - Shares outstanding at 14 October 2010 plus Compensation Shares

2 Quoted price of listed securities

For the purpose of assessing the underlying value of ConnXion Shares, we have had regard to the share market prices of ConnXion over the last six months.

When using the share market prices to assess the value of ConnXion Shares, we also note that:

- Our assessed value of ConnXion Shares derived from the share market prices are based on the market price of minority or portfolio shareholdings traded and do not include a premium for control;
- The value of ConnXion Shares does not reflect the proposed changes to the IMA;
- The future share market prices of ConnXion Shares will be determined by a wide range of factors, including:
  - the financial performance of ConnXion, including the realisation of potential synergies associated with the recent acquisitions;
  - investors' perceptions on the value of ConnXion Shares;
  - the performance of the share market in general; and
  - the liquidity of ConnXion Shares.

We have summarised below the recent share market prices of ConnXion Shares over the three months to 15 October 2010:

Market share prices	Low	High	VWAP
	$	$	$
1 week prior to 15 October 2010	0.026	0.030	0.028
2 weeks prior to 15 October 2010	0.026	0.030	0.028
1 month prior to 15 October 2010	0.026	0.035	0.029
2 months prior to 15 October 2010	0.026	0.040	0.030
3 months prior to 15 October 2010	0.026	0.045	0.035

Source: Reuters

We note the following in relation to the recent share market prices of ConnXion:

- Historical liquidity of ConnXion Shares has been low; and
- The VWAP of ConnXion ranged between 2.9 cents and 3.7 cents in the three months to 30 September 2010.

3 Recent capital raising

We note that, on 10 September 2010 ConnXion announced the completion of the first phase of its capital raising with the issue of 45 million new shares at 3.25 cents per share. This is in line with the VWAP at which shares have been trading in the months leading up to 30 September 2010.

4 Value per share conclusion

Set out below is a summary of the value per share indicated by the above valuation methodologies:

ConnXion Ventures Limited Value per share summary	Section reference	Low A$	High A$
Capitalisation of earnings	Appendix A1	0.029	0.039
Historical VWAP	Appendix A2	0.028	0.035
Recent capital raising	Appendix A3	0.033	0.033

In light of the above we have assessed the value per share of ConnXion between 2.9 cents and 3.9 cents.

Appendix B – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Appendix C – Description of comparable companies

Company	Description
CSG Ltd	CSG Limited (CSG) is an Australia-based company. The Company is engaged in the provision of information technology (IT) and office supply and services. The Company operates in a single segment. CSG offers services through its three main business units: managed services, enterprise services and print services. The Managed services division is a provider of tailored outsourcing services to large Government and corporate organizations with a focus on services optimization. The Enterprise services division offers business and technology strategy to application development and systems integration. CSG Business centres are structured into the three key business divisions of voice, print and data to meet the technology needs of its customers.
SMS Management & Technology Ltd	SMS Management & Technology Limited (SMS) is an Australia-based company. The Company operates under two separate business brands: SMS brand and M&T Resources. Under the SMS brand, the Company offers a range of value-added management and technology related business services, including business performance improvement, operational learning and change, program and project services, application development, systems integration, information and data management, and customer relationship management. Under the M&T Resources brand the Company offers recruitment and contract labour (in the information technology sector).
DWS Advanced Business Solutions Ltd	DWS Advanced Business Solutions Limited (DWS) is an Australia-based information technology (IT) services company. The Company designs, develops, manages and maintains software solutions and information technology environments for corporate entities and government agencies. DWS offers technical services and solutions, including custom software development for micro to mid-range platforms; maintenance and customisation of enterprise resource and core business applications; designing, developing, implementing and maintaining data warehousing, reporting and business intelligence systems, and integration, enterprise architecture and a multitude of business to business solutions. The Company has offices in Melbourne, Sydney, Adelaide, Canberra and Brisbane.
ASG Group Ltd	ASG Group Limited (ASG) is a provider of information technology (IT) services in Australia. ASG provides both managed services and business improvement services to both commercial and government enterprises. The Company's service lines include applications management outsourcing; infrastructure management outsourcing; application implementation and transformation; IT infrastructure implementation and transformation; business intelligence; business and IT consulting; middleware and systems integration, and IT service management. ASG has partnerships with a number of IT solution providers.

Company	Description
Data#3 Ltd	Data#3 Limited is an Australia-based company. The Company is engaged in the delivery of information technology solutions, which draw on the Company's range of products and services, and its alliances with other industry providers. These activities included software licensing and software asset management; design, deployment and operation of desktop, network and data centre hardware and software infrastructure, and the provision of contract and permanent recruitment services. The Company operates in two business segments: product, which provides hardware and software solutions that integrate customers desktop, network and data centre hardware and software infrastructure; and services, which provides consulting services in relation to the design and operation of information and communications technologies (ICT) solutions, workforce recruitment and consulting.
Customers Ltd	Customers Limited (Customers) is an Australia-based company. The Company is engaged in provision of automated teller machine (ATM) and payment system services. It operates in Australia and New Zealand.
RP Data Ltd	RP Data Ltd is engaged in collecting, storing and distributing property information. The Company provides subscription-based computer access to commercial and residential property information including existing ownership, historical sales records, photographs, aerial images and electronic mapping. The Company has three segments: Analytics, which is engaged in the provision of automatic valuation models (AVMs), property indices, electronic valuer reviews (EVRs), fraud solutions and related products; Data, which involves the provision of subscription based commercial property information services to professionals, government and corporate, government provided title searches and consumer reports sold on a transaction basis direct to the public, and Software, which involves real estate software and training. The Company's clients include real estate agents, valuers, property developers, financial institutions and State and Federal government departments.
eServGlobal Ltd	eServGlobal Limited (eServGlobal) is an Australia-based company. The Company develops and implements solutions for mobile payment, convergent charging and rating, network services and messaging products, for telecom service providers across all telecom networks. The Company provides services for projects with global implementation, integration and support services. The Company's subsidiaries include eServGlobal Holdings SAS; eServGlobal SAS; PT eServGlobal Indonesia; eServGlobal (Beijing) Telecommunication Technical Services, Co Ltd; eServGlobal Telecom Romania Srl; eServGlobal Telecom Servicos do Brasil Ltda; eServGlobal (NZ) Pty Limited; eServGlobal (HK) Limited; eServGlobal NVSA; eServGlobal UK Limited; eServ UK Limited; eServGlobal Singapore Pte. Ltd.; eServGlobal Inc and eServGlobal Aust Pty Limited.

Company	Description
Computershare Ltd	Computershare Limited (Computershare) is engaged in the operation of investor services, plan services, communication services, shareholder relationship management services and technology services. The investor services operations comprise the provision of registry and related services. The plan services operations comprise the provision and management of employee share and option plans. The communication services operations comprise laser imaging, intelligent mailing, scanning and electronic delivery. The shareholder relationship management services group provides investor analysis, investor communication and management information services to companies, including employees, shareholders and security industry participants. Its technology services include the provision of software specializing in share registry, financial services and stock markets.
Total System Services Inc	Total System Services, Inc. provides electronic payment processing and related services to financial and non-financial institutions throughout the United States and internationally. Electronic payment processing services include providing issuer processing services for consumer credit, retail, debit, stored value, government services and commercial card accounts. Merchant services include providing processing services, acquiring solutions, related systems and integrated support services. It also offers additional related services, such as business process management, mail and correspondence processing, teleservicing, data documentation, offset printing, collections and account solicitation and client services.

Appendix D – Description of comparable transactions

Target	Description
First Data Corporation	US based provider of electronic commerce and payment services
Ikon Office Solutions Inc	US-based company which integrates imaging systems and services that help businesses manage document workflow and increase efficiency. It also operates a distribution channel for copier and printer technologies
SI International Inc	Australia based provider of accounting and management software for small and midsized businesses
Datacraft Asia Ltd (55.11 percent stake)	Datacraft is the leading independent IT services and solutions company in Asia Pacific. A member of the Dimension Data Group
MYOB Limited	Australia based provider of accounting and management software for small and midsized businesses
Singapore Computer Systems Limited	Singapore based information and communications technology services provider
Hostworks Group Limited	US based provider of electronic commerce and payment services
NetStar Group Holding Ltd	Australia based providers of network integration and managed services across the Asia-Pacific region. It offers information technology planning, design, implementation, and support services. The company also offers solutions for data, voice, and security infrastructure

Appendix E – Existing Management Fee assessment

ConnXion Ventures Limited
Existing management fee valuation

Assumptions	
Discount rate[1]	5.1%

	1-Jul-11 A$'000s	1-Jul-12 A$'000s	1-Jul-13 A$'000s	1-Jul-14 A$'000s	1-Jul-15 A$'000s	1-Jul-16 A$'000s	1-Jul-17 A$'000s	1-Jul-18 A$'000s	1-Jul-19 A$'000s
Management fee	333	500	500	500	500	500	500	500	500
Discount factor	0.98	0.94	0.89	0.85	0.81	0.77	0.73	0.69	0.66
Discounted management fee	328	468	445	423	403	383	365	347	330
Net Present Value	**3,492**								

Note 1 - based on the 10 year government bond rate in Australia

Appendix F – Proposed Management Fee assessment

ConnXion Ventures Limited
Proposed management fee valuation

Assumptions	
Discount rate[1]	5.1%
Inflation rate[2]	5.0%

	1-Jul-11 A$'000s	1-Jul-12 A$'000s	1-Jul-13 A$'000s	1-Jul-14 A$'000s	1-Jul-15 A$'000s	30-Oct-15 A$'000s
Management fee	333	250	263	276	289	101
Discount factor	0.98	0.94	0.89	0.85	0.81	0.78
Discounted management fee	328	234	234	233	233	79
Net Present Value	1,341					

Note 1 - based on the 10 year government bond rate in Australia
Note 2 - based on the revised IMA terms

Appendix G – Glossary

AIFRS	Australian equivalents to International Financial Reporting Standards
APES 110	Accounting Professional & Ethical Standards Board Statement 110 " Code of Ethics for Professional Accountants"
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AU$ or AUD	Australian Dollar
Binomial Model	Cox-Ross-Rubenstein Binomial Model
Black-Scholes Model	Black-Scholes Option Valuation Model
CAPM	Capital Asset Pricing Model
Compensation	ConnXion Shares to be given as compensation as part of the Proposed Amendments
Compensation Shares	The shares issued as Proposed Compensation
ConnXion	ConnXion Ventures Limited
Corporations Act	Corporations Act 2001
Corporations Regulations	Corporations Regulations 2001
Coverdrive	Coverdrive Limited
DCF	Discounted Cash Flow
EBIT	Earnings before Interest and Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EV	Enterprise Value
Existing IMA	Investment Management Agreement between FCP and ConnXion prior to the Proposed Amendments
Existing Management Fee	Management fee under the Existing IMA
Existing Performance Fee	Performance fee under the existing IMA

FCP	First Capital Partners Limited
FCP	FCP Management Pty Limited
FYXX	Financial year ended 30 June 20XX
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
IRR	Internal rate of return
KAZ	KAZ Singapore
Management	Management of ConnXion
MOU	Memorandum of understanding
NAV	Net Asset Value
Patersons	Patersons Securities Limited
Peppers & Rogers	Peppers & Rogers Group Pty Limited
Proposed Amendments	Amendments to the Existing IMA
Proposed Management Fee	Management fee under the Proposed Amendments
Proposed performance fee	Performance fee under the Proposed Amendments
RG 111	ASIC Regulatory Statement 111 “Content of expert reports”
RG 112	ASIC Regulatory Statement 112 “ Independence of Expert’s Report”
RG 74	ASIC Regulatory Statement 74 “Acquisitions agreed to by shareholders
Sonnet	Sonnet Corporation Limited
Sonnet	Sonnet Corporation Limited
The Company	ConnXion Ventures Limited
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Grant Thornton