

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

THE MATTERS RAISED IN THIS DOCUMENT WILL AFFECT YOUR SHAREHOLDING IN THE COMPANY. YOU ARE ADVISED TO READ THIS DOCUMENT IN ITS ENTIRETY BEFORE THE GENERAL MEETING REFERRED TO BELOW IS CONVENED.

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE, PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

**IFC Capital Limited**

**ACN 087 737 068**

**Notice of Extraordinary General Meeting  
and  
Related Documentation**

A NOTICE OF GENERAL MEETING TO BE HELD AT **THE RADISSON PLAZA HOTEL, 27 O'CONNELL STREET, SYDNEY** AT **10.00AM ON TUESDAY 6 APRIL, 2010** IS INCLUDED WITH THIS INFORMATION MEMORANDUM. TO BE VALID, ALL PROXY FORMS FOR USE AT THIS MEETING MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN **10.00AM ON SUNDAY, 4 APRIL 2010**

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## **PART A: ABOUT THESE DOCUMENTS**

Shareholders in IFC Capital Limited (the “**Company**” or “**IFC**”) are requested to consider the Resolutions set out in the Notice as well as the contents of all other Documents in connection with the proposed Transactions.

You can vote by:

- attending and voting at the Meeting; or
- appointing someone as your proxy to attend and vote at the Meeting on your behalf, by completing and returning the Proxy Form to the Company in the manner set out on the Proxy Form (see **Part I** of these Documents). The Company must receive your duly completed Proxy Form by no later than 10.00am on Sunday, 4 April 2010.

A glossary of the key terms used throughout this document is contained in Part G of this document.

**Please read the whole of this document carefully, determine how you wish to vote and then cast your vote accordingly, either in person or by proxy.**

## **PART B: LETTER FROM THE CHAIRMAN**

Monday, 1 March 2010

Dear Shareholder

You will have recently received the 2010 Share Purchase Plan Offer which invited you to purchase IFC shares up to a maximum value of \$2000. The Offer included a copy of an ASX announcement on 30 December 2009 by IFC summarising the Company's intention to purchase the shares of Air Change Pty Ltd, which manufactures energy efficient air conditioning equipment for commercial and industrial applications.

The Company has been looking for a suitable acquisition to secure its future following the sale of its Cranbrook land holding last year. Furthermore, Listing Rule 12.3 allows the ASX to suspend quotation of the Company's securities if it holds more than 50% of its assets in cash. Since the sale of the Cranbrook land, IFC has not complied with this requirement and the ASX has indicated that it will suspend the Company's shares from trading from February 2010 in the absence of this transaction.

The Air Change Acquisition presents a unique opportunity for the Company to enter into the rapidly expanding market for energy conservation and provides an excellent platform for future expansion. Air Change's technology is highly regarded by the industry and it has received numerous government and industry awards for its unique product designs.

Air Change presently manufactures highly efficient packaged air conditioners and air handling units for use in commercial and industrial building applications in Australia using its patented air to air heat exchange technology. Air Change was the only manufacturer of commercial air conditioners and air handling units that were referred to in the recent Australian Government's Australian Energy Efficiency Market Industry Capability Report. There is significant potential to market this technology overseas where the market for energy recovery is much more developed than in Australia.

In addition, it is proposed that IFC will have the right to be granted a licence to develop and commercialise other air conditioning technologies invented by Mr John Urch, the inventor of the Air Change heat exchanger. Whilst these are in the early development stage, the results to date have been promising, and if commercialised successfully, these additional technologies offer the Company a broad scope for profitable expansion.

The acquisition of a new business enterprise is only one step in securing the Company's future as a profitable listed corporate entity. In addition to the resolutions required to complete the Air Change Acquisition and its funding, there are a number of resolutions required to ensure the Company's continued compliance with the ASX Listing Rules. As indicated in our announcement of 30 December 2009, the ASX has indicated that quotation of IFC's securities will be suspended on the passing of the necessary resolutions set out in this Notice of Meeting and IFC will be required to satisfy the requirements of Chapters 1 & 2 of the Listing Rules in order for the ASX to lift the suspension. In particular, IFC will

be required to satisfy the spread requirements of the ASX, being 400 holders each having a parcel of securities in IFC with a value of at least \$2000 (**Spread Parcel**), where unrelated parties hold at least 25% of IFC's securities. As explained in the 2010 Share Purchase Plan Offer, IFC does not presently meet this requirement.

In order for IFC to be in a position to satisfy the spread requirement as and when required by the ASX, on 5 February 2010 IFC announced its 2010 Share Purchase Plan Offer to all IFC shareholders to acquire up to A\$2,000 of fully paid ordinary IFC shares with the objective of raising the number of IFC shareholders with the minimum Spread Parcel.

If the Company achieves the objective of the Share Purchase Plan and meets the ASX spread requirements, suspension of the Company's securities following the Meeting should be minimised.

Should existing IFC shareholders not participate in this Share Purchase Plan so as to ensure IFC achieves the minimum spread, the Board will, at the appropriate time, seek to issue additional shares to new shareholders to comply with this condition. Therefore, it is possible that the Company's securities may continue to be suspended for some time after the Shareholder's approval of the Air Change Acquisition pending the satisfaction of this requirement.

Chapters 1&2 of the Listing Rules also require that the Company's shares have a value of not less than 20 cents. In order to satisfy ASX's minimum 20 cent share price requirement, IFC has proposed a resolution for a consolidation of IFC's shares on a 1 for 5 basis in order to satisfy this requirement.

***For the purposes of these Documents, any and all references to Shares or Share prices hereafter will be stated on a post-consolidation basis (i.e. assuming the share consolidation resolution is passed by Shareholders) and before the issue of any new shares under the Share Purchase Plan.***

The Directors request your careful consideration of the proposed Transactions and all the Documents in arriving at a decision as to how you wish to vote in respect of the Resolutions, which are summarised below.

#### **Resolutions:**

##### **Share Consolidation**

1. the approval of a 1 for 5 consolidation of the Shares;

##### **Air Change Acquisition**

2. the approval of any change in nature and scale of the Company's business as a result of the Air Change Acquisition;
3. the proposed issue and allotment of 117,647 Shares to each of the Vendors at a subscription price of \$0.425 per Share;

##### **Fimeri Placement**

4. the proposed issue and allotment of 4,800,000 Placement Shares to Mr Neil Fimeri at a subscription price of \$0.425 per Placement Share;

5. the proposed issue and allotment of 4,000,000 Placement Options to Mr Fimeri for no additional cash consideration and with an exercise price of \$0.80 per Placement Option;
6. the approval of the termination benefit to be granted to Mr Fimeri in connection with his appointment as the Chief Executive Officer of the Company;

### **General Business**

7. changing the name of the Company to "Air Change International Limited" and amending the Constitution to ensure compliance with the Listing Rules.

### **Recommendation**

The Independent Expert was engaged by the Directors to compile an independent expert's report as to whether the proposed Fimeri Placement is "fair" and "reasonable" as those terms are used in the Corporations Act, the Listing Rules and any policy statements that are issued by ASIC or ASX in relation to the foregoing.

The Independent Expert has considered the Fimeri Placement and, as outlined in the Independent Expert's Report contained in Part H of this booklet, has concluded that the proposed Fimeri Placement is "not fair, but reasonable" to Shareholders who are entitled to vote on the Resolutions.

The Directors unanimously recommend that you vote **in favour** of all the Resolutions.

***Your vote is important and we encourage you to either attend the Meeting in person or complete the Proxy Form accompanying the Notice and return it in accordance with the directions provided.***

Yours sincerely

A handwritten signature in black ink, appearing to read "Alan Jones". The signature is written in a cursive style with a large, looping initial 'A'.

**Alan Jones**  
**Chairman**

## **PART C: OVERVIEW OF THE RESOLUTIONS**

### **INTRODUCTION**

The Resolutions fall into three groups, being those relating to:

- (a) the Air Change Acquisition and approving the resulting change in the Company's nature and scale and the associated placement of shares to each of the Vendors;
- (b) the placement of the Placement Shares and the Placement Options to Mr Fimeri to raise sufficient capital to fund the Air Change Acquisition and the termination benefits of Mr Fimeri as the Chief Executive Officer; and
- (c) the general business of the Company, being the proposed change of name for the Company, the Share Consolidation and amendments to the Constitution to ensure compliance with the Listing Rules.

### **REASONS TO VOTE FOR OR AGAINST THE RESOLUTIONS**

#### **A. Air Change Acquisition**

##### **Directors' recommendation**

The Directors **unanimously recommend** that you should vote in favour of the Air Change Resolutions for the reasons set out below.

##### **Advantages**

- It presents an opportunity to purchase a business that is a leader in the growing field of energy conservation and carbon reduction in the heating, ventilation and air-conditioning market. Air Change's patented technology offers significant potential for growth, particularly overseas.
- There are several developmental products, the subject of a licence agreement from John Urch, the inventor of the Air Change heat exchanger that, if developed successfully, will provide substantial expansion opportunities for the Company.
- The Air Change Acquisition will give the Company an operating base for further expansion.

##### **Disadvantages**

- Apart from the general business risks identified in Part F, Section 6 of these Documents, the principal disadvantage is that the Company will not be able to take advantage of other opportunities in the short term, should they arise.
- Shareholders will have exposure to the operations and risks of the Air Change manufacturing business.

## B. Fimeri Placement

### Directors' recommendation

The Directors (other than Mr Fimeri) **unanimously recommend** that you should vote in favour of the Fimeri Resolutions for the reasons set out below.

### Advantages

- It provides the opportunity and capital to undertake the Air Change Acquisition without raising additional capital from the existing Shareholders.
- It provides for a new executive director of the Company whose interests are fully aligned with those of the existing Shareholders.

### Disadvantages

- Substantial dilutive effect on current Shareholders – see Table 1 below.
- Shareholders will be offered only a limited opportunity to participate in a new issue on the same terms as are applicable to the Fimeri Placement.

**Table 1 – Current and proposed changes to the Company's issued capital**

<b>Shares</b>	
Shares currently on issue (post Share Consolidation)	12,467,955
Placement Shares to be issued to Mr Fimeri	4,800,000
Shares to be issued to the Vendors of Air Change	352,941
Total Shares on issue after the Fimeri Placement and issue of Vendor Shares	<b>17,620,896**</b>
<b>Options</b>	
Options currently on issue	0
Placement Options to be issued to Mr Fimeri (not quoted)	4,000,000
Total Options on issue after the Fimeri Placement and issue of Vendor Shares	<b>4,000,000</b>

\*\*This table does not take into account any Shares that may be issued pursuant to the Share Purchase Plan or otherwise to satisfy the ASX spread requirements.



**Table 2 – Consolidated proforma statement of financial position of the Company after completion of all transactions contemplated by the Resolutions**

	<u>IFC Capital</u> <u>31-Mar-10</u> <u>Proforma</u>	<u>After purchase</u> <u>31-Mar-10</u> <u>Proforma</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash on hand	7,715,000	890,000
Trade Debtors	3,000	1,441,000
Stock on Hand	-	782,000
Prepayments	46,000	46,000
Other	34,000	72,000
<b><u>Total Current Assets</u></b>	<b><u>7,798,000</u></b>	<b><u>3,231,000</u></b>
<b><u>Non-Current Assets</u></b>		
FF&E	-	70,000
PP&E	-	296,000
Motor vehicles	-	24,000
Provision for value dilution	-	-
Goodwill and Patents	-	1,795,000
Goodwill on consolidation	-	3,449,000
Investment in Subsidiary	-	-
<b><u>Total Non-current Assets</u></b>	<b><u>-</u></b>	<b><u>5,634,000</u></b>
<b><u>Total Assets</u></b>	<b><u>7,798,000</u></b>	<b><u>8,865,000</u></b>
<b><u>Liabilities</u></b>		
<b><u>Current Liabilities</u></b>		
Trade creditors	242,000	896,000
Due to RMC	-	-
Other creditors	113,000	123,000
Taxes payable	-	42,000
Employee provisions	2,000	143,000
Total Current Liabilities	357,000	1,204,000
<b><u>Non-current liabilities</u></b>		
Short-term borrowings	-	-
Long-term borrowings/leases	-	220,000
<b><u>Total Non-current liabilities</u></b>	<b><u>-</u></b>	<b><u>220,000</u></b>
<b><u>Total Liabilities</u></b>	<b><u>357,000</u></b>	<b><u>1,424,000</u></b>
<b><u>Net Assets</u></b>	<b><u>7,441,000</u></b>	<b><u>7,441,000</u></b>
<b><u>Equity</u></b>		
Ordinary shares - fully paid	29,338,000	29,338,000
Issue Share Costs	2,166,000	2,166,000
Employee Share Option Reserve	136,000	136,000
Accumulated profits (losses)	19,867,000	19,867,000
Asset revaluation reserve	-	-
<b><u>Total Equity</u></b>	<b><u>7,441,000</u></b>	<b><u>7,441,000</u></b>

**Table 3 – Historical Income Statements for Air Change**

The unaudited income statements of Air Change (as reported and prior to normalisations) for the years ending 30 June 2007, 30 June 2008 and 30 June 2009 are set out in the table below.

	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Sales</b>	4,563	7,924	7,322
COGS	2,557	4,575	4,352
<b>Gross Profit</b>	<b>2,006</b>	<b>3,349</b>	<b>2,970</b>
Other income	36	3	118
Overheads	1,655	2,137	3,063
<b>EBITDA</b>	<b>387</b>	<b>1,215</b>	<b>25</b>
Depreciation	52	201	63
<b>EBIT</b>	<b>335</b>	<b>1,014</b>	<b>(38)</b>
Interest	13	(19)	4
<b>NPBT</b>	<b>322</b>	<b>1,033</b>	<b>(42)</b>
GP%	44%	42%	41%
EBITDA%	8%	15%	0%
EBIT%	7%	13%	-1%

## **PART D: NOTICE OF GENERAL MEETING**

**NOTICE** is hereby given that a general meeting of members of IFC Capital Limited ACN 087 737 068 (the "**Company**") will be held at The Radisson Plaza Hotel, 27 O'Connell Street, Sydney on Tuesday, 6 April 2010 at 10.00 am (Sydney time).

### **Definitions**

Unless expressly provided otherwise, each capitalised term used in this Notice has the same meaning as is ascribed to it in Part G - Glossary of Terms - of the Documents.

### **BUSINESS**

#### **1. To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed, that in accordance with section 254H of the Corporations Act, all of the Company's issued Shares be converted into a smaller number of Shares by consolidating them in a ratio of five to one and otherwise on the terms set out in Part E of these Documents,

(the "**First Resolution**").

#### **2. To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed and pursuant to the provisions of Listing Rule 11.1.2, the Company be authorised to change the nature and scale of the Company, in the manner contemplated by the Documents that accompanies this Notice, through and as a result of completing the Air Change Acquisition,

(the "**Second Resolution**").

#### **3. To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed, for the purposes of Listing Rule 7.1, the issue and allotment of 117,647 Shares to each of the Vendors (being equal to 352,941 Shares in total) at a subscription price of \$0.425 per Share, be approved,

(the "**Third Resolution**").

#### **4. To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed, for the purposes of Listing Rules 7.1 and 10.11 and also for the purposes of Section 208 of the Corporations Act and Section 611, Item 7 of the Corporations Act and for all other purposes, the Company be authorised to issue and allot 4,800,000 Placement Shares to Mr Fimeri at a subscription price of \$0.425 per Placement Share,

(the "**Fourth Resolution**").

5. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed, for the purposes of Listing Rules 7.1 and 10.11 and also for the purposes of Section 208 of the Corporations Act and for all other purposes, the Company be authorised to issue and allot 4,000,000 Placement Options for no cash consideration and with an exercise price of \$0.80 per Placement Option,

(the "**Fifth Resolution**").

6. **To be passed as an Ordinary Resolution**

Subject to all other Resolutions being passed, for the purposes of Section 200E of the Corporations Act, Listing Rule 10.19 and for all other purposes, that the termination benefit in favour of Mr Fimeri pursuant to the Employment Agreement between the Company and Mr Fimeri, as summarised in Part F, Section 7.5 of these Documents, be approved,

(the "**Sixth Resolution**").

7. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed and pursuant to the provisions of section 157 of the Corporations Act, the name of the Company be changed to "Air Change International Limited" effective on and from the date of completion of the Air Change Acquisition,

(the "**Seventh Resolution**").

8. **To be passed as a Special Resolution**

Subject to all other Resolutions being passed and pursuant to the provisions of section 136(2) of the Corporations Act, the Company's Constitution be amended by:

1. replacing the existing definition of "Listing Rules" with the following definition:

*"**Listing Rules** means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX."*

2. inserting the following new Article 24:

**"24 Appendix 15A of Listing Rules"**

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24.1 *Notwithstanding anything contained in this Constitution, if the Listing Rules prohibit an act being done, the act shall not be done.*

24.2 *Nothing contained in this Constitution prevents an act being done that the Listing Rules require to be done.*

- 24.3 *If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).*
- 24.4 *If the Listing Rules require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision.*
- 24.5 *If the Listing Rules require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.*
- 24.6 *If any provision of this Constitution is or becomes inconsistent with the Listing Rules, this Constitution is deemed not to contain that provision to the extent of the inconsistency”.*

(the "**Eighth Resolution**").

**By order of the Board**

A handwritten signature in black ink, appearing to read "Alan Jones". The signature is written in a cursive style with a large, looping initial 'A'.

Alan Jones  
Chairman

## **PART E: NOTICE REQUIREMENTS FOR RESOLUTIONS**

### **Background to applicable Listing Rules and provisions of the Corporations Act**

#### **A. Listing Rule 7.1**

Listing Rule 7.1 known as the "*15% rule*", limits the capacity of a company to issue securities without the approval of its shareholders. In broad terms, this Listing Rule provides that a company may not, in a twelve month period, issue securities equal to more than 15% of the total number of ordinary securities on issue at the beginning of the twelve month period unless the issue is approved by shareholders or it otherwise falls within one of the exceptions to Listing Rule 7.1.

#### **B. Listing Rule 10.11**

Listing Rule 10.11 states that an entity must not issue or agree to issue equity securities to any of the following persons without the approval of holders of ordinary securities:

- (a) a related party; and
- (b) a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained.

If shareholder approval is obtained under Listing Rule 10.11, further approval is not required under Listing Rule 7.1 (see Listing Rule 7.2, Exception 14).

#### **C. Listing Rule 10.19**

Listing Rule 10.19 states that, without the approval of holders of ordinary securities, an entity must ensure that no officer of the entity will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to the ASX under the Listing Rules.

#### **D. Listing Rule 11.1.2**

If a company proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, the company may be required by the ASX to obtain the approval of its shareholders prior to making such change.

#### **E. Corporations Act, Section 254H(1)**

Section 254H(1) permits a company to convert all or any of its shares into a larger or smaller number of shares by resolution passed at a general meeting.

**F. Corporations Act, Section 611, Item 7**

Section 706 of the Corporations Act prohibits certain acquisitions of relevant interests in voting shares. Subsection (c) (i) prohibits a transaction where a persons voting power in the company increases from 20% or below to more than 20%. However a person may acquire such a relevant interest if acquired pursuant to one of the exceptions listed in Section 611 of the Corporations Act.

Section 611, Item 7 of the Corporations Act validates the acquisition of a relevant interest where approval is obtained by a resolution passed at a general meeting of the target company in which the acquisition is made, if:

- (a) no votes are cast in favour of the resolution by:
  - (i) the person proposing to make the acquisition and their Associates; or
  - (ii) the persons (if any) from whom the acquisition is to be made and their Associates; and
- (b) the members of the target company were given all information known to the person proposing to make the acquisition or their Associates, or known to the target company, that was material to the decision on how to vote on the resolution.

**G. Corporations Act, Section 208(1)**

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party, the company must obtain the approval of its members, unless an exception applies.

**H. Corporations Act, Section 200B(1) and 200E(1)**

Section 200B(1) of the Corporations Act provides that a company must not give a person a benefit in connection with that person's retirement from a board or managerial office in a company, without member approval, unless an exception applies. Section 200E of the Corporations Act provides that, if section 200B of the Corporations Act requires member approval for giving a person a benefit, it must be passed at a general meeting of the company.

**I. Corporations Act, Section 136(2)**

Section 136(2) of the Corporations Act provides that a company may modify its constitution, or a provision of its constitution, by special resolution.

**The Resolutions**

**1. The First Resolution – Consolidation of the Company's shares**

On the passing of the Second Resolution, trading in the Shares will be suspended by the ASX and the Company will be required to re-apply for quotation of the Shares, including by complying with Chapters 1 & 2 of the Listing Rules. Amongst other things, the Company will be required to satisfy

the ASX that the Company has a minimum share price of \$0.20 pursuant to Listing Rule 2.1, Condition 2. Having regard to the recent trading prices of the Shares, the Board considers it appropriate to perform the Share Consolidation in order to ensure that this requirement can be satisfied by the Company, as and when required.

In accordance with section 254H of the Corporations Act, the First Resolution seeks to consolidate the Company's share capital in the ratio of five to one. This will result in the number of Shares in the Company's issued capital being reduced from 62,339,773 Shares to approximately 12,467,956 Shares (the final number of Shares on issue after the consolidation will depend on the rounding of fractions). If approved by the Shareholders, each Shareholder's holding of Shares will be reduced in accordance with the consolidation ratio. For holdings of less than 50 Shares, all fractions will be rounded up. For all other Shareholdings, fractions will be rounded to the nearest whole number of Shares (ie fractions of 0.5 or more will be rounded up and all other fractions will be rounded down).

As the consolidation applies equally to all Shareholders (subject only to rounding of fractions), the Share Consolidation will have no effect on the percentage interest of each Shareholder in the Company.

Theoretically, the pre-Share market price of each Share following the consolidation should increase significantly (ie directly inverse to the consolidation ratio). In practice, however, as the market price of the Shares depends on a number of factors, including many factors outside the control of the Company, the market price of the Shares following the consolidation may be higher or lower than the theoretical post-consolidation market price.

The consolidation will take effect on the date the First Resolution is passed. An indicative timetable in respect of the Share Consolidation is set out below.

The Directors recommend that Shareholders vote in favour of the First Resolution, as the consolidation will give the Company a capital structure that is more appropriate having regard to the requirements of the ASX.

<b>Indicative share consolidation timetable</b>	
<b>Event</b>	<b>Date</b>
Date Share Consolidation takes effect. IFC to advise ASX that members have approved a reorganisation of the Company's capital	Tuesday, 6 April 2010 (immediately after the First Resolution is passed)
Trading in the 'reorganised securities' on a deferred settlement basis commences	Wednesday, 7 April 2010
Last day for IFC to register transfers on a pre-organisation basis	Tuesday, 13 April 2010
Company dispatches new holding statements to Shareholders and trading in the reorganised securities on a deferred settlement basis ends. IFC to advise ASX	Tuesday, 20 April 2010



Indicative share consolidation timetable	
Event	Date
prior to noon that dispatch has occurred.	
Normal trading (ie. with an obligation to settle on a trade date plus 3 business days) in the reorganised securities commences	Wednesday, 21 April 2010
Change of name and ASX code according to ASX's records.	Friday, 23 April 2010

\*\*Notwithstanding the above timetable, it is anticipated that, on the passing of the Second Resolution, the ASX will suspend the quotation of the Shares and the suspension is unlikely to have been lifted by the ASX by the dates indicated above for trading of the Shares.

## 2. The Second Resolution – Change in nature and scale of the Company

As stated in the Chairman's letter set out in Part B of these Documents, the Company intends to acquire all of the issued capital of Air Change. To this end, the Company has entered into the Sale Agreement, which is summarised in Part F, Section 7.1 of these Documents.

In the event that the Resolutions are passed, the Company seeks shareholder approval in the terms of the Second Resolution to any change in the nature or scale of the Company's current business operations that will result from effecting the Air Change Acquisition.

Part F of these Documents contains an Explanatory Memorandum in relation to the Air Change Acquisition, which sets out:

- the background of the Air Change business;
- the consideration being paid by the Company in connection with the Air Change Acquisition; and
- the proposed activities of the Company following completion of the Air Change Acquisition.

A proforma balance sheet of the Company after the completion of the Air Change Acquisition, is set out at Part C, Table 2 of these Documents.

Given that the Company is required to obtain approval from the Shareholders under Listing Rule 11.1.2, quotation of the Company's securities will be suspended on the passing of the Second Resolution and the Company will be required, pursuant to Listing Rule 11.1.3, to satisfy the requirements of Chapters 1 & 2 of the Listing Rules in order for the ASX to lift the suspension. Compliance by the Company with Chapters 1 & 2 of the Listing Rules, will require, amongst other things, the Company to:

- satisfy the minimum spread requirements of the ASX, being at least 400 holders each having a parcel of securities in the Company with a value

of at least \$2,000, where unrelated parties hold at least 25% of the Company's securities;

- have a minimum share price of \$0.20.

The Share Consolidation proposed under the First Resolution is designed to satisfy the second of these conditions.

In order for the Company to satisfy the above spread requirements, the Company has made an offer to existing IFC Shareholders to acquire A\$2000 worth of Shares under the Share Purchase Plan. However, it is possible that the Company will need to issue additional securities to existing or new shareholders in order to satisfy this requirement. This may require the Company to issue a Prospectus or Product Disclosure Statement or if the ASX agrees, an information memorandum.

For these reasons, it is possible that the Company's securities may continue to be suspended for some time after the Shareholder's approval of the Air Change Acquisition pending the satisfaction of these requirements.

The ASX has indicated that, in the event the Company's shareholders do not approve the Air Change Acquisition, the ASX intends to suspend the quotation of the Company's securities anyway on the basis that the Company has been a listed cash-box for a period in excess of 6 months.

In accordance with Listing Rule 11.1.2, the Company will disregard any votes cast on the Second Resolution by:

- a person who might obtain a benefit (including Mr Neil Fimeri and the Vendors), except a benefit arising solely in the capacity as a Shareholder, if the Second Resolution is passed; and
- any Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

### **3. The Third Resolution – Issue of Vendor Shares**

It is proposed that the Company will issue and allot the Vendor Shares to the Vendors at an issue price of \$0.425 per Share. The Vendor Subscription Agreements are summarised in Part F, Section 7.7 of these Documents.

In accordance with the disclosure requirements of Listing Rule 7.3:

- (a) the maximum number of securities proposed to be issued and allotted to the Vendors is 352,941 Shares;

- (b) the Vendor Shares will be issued and allotted within three (3) months after the date of the Meeting or such later date as approved by the ASX;
- (c) the issue price of each Vendor Share will be \$0.425 per Share;
- (d) the allottees of the Vendors Shares will be:
  - (i) John Francis Urch – 117,647 Vendor Shares;
  - (ii) Marilyn Elaine Urch – 117,647 Vendor Shares; and
  - (iii) Paulus Smit – 117,647 Vendor Shares;
- (e) the material terms of Vendor Shares are summarised below:

(i) *Voting*

Subject to the Constitution and any rights or restrictions attached to the class of Shares, at a general meeting every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll has one vote for each Share held. The number of votes to which a holder of partly paid Shares is entitled on a poll is equivalent to the proportion that the amount paid on the Share is of the issue price of the Share (ignoring amounts paid in advance).

(ii) *Polls*

A poll on a resolution at a meeting of Shareholders may be demanded by the Chairman, at least 5 Shareholders present and entitled to vote on that resolution or one or more Shareholders who are together entitled to at least 5% of the votes that may be cast on that resolution on a poll.

(iii) *Dividends and Reserves*

Subject to the Corporations Act, the Constitution and the rights of persons (if any) entitled to shares with special rights to dividends, the Directors may determine that a dividend is payable and fix the amount and the time for payment. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends and to the terms of any issue of shares to the contrary, all dividends are to be paid, in the case of fully paid shares, to their holders in proportion to the number of shares held by them respectively.

(iv) *Issue of further Shares*

Subject to the Corporations Act, the Listing Rules, the Constitution and any special rights conferred on the holders of any shares or class of shares, the issue of shares in the Company is under the control of the Directors and the Directors may issue or dispose of shares to such persons at such times and on such terms and conditions and having attached to them

such preferred, deferred or other special rights or such restrictions, whether with regard to dividends, voting, return of capital or otherwise as the Directors think fit. The Directors may also grant to any person an option over shares or pre-emptive rights during such time and for such consideration as they think fit.

(v) *Transfer of Shares*

A shareholder may transfer shares, in the case of CHES approved securities, in accordance with the CHES rules, by an instrument in writing in any usual or common form or in any other form that the Directors approve or by any other method of transfer of marketable securities which is approved by the Directors. If permitted to do so by the Listing Rules, the Directors may request a holding lock to prevent a transfer of CHES approved securities registered on the CHES subregister or decline to register a transfer of shares in the Company. The Directors must request a holding lock to prevent transfer of CHES approved securities registered on the CHES subregister or decline to register any transfer of other shares, if the Listing Rules require the Company to do so or the transfer is in breach of the Listing Rules or a restriction agreement.

(vi) *General meetings and notices*

Annual general meetings of the Company are to be held in accordance with the Corporations Act. The Directors may convene a general meeting of the Company whenever they think fit. The Directors must convene and arrange to hold a general meeting at the request of shareholders under section 249D of the Corporations Act.

Notice of a meeting of shareholders must be given in accordance with sections 249H of the Corporations Act subject, if applicable, to section 249HA.

(vii) *Quorum*

Two shareholders present in person or by proxy, attorney or representative are a quorum at a general meeting. An item of business may not be transacted at a general meeting unless a quorum is present when the meeting proceeds to consider it.

(viii) *Calls*

The Directors may make calls on a shareholder in respect of any money unpaid on the shares of that shareholder, if the money is not by the terms of issue of those shares made payable at fixed times. Each shareholder must upon receiving not less than 30 business days notice pay to the Company the amount called on the shareholder's shares.

(ix) *Winding Up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company and may for that purpose set such value as the liquidator considers fair on the property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

- (f) the cash proceeds from the issue of the Vendor Shares are intended to be used as additional working capital for the Company.

In accordance with Listing Rule 7.3.8, the Company will disregard any votes cast on the Third Resolution by:

- a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Third Resolution is passed (including Mr Neil Fimeri and the Vendors); and
- an Associate of that person or those persons.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### 4. **The Fourth Resolution - Issue of Placement Shares to Mr Fimeri**

It is proposed that the Company be authorised to issue and allot 4,800,000 Placement Shares to Mr Fimeri at a subscription price of \$0.425 per Placement Share to raise \$2,040,000.

Given that approval of the Fourth Resolution is being sought for the purposes of Listing Rule 10.11, if such approval is given, approval will not be required under Listing Rule 7.1 (Listing Rule 7.2, Exception 14).

##### 4.1 **Disclosure required for approval under Listing Rule 10.11**

In accordance with the disclosure requirements of Listing Rule 10.13:

- (a) the proposed allottee of the Placement Shares is Mr Fimeri;
- (b) the maximum number of Placement Shares to be issued to Mr Fimeri pursuant to the Fourth Resolution is 4,800,000 Placement Shares;
- (c) the Placement Shares will be issued and allotted on the date of completion of the Fimeri Subscription Agreement, but in any event, the

Placement Shares will not be issued more than 1 month after the date of the Meeting, unless approved by ASX;

- (d) approval is being sought under the Fourth Resolution for the purposes of Listing Rule 10.11 on the basis that Mr Fimeri has been appointed as a director of the Company;
- (e) the issue price of the Placement Shares is \$0.425 per Placement Share and the terms of the Placement Shares once issued will be the same as those described above in relation to the Third Resolution in Paragraph (e); and
- (f) the funds raised from the Fimeri Placement are intended to be used to fund the Air Change Acquisition.

In accordance with Listing Rule 10.13.6, the Company will disregard any votes cast on the Fourth Resolution by:

- Mr Fimeri; and
- an Associate of Mr Fimeri.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **4.2 Disclosure required for approval under Section 611, Item 7**

The disclosure required under the provisions of Section 611, Item 7 of the Corporations Act and ASIC Regulatory Guide 74 – “Acquisitions agreed to by shareholders” when passing the Fourth Resolution, is largely provided in various places throughout these Documents, particularly the Explanatory Memorandum in Part F of these Documents and the Independent Expert’s Report in Part H.

However, some specific items of disclosure that are required under the Corporations Act and the foregoing Regulatory Guide are:

- (a) the person proposing to make the acquisition of the Placement Shares is Neil Fimeri;
- (b) on the passing of the Resolutions and completion of the Fimeri Placement, Mr Fimeri will be issued and allotted with 4,800,000 Placement Shares;
- (c) as at the date of this Notice, Mr Fimeri and his Associates do not have any voting power in the Company;

- (d) on the passing of the Resolutions and the completion of the Fimeri Placement and the issue of the Vendor Shares, the voting power of Mr Fimeri will be 27.2%;
- (e) on the passing of the Resolutions and the completion of the Fimeri Placement and the issue of the Vendor Shares, the voting power of Mr Fimeri and his Associates will be 27.2%;
- (f) Mr Fimeri has been appointed a director of the Company. Details of his associations and qualifications are set out in Part F, Section 2.8 of these Documents. Mr Fimeri has no association with the Vendors, other than as disclosed in these Documents;
- (g) at this point in time, it is the Company's understanding that Mr Fimeri has no specific intention to:
  - (i) other than as is disclosed in these Documents, change the business of the Company;
  - (ii) other than as is disclosed in these Documents, inject any further capital into the Company;
  - (iii) terminate the employment of any of the present employees of the Company or any member of the Group;
  - (iv) implement any proposal whereby any property will be transferred between the Company and himself or his associates;
  - (v) re-deploy any fixed assets of the Company, other than as is disclosed in these Documents; or
  - (vi) change significantly the financial or dividend policies of the Company;
- (h) the terms of the proposed Fimeri Placement and the Fimeri Subscription Agreement are summarised in Part F, Section 7.4 of these Documents;
- (i) the proposed Employment Agreement between the Company and Mr Fimeri, whereby Mr Fimeri is appointed the Chief Executive Officer of the Company, will commence upon completion of the Fimeri Placement. This Employment Agreement is summarised in Part F, Section 7.5 of these Documents;
- (j) the proposed issue and allotment of the Placement Shares is proposed to be made on completion of the Fimeri Subscription Agreement, but in any event, the Placement Shares will not be issued more than 1 month after the date of the Meeting, unless approved by ASX;
- (k) the reason for the proposed allotment of the Placement Shares is to raise sufficient funds to fund the Air Change Acquisition;
- (l) none of the existing Directors have any interest in the passing of the Resolutions, other than as is disclosed in these Documents;

- (m) each of the existing Directors (other than Mr Fimeri) approved the proposal to put the Fourth Resolution to Shareholders and these Documents;
- (n) each of the existing Directors (other than Mr Fimeri) recommends that the Shareholders should approve of the Fourth Resolution for the reasons stated in Part C of these Documents. Mr Fimeri declined to make a recommendation to Shareholders given his interest in the outcome of this Resolution; and
- (o) the Independent Expert's Report in Part H of these Documents contains an analysis of whether the issue and allotment of the Placement Shares in accordance with the Fourth Resolution is fair and reasonable, when considered in the context of the interests of, the Shareholders, other than those involved in the proposed allotment or associated with such persons.

**Before you determine how you might vote upon the Fourth Resolution, the Directors refer you to the Explanatory Memorandum in Part F of the Documents and to the Independent Expert's Report in Part H of the Documents.**

**Shareholders are advised to read both of those Documents in their entirety before deciding on how they will vote on the Fourth Resolution.**

#### **4.3 Disclosure required for approval under section 208**

In accordance with the disclosure requirements of section 219 of the Corporations Act:

- (a) the passing of the Fourth Resolution would permit a financial benefit to be given to Mr Fimeri;
- (b) the nature of the financial benefit is the issue and allotment of 4,800,000 Placement Shares on the terms and conditions of the Fimeri Subscription Agreement;
- (c) each of the existing Directors, other than Mr Neil Fimeri, recommends that Shareholders approve the Fourth Resolution for the reasons stated in Part C of these Documents;
- (d) Mr Fimeri has declined making a recommendation to Shareholders given his interest in the outcome of the Fourth Resolution;
- (e) none of the existing Directors has an interest in the outcome of the Fourth Resolution, other than as disclosed in these Documents. Mr Neil Fimeri has an interest in the outcome of the Fourth Resolution as the proposed allottee of the Placement Shares under the Fourth Resolution;
- (f) the Directors value the Placement Shares at between \$0.462 and \$0.484 per Share or \$2,216,000 and \$2,321,000 in total in accordance



with the findings of the Independent Expert. The basis of this valuation and the principal assumptions behind this valuation are set out in Part H, Section 6 of these Documents. Notwithstanding this, for the reasons outlined in Part H, Sections 9 and 10 of these Documents, the Directors consider that the issue price of \$0.425 per Placement Share is reasonable in all the circumstances;

- (g) the reasons for giving this financial benefit to Mr Fimeri are as follows:
  - (i) it offers the opportunity and the equity for the Company to acquire Air Change;
  - (ii) it gives the Company an executive director whose interests are aligned with those of the other Shareholders;
  - (iii) it gives the Company an executive with the engineering and commercial skills to integrate, manage and grow the new business;
- (h) the dilution effect of the issue of the Placement Shares on all existing Shareholders would be 27.8% (without having regard to the issue of the Vendor Shares);
- (i) details of the trading history of the Shares for the preceding 12 month period are as follows:
  - (i) in the 12 months to 15 February 2010, the Shares have traded in the range \$0.02 to \$0.15;
  - (ii) the closing price of the Shares on 15 February 2010 was \$0.15.

## **5. The Fifth Resolution – Issue of Placement Options to Mr Fimeri**

It is proposed that the Company be authorised to issue and allot 4,000,000 Placement Options to Mr Fimeri for no additional cash consideration and each with an exercise price of \$0.80 per Placement Option. The Placement Options will be issued and allotted pursuant to the Fimeri Subscription Agreement, which is summarised in Part F, Section 7.4 of these Documents.

Given that approval of the Fifth Resolution is being sought for the purposes of Listing Rule 10.11, if such approval is given, approval will not be required under Listing Rule 7.1 (Listing Rule 7.2, Exception 14).

### **5.1 Disclosure required for approval under Listing Rule 10.11**

In accordance with the disclosure requirements of Listing Rule 10.13:

- (a) the proposed allottee of the Placement Options is Mr Fimeri;
- (b) the maximum number of Placement Options to be issued to Mr Fimeri pursuant to the Fifth Resolution is 4,000,000 Placement Options;
- (c) the Placement Options will be issued and allotted on the date of completion of the Fimeri Subscription Agreement, but in any event, the

Placement Options will not be issued more than 1 month after the date of the Meeting, unless approved by ASX;

- (d) approval is being sought under the Fifth Resolution for the purposes of Listing Rule 10.11 on the basis that Mr Fimeri has been appointed as a director of the Company;
- (e) the Placement Options will be issued for no cash consideration;
- (f) the terms of the Placement Options are summarised in Part F, Section 7.4 of these Documents; and
- (g) there will be no funds raised from the issue of the Placement Options.

In accordance with Listing Rule 10.13.6, the Company will disregard any votes cast on the Fifth Resolution by:

- Mr Fimeri; and
- an Associate of Mr Fimeri.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## 5.2 Disclosure required for approval under section 208

In accordance with the disclosure requirements of section 219 of the Corporations Act:

- (a) the passing of the Fifth Resolution would permit a financial benefit to be given to Mr Fimeri;
- (b) the nature of the financial benefit is the issue and allotment of 4,000,000 Placement Options on the terms and conditions of the Fimeri Subscription Agreement;
- (c) each of the existing Directors, other than Mr Neil Fimeri, recommends that Shareholders approve the Fifth Resolution for the following reasons:
  - (i) Mr Fimeri will have a financial incentive to ensure that the market price of the underlying Shares increases to create value in the Placement Options;
  - (ii) the issue of Options is a non-cash form of consideration, thus conserving liquid funds;
  - (iii) otherwise for the reasons stated in Part C of these Documents;

- (d) Mr Fimeri has declined making a recommendation to Shareholders given his interest in the outcome of the Fifth Resolution;
- (e) none of the existing Directors has an interest in the outcome of the Fifth Resolution, other than as disclosed in these Documents. Mr Neil Fimeri has an interest in the outcome of the Fifth Resolution as the proposed allottee of the Placement Options under the Fifth Resolution;
- (f) the Directors value the Placement Options at between \$0.044 and \$0.091 per Placement Option or \$176,000 to \$364,000 in total in accordance with the findings of the Independent Expert. The basis of this valuation and the principal assumptions behind the valuation are set out in Part H, Section 7 of these Documents. Notwithstanding this, for the reasons outlined in Part H, Sections 9 and 10 of these Documents, the Directors consider that the terms on which the Placement Options are proposed to be issued to Mr Fimeri are reasonable in all the circumstances;
- (g) the reason and basis for giving this benefit to Mr Fimeri is:
  - (i) it gives the Company an executive director whose interests are aligned with those of the other Shareholders; and
  - (ii) it gives the Company an executive with the engineering and commercial skills to integrate, manage and grow the new business;
- (h) if all the Placement Options were exercised, the Company would be required to issue and allot an additional 4,000,000 Shares pursuant to the terms of the Placement Options, which will, without the issue of additional Shares beforehand, decrease each Shareholders relative holding by 18.5% from that held immediately before the issue of those Shares (assuming the issued capital of the Company prior to the issue of the 4,000,000 Shares is 17,620,896 Shares);
- (i) Shareholders are referred to the commentary in Paragraph 4.3(i) above in relation to the recent trading history of the Shares.

## 6. **The Sixth Resolution – Approval of Mr Fimeri’s Employment Agreement**

It is proposed that Mr Fimeri be appointed as Chief Executive Officer of the Company. The Company and Mr Fimeri have executed the Employment Agreement, which will commence on and from completion of the Fimeri Placement. The Employment Agreement is summarised in Part F, Section 7.5 of these Documents.

Pursuant to the terms of the Employment Agreement, Mr Fimeri will acquire a right to a termination benefit which requires approval for the purposes of section 200B(1) of the Corporations Act and Listing Rule 10.19.

Specifically, the Employment Agreement provides that the Company may only terminate the agreement ‘without cause’ after a minimum commitment

period of 2 years has expired by giving 12 months prior written notice to Mr Fimeri. If the Company breaches that provision by terminating the Employment Agreement 'without cause' before the end of the 2 year minimum commitment period, the Company will be obliged to pay Mr Fimeri his remuneration package for the period between the date of termination and the end of the 2 year minimum commitment period. This obligation of the Company gives rise to a termination benefit in favour of Mr Fimeri which requires the approval of members pursuant to section 200B(1) of the Corporations Act and Listing Rule 10.19.

No other director or officer of the Company has a right to the same or a similar termination benefit.

In accordance with Listing Rule 10.19, the Company will disregard any votes cast on the Sixth Resolution by:

- Mr Fimeri; and
- an Associate of Mr Fimeri.

However, the Company will not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **7. The Seventh Resolution – Change of the Company's name**

Section 157 of the Corporations Act requires shareholders to approve by a special resolution (i.e. by a vote of no less than 75% of the shares held by the persons attending and voting upon that resolution, whether in person or by proxy) any name change of a company.

The Directors believe that, after and subject to the completion of the Air Change Acquisition, it is appropriate for the Company to be known as "Air Change International Limited" going forward.

Whilst the change of name will be effective on and from the passing of the Seventh Resolution, ASX's records and the ASX code of the Company will not be updated immediately. ASX's records and the ASX code will acknowledge the change in the Company's name in accordance with the timetable on page 14 and 15 of these Documents.

## **8. The Eighth Resolution – Change of the Company's Constitution**

As outlined above, if all the Resolutions are passed, ASX will suspend the quotation of the Company's securities and the Company will be required to satisfy the requirements of Chapters 1 & 2 of the Listing Rules in order for the ASX to lift the suspension. Listing Rule 1.1, Condition 2 requires that the Company must have a constitution that is consistent with the Listing Rules.

However, Condition 2 will not apply if the Company's constitution includes the provisions in Appendix 15A of the Listing Rules.

The Constitution does not currently include the provisions of Appendix 15A.

To ensure that the ASX will be satisfied with the Constitution at the time the Company seeks to comply with Chapters 1 & 2 of the Listing Rules, the Directors have proposed that the Constitution be amended to incorporate the provisions in Appendix 15A of the Listing Rules in accordance with the terms of the Eighth Resolution.

## **PART F: EXPLANATORY MEMORANDUM**

### **Section 1: Introduction**

#### **1.1 Background**

The information in this Explanatory Memorandum is provided to Shareholders in respect of various corporate actions and transactions that are submitted to Shareholders for their approval in compliance with various regulatory requirements.

#### **1.2 Action required of Shareholders**

The information contained in this booklet is important in deciding how you should vote on the Resolutions.

**Please read all the Documents carefully and in their entirety. If you do not understand any part of any of these Documents or are in any doubt as to the course of action you should follow, you should contact your financial or other professional adviser immediately.**

#### **1.3 Vote on the Resolutions**

You are encouraged to attend and vote at the Meeting. If you are unable or do not wish to attend, the Directors urge you to vote by completing and returning the enclosed Proxy Form (see **Part I**).

## Section 2: Description of the Transaction

### 2.1 Overview

IFC is proposing to change the nature of its activities by entering into a series of transactions to create a specialised air conditioning company. The Air Change Acquisition will be effected by the Company acquiring 100% of the issued share capital in Air Change. The Transaction is essentially a listing mechanism for Air Change, with IFC acting as the listed vehicle. On completion of the Air Change Acquisition, IFC will be renamed "Air Change International Limited".

Air Change presently designs, manufactures and commercialises highly efficient packaged air conditioners and air handling units for use in commercial and industrial building applications in Australia using its patented air to air heat exchange technology. This technology aims to improve indoor air quality and reduce energy consumption.

To facilitate the Air Change Acquisition, the Company also proposes to raise \$2,040,000 funds via a placement of Shares to Mr Neil Fimeri, who is also proposed to become the new Chief Executive Officer of the Company.

### 2.2 Air Change Acquisition

The Board has actively reviewed several business opportunities since July 2009 and has identified the Air Change Acquisition to be a prospectively rewarding opportunity for the Company and the Shareholders.

There are numerous components to the Transaction, each of which are outlined below.

It is intended that IFC:

- (a) will acquire 100% of the issued capital of Air Change from the Vendors for \$7.3 million. If the net cash and/or cash equivalent assets of the Air Change Group on completion (**NCA**) are less than \$1,750,00, the Vendors will be required to pay the difference to the Company. Similarly, if the NCA is more than \$1,750,000, the Company will be required to pay the difference to the Vendors. The Vendors also have an entitlement to be paid up to a maximum of \$1,000,000 pursuant to an earn-out over a 2 year period;
- (b) completion of the Air Change Acquisition is conditional upon, amongst others things:
  - (i) Mr Urch, the inventor of the Air Change heat exchanger, entering into a consultancy agreement with Air Change, which will be effective on completion of the Air Change Acquisition for a period of 2 years;
  - (ii) Mr Urch entering into a licence with the Company which will allow the Company to commercialise technologies developed

by Mr Urch in the heating, ventilation and air conditioning markets;

- (c) issues and allots 117,647 Shares to each of the Vendors (or 352,941 Shares in total) at a subscription price of \$0.425 per Share; and
- (d) changes its name to "Air Change International Limited";
- (e) consolidates its Shares on 1 for 5 basis; and
- (f) amends its constitution to ensure compliance with the Listing Rules.

The Air Change Acquisition will only proceed if all Resolutions are passed by Shareholders at the Meeting and the Fimeri Placement is successfully completed. The Company will fund the Air Change Acquisition from its existing cash reserves and using the proceeds of the Fimeri Placement, which is described in Section 2.3 below.

### **2.3 Fimeri Placement**

In conjunction with Air Change Acquisition, the Company is proposing to enter into various transactions with Mr Neil Fimeri. These include:

- (a) the issue and allotment of 4,800,000 Placement Shares to Mr Fimeri at a subscription price of \$0.425 per Placement Share, raising a total of \$2,040,000. Mr Fimeri has agreed to a voluntary escrow of his Placement Shares for a period of 12 months from the date of their issue;
- (b) the issue and allotment of 4,000,000 Placement Options to Mr Fimeri for no additional cash consideration and with an exercise price of \$0.80 per Placement Option. The Placement Options can only be exercised on a day immediately after a period of seven (7) consecutive trading days in respect of which the closing price of the Shares quoted on ASX on each of those trading days was in excess of \$1.50 per Share;
- (c) the appointment of Mr Fimeri as the Chief Executive Officer effective on and from completion of the Fimeri Placement. Mr Fimeri's experience and qualifications are set out below in Section 2.8.

### **2.4 Use of Proceeds**

The Company will raise a total of \$2,040,000 from the issue of the Placement Shares to Mr Fimeri. These funds, along with funds acquired from the Company's existing cash reserves, will be used to fund the Air Change Acquisition.

In addition, the Company will raise \$150,000 from the issue of the Vendor Shares. These funds will be used as additional working capital of the Company.



## 2.5 Capital Structure

As set out below, IFC has 12,467,955 Shares on issue as at the date of this Notice (on a post Share Consolidation basis). IFC currently has no listed or unlisted Options on issue. The table below sets the capital structure following the completion of the Fimeri Placement and the issue of the Vendor Shares:

<b>Shares</b>	
Shares currently on issue (post Share Consolidation)	12,467,955
Placement Shares to be issued to Mr Fimeri	4,800,000
Shares to be issued to the Vendors of Air Change	352,941
Total Shares on issue after the Fimeri Placement and issue of Vendor Shares	<b>17,620,896**</b>
Subscription price of Vendor Shares and Placement Shares	\$0.425
Market capitalisation (based on \$0.425 subscription price)	\$7,488,881
<b>Options</b>	
Options currently on issue (quoted and unquoted)	0
Placement Options to be issued to Mr Fimeri (not quoted)	4,000,000
Total Options on issue after the Fimeri Placement	<b>4,000,000</b>

\*\*This table does not take into account any Shares that may be issued pursuant to the Share Purchase Plan or otherwise to satisfy the ASX spread requirements.

## 2.6 Major shareholders

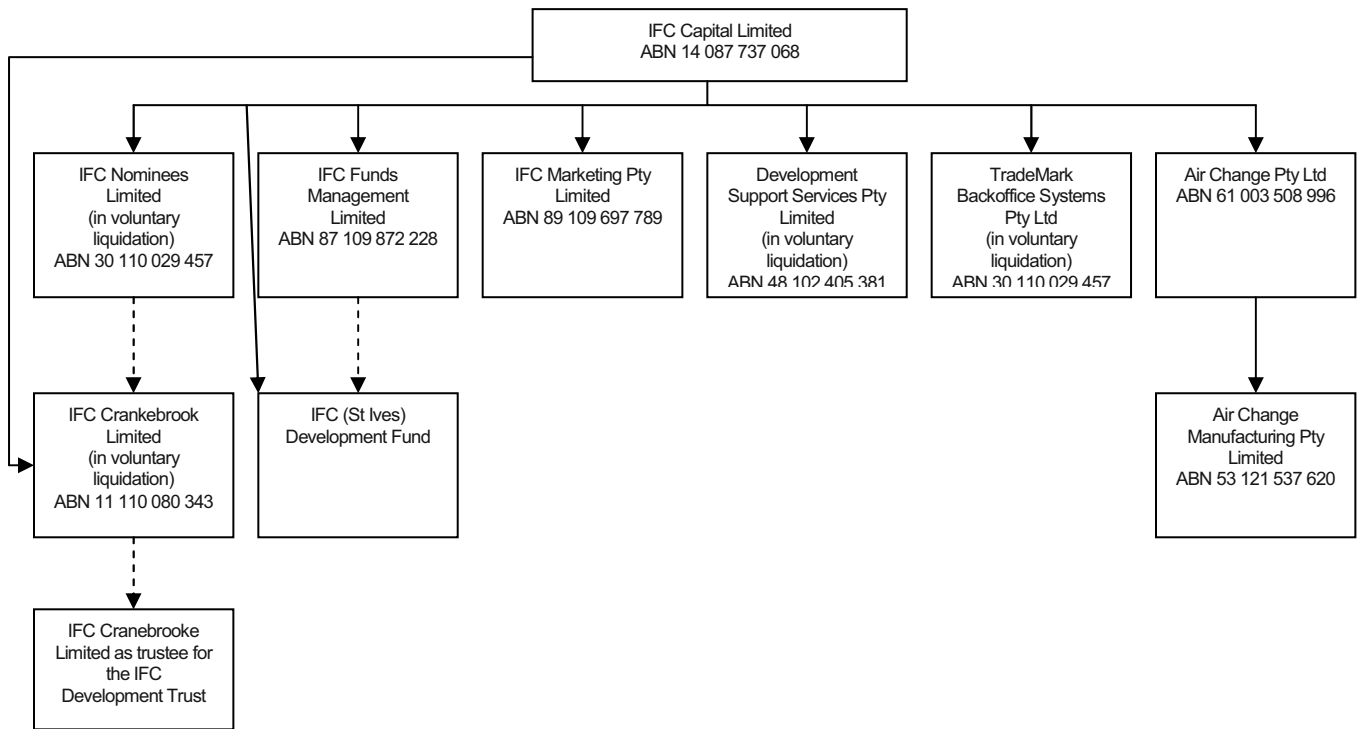
The top Shareholders following the Share Consolidation and issue and allotment of the Placement Shares and the Vendor Shares, according to the Company's information at the date of these Documents:

<b>Name</b>	<b>No. of ordinary shares held (post Share Consolidation)</b>	<b>Percentage of issued shares</b>
Raymond Neil Fimeri	4,800,000	27.2%
Sun Hung Kai Investment Services Ltd – clients a/c	4,051,722	22.99%
Sun Hung Kai Investment Services Ltd – Katong Assets Ltd a/c	1,850,910	10.50%
Mr Alan Jones	938,000	5.32%
Mr Colin Sim & Mrs Dale Merran Sim (SSK Investments S/Fund a/c)	913,537	5.18%

\*\*This table does not take into account any Shares issued pursuant to the Shareholder Purchase Plan.

## 2.7 Proposed Group Structure

Following completion of the Air Change Acquisition, the Group structure will be as follows:



## 2.8 Details of Proposed Director - Raymond Neil Fimeri

Neil has a degree in civil engineering and spent 12 years working as a project manager on the design, construction and commissioning of large scale mining and mineral processing plants around the world before settling in Sydney in 1985. During this time, he worked for both the project construction contractors and for the client mining companies including 5 years with Rio Tinto in Bougainville and north west Queensland.

Since 1985, Neil held a senior management position at Mulpha Australia Limited, a property investment and development company, leading the acquisition of over one billion dollars of real estate projects in the form of company takeovers or directly purchasing land development projects and commercial buildings. From time to time, he led the design and development of the company's projects including the design and construction of the underground car park at the Sydney Opera House.

Neil's expertise lies in the identification and acquisition of strategic investment opportunities with an engineering bias.

## **Section 3: Business Overview**

### **3.1 The Company's historical and current overview**

IFC (under the name E-Star Online Limited) listed on the ASX in August 2000. It operated an on-line share trading service until that business was closed down in August 2002.

In 2003, IFC's name was changed to Infracorp Limited. In July 2004 it announced the purchase of 181 hectares of land located at Cranebrook in NSW for \$15 million from Air Services Australia. The purchase settled in October 2004.

IFC's intention was to re-zone and develop the land and sought from the Minister of Planning permission to have the Cranebrook Land included in the Metropolitan Development Program which would enable residential subdivision of the Cranebrook Land.

In 2005 IFC's current name was adopted. Between 2005 and 2009 IFC continued to progress the re-zoning of the Cranebrook Land as well as maintaining a small involvement in other property and infrastructure projects including the provision of consulting services to such projects.

In IFC's half year report to Shareholders released to the ASX on 22 February 2009, the Directors advised that while the re-zoning proposal for the Cranebrook Land was still under consideration with the Minister of Planning, no timetable for the re-zoning process was available.

The Directors noted that extensive discussions with the Planning Ministry, local councillors, residents, and State Ministers would be required before any re-zoning would occur.

On 1 June 2009 the Directors announced to the ASX that they were in discussions with a party that was interested in purchasing the Cranebrook Land. On 12 June 2009 the Directors announced to the ASX that they had signed a conditional contract with the NSW National Parks and Wildlife Service for the sale of the Cranebrook Land for \$17.5 million.

Shareholders approved the sale of the Cranebrook Land on 31 July 2009, and the sale settled on 11 August 2009.

With the sale of the Cranebrook Land, IFC no longer had any business operations and advised Shareholders that it was investigating new opportunities in the areas of property investment, corporate advisory and strategic investments.

On 30 December 2009, IFC announced its intention to acquire Air Change.

## 3.2 The Air Change Business

### 3.2.1 *Background of Airchange business*

Air Change Pty Ltd is a Sydney based company that manufactures heating, ventilation and air-conditioning (“**HVAC**”) equipment which can recover up to 80% of the energy from the air exhausted from a building.

It started manufacturing packaged air conditioners, air handling units and energy recovery ventilators for commercial building applications in 2002, all of which incorporated a unique air to air heat exchanger invented and developed by the company’s founder, John Urch.

All of Air Change’s HVAC products are equipped with the heat exchanger technology, which although limiting the market for its products, gave the company a distinct and competitive edge when energy recovery was specified as a requirement of the air-conditioning design.

Air Change’s sales grew each year until 2008, despite capital constraints, as the demand for greener more efficient products increased, but sales retracted in 2009 as the global financial crisis slowed demand for new building developments.

Air Change products are now sold and represented in all Australian states and New Zealand and have been exported for use in building developments in Fiji and Indonesia.

Air Change products are currently installed in more than 1000 buildings and continue to dominate the market for HVAC equipment in Australia which incorporates energy recovery.

Air Change has received numerous government and industry awards for its unique and energy efficient products.

### 3.2.2 *Air Change’s market segment*

Commercial and institutional buildings are required by law to introduce varying quantities of fresh air into their space depending upon the application of the building. Fresh air quantities can vary from as little as 20% of the building volume each hour in certain applications up to 12 times the building volume per hour in heated indoor swimming pools where there is a high degree of air contamination and the air must be turned over quickly to maintain a healthy environment.

Generally, the trend is to increase the fresh air supply volume above the mandated minimum requirements to improve the indoor air quality.

While the health benefits to the building occupants of introducing increased volumes of fresh air is clear, the negative side is that it requires greater amounts of energy to heat or cool the increased air volume. This is known as the “fresh air load”.

To reduce this “fresh air load”, heat or energy can be recovered from the air that is being exhausted from the building and transferred to the incoming fresh air supply using an air to air heat exchanger.

Since preheating or pre cooling the incoming fresh air reduces the energy load on the HVAC equipment, it can in many cases reduce the size of the HVAC plant needed for the same volume of fresh air supplied, thereby saving on capital as well as operating costs.

### 3.2.3 Air Change technology

Air Change has developed and owns the patent for a unique air to air heat exchanger which can transfer both sensible and latent heat from the exhausted air to the incoming fresh air supply thereby reducing the “fresh air load” on the HVAC equipment by up to 75%.

Table 1 below sets out Air Change’s patent portfolio.

**Table 1: Air Change’s patents**

Property Type	Reference	Country	Registration No.	Title	Case Status/ Comment
Patent	Heat Exchanger CA	Canada	2403169	Heat Exchanger	Registered
Patent	Heat Exchanger CA(div 1)	Canada	2572501	Heat Exchanger	Registered
Patent	Heat Exchanger CN	China	ZL01809473.2	Heat Exchanger	Registered
Patent	Heat Exchanger CN Div1	China	ZL200510062601.6	Heat exchanger	Registered
Patent	Heat Exchanger EP	Europe	01911272.1	Heat Exchanger	Response to exam report
Patent	Heat Exchanger EP(Div 1)	Europe	08018177.9	Heat Exchanger	App lodged
Patent	Heat Exchanger IN	India	212555	Heat Exchanger	Registered
Patent	Heat Exchanger IN(div 1)	India	04526/DELNP/06	Heat Exchanger	Exam requested
Patent	Heat Exchanger KR	Republic of Korea	10-0748785	A Gas-Flow Heat Exchanger, an Air Conditioning System and a Storage Ventilator System	Registered
Patent	Heat Exchanger –US	United States of America	6829900	Heat Exchanger	Registered
Patent	Air Conditioning Apparatus (Roof Top Package)	Australia	2003204948	An Air Conditioning Apparatus	Registered
Patent	A/C Apparatus (School Room)	Australia	2004215315	An air conditioning apparatus	Report issued

Property Type	Reference	Country	Registration No.	Title	Case Status/ Comment
	- AU				
Patent	Air Conditioning Apparatus – US	United States of America	6935132	An air conditioning apparatus	Registered
Patent	Heat Exchanger	Australia	2005266840	A heat exchanger	Report issued
Patent	Heat exchanger L-CN	China	200580028912.9	A heat exchanger	Response to exam report
Patent	Heat Exchanger	Australia	2004203424	Heat Exchanger	Registered
Patent	Heat Exchanger	Australia	2004203425	Heat Exchanger	Registered

There are other air to air heat exchanger methodologies that can pre condition incoming fresh air to the same or lesser degree of efficiency and effectiveness.

There are two technologies that presently dominate the international market for energy recovery which are the rotating heat wheel and the cross flow plate heat exchanger made of either aluminium or composite plastics.

The advantages of the Air Change system over these technologies are:

- It recovers sensible and latent heat
- It is a counter flow device
- It has no moving parts or seals
- It can dehumidify the incoming air
- It requires little or no ongoing maintenance
- It is very light and compact
- It is cheaper to manufacture than any of the competing technologies

The Air Change heat exchanger can meet the best performance of existing heat exchange technologies because it can transfer latent heat in a counter flow design, but it is commercially superior because it can be manufactured at a fraction of the price and has no moving parts or seals.

A comparison of the benefits of the varying technologies is shown in this table:

	<b>Rotating Heat Wheel</b>	<b>Aluminium Plate Exchanger</b>	<b>Air Change</b>
Sensible heat transfer	Yes	Yes	Yes
Latent heat transfer	Yes	No	Yes
Dehumidification	Yes	No	Yes
Moving parts and seals	Yes	No	No
Maintenance cost	High	Medium	Low
Manufacturing cost	High	Medium	Low

The Air Change heat exchanger is highly efficient because the air is channelled in a counter flow rather than a cross flow pattern. Each portion of the incoming air is equally heated or cooled, as the case may be, with no temperature gradient over the airstream.

Heat recovery from exhaust air has been commonly used in northern Europe for some time because of its extreme climatic conditions and the relatively high cost of energy.

Its use in Australia was very low before Air Change introduced its HVAC products because the increased capital and maintenance costs of the energy recovery equipment did not justify the savings in energy costs.

It is these advantages that have enabled Air Change to dominate the Australian market for HVAC equipment incorporating energy recovery with an estimated market share of over 80%.

## **Section 4: HVAC Industry overview**

The world market for all HVAC products used in residential and commercial applications is estimated at US\$70 billion.

Air Change operates in a very specialised but growing segment of the industry which seeks to recover heat and energy from exhausted air, principally in commercial, industrial and institutional building applications.

The market for energy recovery systems is growing due to:

- government mandated reductions in energy and carbon use;
- rapidly increasing energy costs; and
- a desire for healthier indoor air quality requiring higher fresh air flows

### **4.1 Australia**

The market for HVAC equipment incorporating energy recovery is growing in Australia because building owners and designers are specifying higher fresh air quantities in new and refurbished buildings.

Legislation mandating carbon pollution reduction requires that all mechanical plant and equipment must operate at the highest possible efficiencies.

The increased use of chilled beams as a cooling mechanism in new Australian buildings further increases the demand for Air Change products because it is not only necessary to pre-condition the incoming air, but to de-humidify the air to avoid condensation.

The market for HVAC equipment in Australia incorporating energy recovery is predicted to double in the next 5 years.

There is an increasing demand for stand alone energy recovery ventilators (“ERV’s”) which are not associated with other air-conditioning plant, in institutional buildings such as schools. Using ERV’s allows adequate fresh air ventilation to the room without opening windows which is highly energy inefficient when the room is being heated.

### **4.2 Europe**

The market for energy recovery in Europe is substantially more advanced than it is in Australia because of the climatic conditions and higher energy costs.

The European Union mandates the use of ERV’s in all new European homes. In 2007, residential sales of ERV’s was estimated at 207,316 units with a value of Euro 385.3 million by BSRIA.

A market study by Frost and Sullivan in 2005 estimated that the market for heat and energy recovery ventilators in Western Europe was US\$723 million, excluding installation and other associated HVAC plant.



This study examined residential and commercial building applications but not the use of ERV's in factory or industrial facilities. This is a substantial additional market for energy recovery.

This survey concluded that the European market for energy recovery would grow at a compound annual growth rate of 2.5%.

#### 4.3 **North America**

For similar reasons that exist in Australia, the market for energy recovery in North America is not as developed as Europe but it is growing at a much faster rate.

The Canadian market is almost as developed as the European market, but the US market has lagged due to a number of circumstances. The market for energy recovery in the US is increasing as Department of Energy mandates increased energy efficiency.

Frost and Sullivan estimated that the 2006 North American market for ERV's, excluding the residential market, was US\$325 million growing at a compound rate of 16% per annum.

#### 4.4 **Other Markets**

Energy recovery is utilised in all other major world markets but its size has not been quantified and its development has lagged Europe and North America.

North Asia and China in particular offer very good market prospects.

The world market for ERV's in all forms exceeds US\$2 billion.

## **Section 5: Future strategy**

### **5.1 Australian Market**

In Australia, Air Change will continue to manufacture packaged air-conditioners, air handling units and energy recovery ventilators for commercial and institutional building applications that incorporate the Air Change heat exchanger.

This has proved a very successful strategy here as engineers and specifiers prefer a single item of plant rather using different equipment components from multiple manufacturers.

The equipment is easier and cheaper to install, more compact and involves a contractual relationship with only one party.

The market for the company's products will grow as the requirement for energy efficiency increases but the Australian market for energy recovery will never be overly large.

### **5.2 Overseas Market**

Because of the extremes in climatic conditions, the northern hemisphere markets for energy recovery are much larger than the Australian market even when adjusted for population differences.

These northern hemisphere markets offer significant opportunities for Air Change and its products.

The Air Change strategy for expansion overseas is to manufacture its patented heat exchangers for sale to a selected number of HVAC original equipment manufacturers for incorporation into their products in a similar manner to the way Air Change incorporates its heat exchangers into its air handling units and packaged air-conditioners.

The technical and cost advantages of the Air Change heat exchange technology should give the selected manufacturers a competitive edge in their regional markets.

It is not presently intended to manufacture and sell the end use HVAC products incorporating the heat exchangers as it does in Australia.

### **5.3 Other HVAC Product Developments**

Mr John Urch, the inventor of the existing Air Change heat exchange technology, is continuing to develop other new technologies for use in the HVAC market that reduce energy consumption.

As part of this transaction, Air Change has entered into an exclusive licence to commercialise and develop any other HVAC technologies invented by Mr Urch, which is summarised in Part F, Section 7.3 of the Documents.

Under this agreement, Air Change is currently working on the development of a highly energy efficient air-conditioning technology that is being partly funded by a grant of \$458,370 from the Federal Government under its climate ready program.

If successful, this and other new HVAC technologies under development would open up new and exclusive markets for the Company's air-conditioning products.

## **Section 6: Risk Factors**

There are various risks that are both specific to the Company and its proposed new business operations as well as general investment risks, which may materially and adversely affect the financial performance and/or financial position of the Company and the value of its Shares.

Prior to voting on the proposed Transaction, Shareholders should carefully read this Document in its entirety and consider the risks identified herein. Investors should have regard to their own investment objectives and the advice of their financial advisor, stockbroker, lawyer or independent professional advisor before voting.

It is not possible to exhaustively identify all of the risks that may impact the future of the Company and its proposed new business operations. This assessment is based on the knowledge of the Directors at the time of this Notice and there is no guarantee or assurance of the relative importance of the risks identified.

### **6.1 Key risks associated with the Company and the Air Change business.**

#### *6.1.1 The Building and Construction Market*

The new building and building refurbishment markets have been adversely affected by the global financial crises. The demand for new and refurbished buildings is subject to demand generated by general economic activity and the availability of credit to finance construction. A continued weakness or further reduction in new and refurbished building activity negatively impacts on the demand for the Company's HVAC products.

#### *6.1.2 Patents*

The Company will rely heavily for its success on its ability to maintain patent protection for its heat exchanger technology. Patents are validly registered in Canada, USA, Korea, China and Australia and are pending in the European Union. Whilst there is good reason to expect that patent protection will be granted in the European Union, this is not certain.

Even though the Company has been or is granted patents over its heat exchange technology, the nature of commerce is that competitors will try and design competing products that do not infringe the Company's patents.

Furthermore, the Company's patents could be partially or wholly invalidated following challenges by third parties.

#### *6.1.3 Infringement of third party intellectual property*

If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for infringement of its patent or other intellectual property rights, the Company may incur significant costs in defending the action regardless of whether that action ultimately prevails.

#### 6.1.4 *Competition*

The Company's competitors may discover or develop competing products that would make the Company's products obsolete, redundant or uncompetitive. This would adversely affect the market for the Company's products and hence its future financial performance.

#### 6.1.5 *Sufficiency of Funds*

In the Company's best estimation of cash flow projections and its present financial position, it has sufficient funds and borrowing capacity to maintain and organically grow its present business operations. From time to time, the Company may need to raise additional debt or equity funding to maintain or grow its business, defend its patents or third party claims, finance new product developments and their commercialisation or take advantage of other investment opportunities that may present. The Company's ability to raise additional funds will be subject to conditions and factors outside the control of the Company and its Directors. The Directors can give no assurance that future funds, if required, will be available or available on sufficiently favourable terms.

### **6.2 General Risks to the Company and the Air Change business**

#### 6.2.1 *Stock Market Fluctuations*

Stock market fluctuations in Australia and around the world may negatively impact the Company's share price. Factors which may influence the investment climate, which may not relate to the actual performance of the Company, include general economic outlook, movements in commodity prices, exchange rate movements, interest rates, inflation and overall developments in the debt and equity markets.

#### 6.2.2 *Liquidity and realisation risk*

There can be no guarantee that an active market in the Company's Shares will develop or that the Share price will increase.

#### 6.2.3 *General economic risk*

Australian and world economic conditions may adversely affect the Company's business and therefore its financial performance. Any protracted slowdown in economic conditions or continued weak economic performance in the world economy may negatively impact on the Company's business prospects. Inflation, currency fluctuations, interest rates and the availability of credit may adversely affect the Company's operations, earnings and financial performance.

#### 6.2.4 *Taxation*

Changes in tax legislation and regulation or their interpretation may adversely affect the Company's earnings and the value of the Company's Shares and may affect each Shareholder differently.

#### 6.2.5 *Accounting Standards*

Changes in accounting standards or their interpretation may adversely affect the Company's reported financial performance and or financial position.

#### 6.2.6 *Force majeure*

Force majeure is a term to refer to an event that is outside the Company's control and may include but not be limited to acts of God, terrorism, fire, flood, earthquakes, wars, strikes and the outbreak of disease. To the extent to which force majeure events occur, they may adversely impact the Company's ability to operate, it's financial performance or position, and the value and price of the Company's shares.

#### 6.2.7 *Other risks*

The risks discussed above are not exhaustive and the Company may encounter other risks from time to time that may materially impact the Company's financial performance or financial position.

## Section 7: Summary of Material Agreements

The Directors consider the material contracts summarised below to be significant and/or material to the completion of the Transaction and the Company generally (each a **Material Contract**).

The main provisions of the Material Contracts are summarised below. Each Material Contract appears in summary form only. Some words may be defined in the Material Contract, but not in this Explanatory Memorandum.

### 7.1 Air Change Share Sale Agreement

On 30 December 2009, IFC entered into the Sale Agreement with the Vendors for the purchase of all the issued share capital in Air Change.

#### *Completion Payment*

On completion, IFC will be required to pay a total of \$7,300,000. Of this amount, \$6,570,000 will be paid to the Vendors and \$730,000 will be paid to an escrow agent to be held as a retention amount (**Retention Amount**).

Immediately following completion, IFC will be required to prepare financial statements for the Air Change Group as at the date of completion (**Completion Accounts**). On the date that is 5 days after the date on which the Completion Accounts are agreed or determined, an adjustment amount will be paid by the Vendors or IFC, as the case may be (**Adjustment Amount**).

#### *Completion Adjustment*

The Adjustment Amount will be calculated as follows:

$$\text{Adjustment Amount} = \text{Completion NCA} - \$1,750,000$$

Where:

Completion NCA means:

- (a) the aggregate of all cash and cash equivalents, accounts receivable, prepaid expenses and inventories of finished goods, raw materials and work in progress for the Air Change Group;
- (b) less the amount of all liabilities of the Air Change Group, including any amount for doubtful debts, but excluding any liability in respect of a new injection die tooling ordered after 1 August 2009,

according to the Completion Accounts.

If the Adjustment Amount is positive, IFC will be required to pay the difference to the Vendors and the parties will direct the escrow agent to pay the Retention Amount to the Vendors.

If the Adjustment Amount is negative and exceeds the Retention Amount, the Vendors will be required to pay the difference between the Adjustment

Amount and the Retention Amount to IFC and the parties will direct the escrow agent to pay the Retention Amount to IFC.

If the Adjustment Amount is negative and is less than the Retention Amount, the parties will direct the escrow agent to pay the Adjustment Amount to IFC and the any difference between the Retention Amount and the Adjustment Amount to the Vendors.

The Vendors are obliged to manage the Air Change Group's business to ensure that the Completion NCA is within the range of \$1,000,000 to \$2,000,000. Subject to this obligation, the Vendors are entitled to procure that the Air Change Group members declare and pay before completion any dividend out of the profits of the Air Change Group.

#### *Earn-Out Payments*

The Vendors will also potentially be entitled to earn-out payments.

The first earn out payment (**First Earn Out**) will be calculated in respect of the period commencing on the first day of the next calendar month after the completion date and ending on the last day of the twelfth month thereafter (**First Instalment Period**).

The First Earn Out will be equal to 50% of the amount by which the gross profits of the Air Change Group in the First Instalment Period exceeds \$4,800,000, but which must not be greater than \$1,000,000.

The second earn out payment (**Second Earn Out**) will be calculated in respect of the period commencing on the first day after the expiry of the First Instalment Period and ending on the last day of the twelfth month thereafter (**Second Instalment Period**).

The Second Earn Out will be equal to 50% of the amount by which the gross profits of the Air Change Group in the Second Instalment Period exceeds \$5,500,000, but which, when combined with the First Earn Out, must not be greater than \$1,000,000.

#### *Conditions for completion*

Completion of the Sale Agreement is conditional on, amongst other things:

- IFC obtaining all necessary resolutions of its Shareholders;
- IFC being satisfied with the outcome of its financial, legal and commercial due diligence;
- IFC obtaining all necessary government, regulatory, ASX and ASIC approvals, licences and permits necessary for completion.

All existing officers of the members of the Air Change Group will resign on completion and will be replaced with IFC's nominees.



### *Warranties and indemnities*

The Vendors have given various warranties in favour of IFC in relation to the Air Change Group as at the date of the Sale Agreement and completion and indemnifies IFC for any breach of those warranties. The warranties relate to Air Change Group's corporate structure, business records, financial accounts for the years ending 30 June 2008 and 30 June 2009, taxation, business premises, property and assets, plant and equipment, inventory, intellectual property rights, insurance, employees, conduct of business, litigation, due diligence material, occupational health and safety, superannuation, related party transactions, contracts and loans and encumbrances.

IFC's ability to claim under the indemnity is subject to a variety of limitations, including but not limited to:

- IFC must give notice of a breach of warranty claim (other than tax) within 2 years of completion and within 90 days of becoming aware of the relevant facts giving rise to the claim;
- IFC must give notice of a breach of a tax warranty claim within 5 years of completion or such later date upon which a governmental agency may make a claim against the Air Change Group and within 90 days of becoming aware of the relevant facts giving rise to the claim;
- the maximum aggregate amount recoverable by IFC from the Vendors in respect of all claims is \$4,000,000 and the amount that may be claimed from any individual Vendor is limited to their respective proportion of the purchase price.

### *Restraint of trade*

Each of the Vendors have agreed to be restrained from being engaged in any business in competition with Air Change's heating, ventilation and air-conditioning business for a period of 5 years from the completion date.

## **7.2 John Urch Consultancy Agreement**

On 30 December 2009, Air Change entered into a Consultancy Agreement with Mr John Urch, the inventor of Air Change's heat exchanger and a Vendor, pursuant to which Mr Urch has agreed to provide consultancy services to Air Change for a period of 24 months commencing on the date of completion of the Sale Agreement. Air Change may extend the term of this agreement to 36 months in the event additional services are required by Air Change to develop Air Change's 'Green Machine' product.

The consultancy services to be provided by Mr Urch include engineering design and technical advice in respect of the design and manufacture of products relating to specific patents registered by Air Change and patents licensed to Air Change pursuant to the Heads of Agreement – see section 7.3 below.

The number of days on which services will be performed by Mr Urch are to be agreed by the parties, subject to the proviso that Air Change may require

Mr Urch to provide the services for up to a maximum of 12 days per calendar month during the Term (calculated on an average basis). Mr Urch will be entitled to a fee of \$600 per day on which he provides the services.

The Company and Mr Urch each have the right to terminate the agreement early in certain circumstances, for example, if Mr Urch becomes of unsound mind or due to illness.

### 7.3 Heads of Agreement – Intellectual Property

On 30 December 2009, Air Change and Mr Urch entered into a Heads of Agreement (**HOA**). Pursuant to the HOA, the parties agree to use their best endeavours to negotiate the terms of a licence deed on the same terms and conditions as the HOA on or before 31 July 2010. All of the provisions of the HOA are binding on the parties until the licence deed is executed. In the event the parties have not executed a licence deed by 31 July 2010, the parties must continue to use best endeavours to enter into a licence deed and each party will be entitled to refer any disagreement for dispute resolution.

#### *Interim Licence*

Pursuant to the HOA, with effect from the date of completion of the Sale Agreement, Mr Urch licences to Air Change an exclusive licence to exploit the technology the subject of the following patents for purposes relating to heating ventilation and air conditioning (**HVAC Purpose**) provided Air Change makes an election to be granted with such a licence in respect of that technology within 90 days after the completion of the Sale Agreement (**Licensed Technology**):

International Publication Number	Name of Applicant and Inventor	International Application Number	International Filing Date	International Publication Date	Title
WO/2009/029976 A1	John Francis Urch	PCT/AU2008/001301	1 September 2008	12 March 2009	A Heat Exchanger
WO/2009/033208	John Francis Urch	PCT/AU2008/001299	1 September 2008	19 March 2009	An air conditioning apparatus
WO/2009/067732	John Francis Urch	PCT/AU2008/001703	14 November 2008	4 June 2009	A cooling tower
	John Francis Urch	2009902306 (Australia)			A cooler

The licence to Air Change to use the Licensed Technology for HVAC Purposes is in respect of the world and will continue until the earlier to occur of the execution of a licence deed or termination of the HOA. The HOA may only be terminated by Air Change on one of the following grounds:

- a material breach of the HOA by Mr Urch;
- if a licence deed is not entered into by 31 July 2010; or
- on the giving of 12 months notice to Mr Urch.

Mr Urch is obliged to notify Air Change of any intellectual property or technology he develops after the completion of the Sale Agreement that has a HVAC Purpose. Air Change will be entitled to make an election to be granted a licence from Mr Urch to use such intellectual property or technology on the same terms.

#### *Royalties*

Air Change will be required to pay Mr Urch the following royalties:

- during the period of 30 months commencing on the date that Air Change elects to exploit Licensed Technology (**Initial Period**):
  - (a) an annual fixed royalty fee of \$25,000; and
  - (b) a further royalty fee equivalent to:
    - (i) 2.5% of Air Change's sales with respects to goods utilising the Licensed Technology (after the deduction of freight costs and GST) (**Net Sales**); and
    - (ii) \$0.50 per heat exchange plate produced by third parties using the Licensed Technology, where Air Change has elected to sub-licence the Licensed Technology to a third party;
- after the Initial Period, an annual royalty fee equal to 2.5% of Air Change's Net Sales.

#### *Option to purchase*

Air Change will also have the right, after the fourth anniversary of the date on which all or part of the Licensed Technology is first commercialised, to purchase all or part of the Licensed Technology from Mr Urch (**Purchase IP**). The purchase price for the Purchase IP will be equal to four times the annual gross margin received by Air Change from exploiting the Purchase IP averaged over the previous 2 years.

#### **7.4 Fimeri Subscription Agreement**

On 30 December 2009, IFC and Mr Fimeri entered into the Fimeri Subscription Agreement whereby Mr Fimeri agreed to subscribe for:

- 4,800,000 Placement Shares at an issue price of \$0.425 per Placement Share; and
- 4,000,000 Placement Options with no issue price, but subject to the terms and conditions summarised below.

The terms of the Placement Options are as follows:

- each Placement Option will be issued to Mr Fimeri for nil cash consideration;
- the exercise price for each Placement Option is \$0.80 (**Exercise Price**);
- the first exercise date for each Placement Option will be the day immediately after the period of 7 consecutive trading days in respect of which the closing price of IFC's shares quoted on ASX was in excess of \$1.50 (**Trigger Price**);
- each Placement Option will expire on the fourth anniversary of the date on which it was issued;
- the Placement Options will be assignable and transferable;
- the Placement Options will not be quoted or listed on ASX;
- the holder of the Placement Options may only participate in a new issue of Shares or other securities to holders of Shares, if the Placement Options have been exercised in accordance with their terms on or before the date of determining entitlements to the issue;
- in the event of any reconstruction (including consolidation, sub-division, reduction or return of the issued capital of the Company), the number of Placement Options or the Exercise Price or both and the Trigger Price will be reconstructed in a manner which will not result in any benefits being conferred on the holder which are not conferred on Shareholders and as otherwise permitted and required by the Listing Rules, but in all other respects the terms of the exercise of the Placement Options shall remain unchanged;
- without limitation to the above paragraph, in the event of a pro rata issue of Shares, the Company may reduce the Exercise Price in accordance with Listing Rule 6.22.2 and in the event of a bonus issue of Shares, the Company may increase the number of Placement Options in accordance with Listing Rule 6.22.3; and
- the Company may amend the terms of the Placement Options from time to time to the extent necessary to comply with the Listing Rules, the Corporations Act or the Constitution.

Completion of the Fimeri Placement is conditional on the satisfaction of all conditions precedent under the Sale Agreement, the Share Consolidation being completed and IFC obtaining any necessary approvals to the Fimeri Placement required under the Constitution, the Corporations Act, the Listing Rules and any applicable laws.

Mr Fimeri has agreed to voluntarily escrow his Placement Shares for a period of 12 months.

## 7.5 Fimeri Employment Agreement

On 30 December 2009, IFC entered into an agreement with Mr Fimeri in respect of his appointment as the Company's Chief Executive Officer on and from the date of completion of the Fimeri Subscription Agreement.

Mr Fimeri's salary will be:

- \$250,000 per annum (inclusive of superannuation) for the first year of his employment;
- \$400,000 per annum (inclusive of superannuation) for the second year of his employment; and
- \$400,000 per annum (inclusive of superannuation) for each year thereafter of his employment, subject to any annual review (which reviews will commence at the beginning of his third year of employment).

IFC may also, in its discretion, provide other benefits to Mr Fimeri on terms agreed by the parties.

IFC may terminate Mr Fimeri's employment at any time with cause on 12 months notice and without cause at any time after the expiry of a minimum 2 year commitment period. In the event IFC terminates Mr Fimeri's employment without cause during the minimum 2 year commitment period, IFC will be obliged to pay Mr Fimeri in lieu of notice his remuneration package for the period from the date of termination until the end of the 2 year minimum commitment period.

Mr Fimeri may terminate his employment at any time with cause and on 90 days notice without cause at any time after the expiry of the minimum 2 year commitment period.

Mr Fimeri has agreed to be restrained, during the term of his employment and for 12 months thereafter, within Australia, from becoming involved with any business in competition with the Company's business or soliciting the Company's staff.

## 7.6 Introduction Fee Agreement

On 30 December 2009, the Company and CE Investment Group Pty Limited (**CE Investment**), an associate of Mr Fimeri, entered into an introduction fee letter. Pursuant to this agreement, in consideration for CE Investment identifying Air Change as a potential investment for the Company, the Company agreed to pay CE Investment \$150,000 plus GST (**Introduction Fee**) within 7 days following the completion of the Air Change Acquisition. In the event that the Air Change Acquisition is not approved by Shareholders at the Meeting, the Company will be required to pay the Introduction Fee within 7 days after the date of the Meeting, notwithstanding that completion of the Air Change Acquisition has not occurred.

## 7.7 Vendor Subscription Agreements

On 30 December 2009, each of the Vendors entered into a separate subscription agreement with IFC. The terms of each Vendor Subscription Agreement are the same.

Each Vendor has agreed to subscribe for 117,647 Shares at a subscription price of \$0.425 per Share.

Completion of each of the Vendor Subscription Agreements is conditional on completion of the Sale Agreement and the Share Consolidation, the approval of the Shareholders being obtained and IFC obtaining any other necessary approvals required by the Constitution, the Listing Rules, the Corporations Act and any applicable laws.

## 7.8 Climate Ready Agreement

On 18 June 2009, Air Change entered into a Climate Ready Program Grant Agreement with the Commonwealth of Australia (**COA**). The grant relates to the development of "The Green Machine – a hybrid desiccant indirect evaporative". The maximum amount of the grant is \$458,370, which will be paid by the COA to Air Change in instalments subject to the satisfaction of various ongoing requirements by Air Change. A change in control of Air Change requires the consent of the COA for the purposes of this agreement. As a result, it is a condition precedent to completion of the Sale Agreement that this consent be obtained.

## 7.9 Air Change Distribution Agreements

### *South Australia, Western Australia and Northern Territory*

On 20 August 2008, ACM entered into a distribution agreement with Industrial Air (SA) Pty Limited (**Industrial**). Pursuant to this agreement, ACM appoints Industrial the exclusive distributor to promote, market, sell and supply ACM's products in South Australia, Western Australia and the Northern Territory until 1 July 2011 (subject to automatic renewal for 3 year periods thereafter on the satisfaction of certain conditions).

### *Tasmania*

On 3 November 2008, ACM entered into a distribution agreement with Major Air Pty Limited (**Major Air**). Pursuant to this agreement, ACM appoints Major Air the exclusive distributor to promote, market, sell and supply ACM's products in Tasmania until 1 July 2011 (subject to automatic renewal for 3 year periods thereafter on the satisfaction of certain conditions).

### *New Zealand*

On 1 September 2008, ACM entered into a distribution agreement with Smooth-Air Products Pty Limited (**Smooth-Air**). Pursuant to this agreement, ACM appoints Smooth-Air the exclusive distributor to promote, market, sell and supply ACM's products in New Zealand until 1 September 2011 (subject

to automatic renewal for 3 year periods thereafter on the satisfaction of certain conditions).

## PART G: GLOSSARY OF TERMS

### Defined Terms

**Air Change** means Air Change Pty Ltd ACN 003 508 996.

**Air Change Acquisition** means the acquisition of all the issued share capital in Air Change on the terms and conditions set out in the Sale Agreement.

**Air Change Group** means Air Change and each of its Subsidiaries.

**Air Change Resolutions** means the Second Resolution and the Third Resolution.

**ASIC** means the Australian Securities & Investments Commission.

**Associate** has the meaning ascribed to that term in Section 12 of the Corporations Act.

**ASX** means ASX Limited ACN 008 624 691 and any market operated by that company.

**Board** means the board of Directors.

**CHESS** means Clearing House Electronic Subregister System.

**Company** or **IFC** means IFC Capital Limited ACN 087 737 068.

**Constitution** means the constitution of the Company, as varied or amended from time to time.

**Corporations Act** means the *Corporations Act 2001 (Commonwealth)*.

**Director** means a member of the board of directors of the Company.

**Documents** means each of the Notice, Explanatory Memorandum, Independent Expert's Report, Proxy Form and all other documents, that each constitute part of this booklet and that accompany each other when sent to each Shareholder.

**Employment Agreement** means the proposed employment agreement to be entered into by the Company and Mr Fimeri, which is summarised in Part F, Section 7.5 of these Documents.

**Existing Shares** means the Shares on issue at the date of the Meeting.

**Explanatory Memorandum** means the explanatory memorandum set out in Part F of the Documents.

**Fimeri Placement** means the proposed issue and allotment of the Placement Shares and the Placement Options that are the subject of the Fourth Resolution and the Fifth Resolution.

**Fimeri Resolutions** means the Fourth Resolution, the Fifth Resolution and the Sixth Resolution.



**Fimeri Subscription Agreement** means the subscription agreement between the Company and Mr Fimeri in relation to Mr Fimeri's subscription for the Placement Shares and the Placement Options, which is summarised in Part F, Section 7.4 of these Documents.

**Group** means the Company and each Subsidiary of the Company.

**Independent Expert** means BDO Securities (NSW-VIC) Pty Limited.

**Independent Expert's Report** means the Independent Expert's report contained in Part H of the Documents.

**Listing Rules** means the rules and procedures issued and enforced by the ASX, as amended from time to time, including all guidance notes and appendices thereto.

**Meeting** means the general meeting being convened by the Directors and pursuant to the Notice.

**Notice** means the Notice of Extraordinary General Meeting of the Shareholders that accompanies and forms part of these Documents.

**Option** means an option to purchase a Share.

**Placement Share** means the 4,800,000 Shares proposed to be issued to Mr Fimeri at a subscription price of \$0.425 per Share pursuant to the Fourth Resolution.

**Placement Option** means the 4,000,000 Options proposed to be issued to Mr Fimeri with an exercise price of \$0.80 per Option pursuant to the Fifth Resolution.

**Proxy Form** means the proxy form more particularly set out in Part I and that forms part of these Documents.

**Resolution** means any one of the resolutions set out in the Notice.

**Sale Agreement** means the share sale and purchase agreement between the Company and each of the Vendors – see also Part F, Section 7.1 of these Documents.

**Share** means a fully paid up ordinary share in the issued capital of the Company and for the sake of clarity, includes all the Existing Shares.

**Share Consolidation** means the consolidation of the Shares on a 1 for 5 basis in accordance with the First Resolution.

**Share Purchase Plan** means the 2010 Share Purchase Plan Offer announced by IFC on 5 February, 2010, which is an offer to each Shareholder in Australia or New Zealand to acquire up to \$2,000 worth of Shares.

**Shareholder** means the holder of a Share.

**Subsidiary** has the meaning given to that term in section 46 of the Corporations Act.

**Transactions** means the transactions contemplated by the Resolutions.

**Vendor** means each of Paulus Smit, John Francis Urch and Marilyn Elaine Urch.

**Vendor Shares** means the 117,647 Shares proposed to be issued and allotted to each of the Vendors.

**Vendor Subscription Agreements** means the subscription agreements between the Company and each of the Vendors, which are summarised in Part F, Section 7.7 of these Documents.

### **Interpretation**

In these Documents, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (e) headings are included for convenience only and do not affect interpretation;
- (f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (g) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (h) the terms “included”, “including” and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (i) a reference to a statute or statutory provision includes but is not limited to:
  - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
  - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
  - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (j) reference to “\$”, “A\$”, “Australian Dollars” or “dollars” is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;

- (k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

**PART H:  
INDEPENDENT EXPERT'S REPORT**

**INDEPENDENT EXPERT'S REPORT  
IFC Capital Limited**

February 2010

16 February 2010

The Directors  
IFC Capital Limited  
Suite 3, Level 12  
2 Bligh Street  
SYDNEY NSW 2000

Dear Sirs

## INDEPENDENT EXPERT'S REPORT – IFC CAPITAL LIMITED

### Introduction

BDO Securities (NSW-VIC) Pty Limited (“**BDO**”) has been engaged by the directors of IFC Capital Limited (“**IFC**”) to prepare an Independent Expert’s Report (“**Report**”) to express an opinion as to whether or not the proposed issue and allotment of shares and options in IFC (“**Placement Shares**” and “**Placement Options**” respectively) to Mr Neil Fimeri (“**Fimeri Placement**”) is fair and reasonable to the non-associated shareholders of IFC (“**Shareholders**”).

The Fimeri Placement is being undertaken to facilitate IFC’s acquisition of Air Change Pty Limited (“**Air Change Acquisition**”).

Our Report is to be included in the Explanatory Memorandum for IFC to be sent to Shareholders to assist them in deciding whether to approve or reject the Fimeri Placement.

We provide a summary of our opinion in relation to the Fimeri Placement below.

### Summary and Opinion

We have considered the terms of the Fimeri Placement as outlined in the body of this Report and have concluded that the Fimeri Placement is not fair but reasonable to Shareholders.

Notwithstanding that we consider the Fimeri Placement to be unfair based on pricing, the extent of advantages for Shareholders that exist should the Fimeri Placement be approved, are such that in our opinion the Fimeri Placement is reasonable. This conclusion has been reached after considering the following:

- The Fimeri Placement represents the preferred form of financing for the Air Change Acquisition compared to the alternatives;
- The Fimeri Placement together with the Air Change Acquisition provides Shareholders with the opportunity to share in any sales and profitability growth of Air Change; and
- The Fimeri Placement together with the Air Change Acquisition may reduce the period for which the Shares in IFC may be suspended from trading on the ASX subject to the Share Purchase Plan. The Air Change Acquisition also avoids further time and transaction costs that may be incurred by IFC in relation to the identification and assessment of alternative opportunities.

A summary of our analysis in forming the above opinion is provided below.

### ***Fairness***

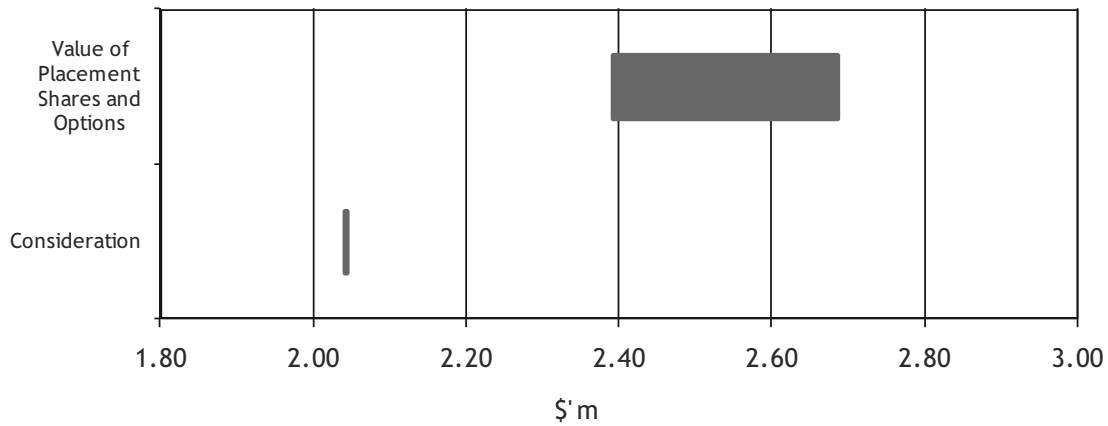
In accordance with our basis of evaluation (set out in Section 2.2) we have assessed whether or not the Fimeri Placement is fair to Shareholders with reference to the value of IFC Shares and Options to be issued to Neil Fimeri and the consideration payable by Neil Fimeri under the Fimeri Placement. The results of our analysis are summarised below.

Figure i: Comparison of value of Placement Shares and Options to Consideration

	Ref	Low	High
Value of Placement Shares and Options (\$'000)	8	2,391	2,685
Consideration (\$'000)	1.2	2,040	2,040

Source: BDO Analysis

Figure ii: Comparison of value of Placement Shares and Options to Consideration



As demonstrated above, the Fimeri Placement is not fair for Shareholders. However all issues need to be considered collectively before drawing an overall conclusion.

### ***Reasonableness***

We have considered the analysis in Section 9 of this Report, in terms of both the advantages and disadvantages of approving the Fimeri Placement as well as the position of Shareholders if the Fimeri Placement does not proceed.

In our opinion, the position of Shareholders if the Fimeri Placement proceeds is more advantageous than the position if the Fimeri Placement does not proceed. Accordingly, we believe that the Fimeri Placement is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

Figure iii: Advantages and Disadvantages of Approving the Fimeri Placement

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Change in Shareholder’s investment profile - exposure to the operations of Air Change including potential sales and profitability growth</li> </ul>	<ul style="list-style-type: none"> <li>• Change in Shareholder’s investment profile - exposure to operations and risks of Air Change</li> </ul>
<ul style="list-style-type: none"> <li>• Preferred form of equity financing for Air Change Acquisition</li> </ul>	<ul style="list-style-type: none"> <li>• Dilution of Shareholder’s shareholdings and voting power</li> </ul>
<ul style="list-style-type: none"> <li>• Increase in size and potential liquidity</li> </ul>	
<ul style="list-style-type: none"> <li>• May reduce the period for which the IFC Shares may be suspended from quotation on the ASX</li> </ul>	
<ul style="list-style-type: none"> <li>• Avoids additional time and transaction costs that may be incurred in relation to the assessment of alternative opportunities</li> </ul>	

Source: BDO Analysis

## Conclusion

Having considered the above analysis we believe that, notwithstanding the Fimeri Placement is not fair for Shareholders, on balance, the advantages of the Fimeri Placement to Shareholders outweigh the disadvantages. The Fimeri Placement is therefore considered reasonable.

Yours faithfully  
**BDO SECURITIES (NSW-VIC) PTY LIMITED**



**Sebastian Stevens**  
 Director



**David McCourt**  
 Director



## INDEPENDENT EXPERT REPORT

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*Appendix A* - Financial Services Guide

*Appendix B* - Sources of Information

*Appendix C* - Valuation Methodologies - Businesses and Assets

*Appendix D* - Valuation Methodologies - Options





## INDEPENDENT EXPERT'S REPORT

### Glossary

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<b><i>Air Change</i></b>	Air Change Pty Limited - ACN 003 508 996 and its subsidiary Air Change Manufacturing Pty Limited - ACN 121 537 620
<b><i>Air Change Management</i></b>	Current Management of Air Change
<b><i>Air Change Acquisition</i></b>	IFC's proposed acquisition of Air Change
<b><i>ASIC</i></b>	Australian Securities and Investments Commission
<b><i>ASX</i></b>	Australian Securities Exchange
<b><i>BDO</i></b>	BDO Securities (NSW-VIC) Pty Limited
<b><i>CEO</i></b>	Chief Executive Officer
<b><i>COGS</i></b>	Cost of Goods Sold
<b><i>Cranebrook Land</i></b>	Lot 2 in DP 1057347 located at Cranebrook in NSW
<b><i>Directors</i></b>	Directors of IFC
<b><i>EBITDA</i></b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b><i>EM</i></b>	Explanatory Memorandum, being part F of the NoM
<b><i>FY08</i></b>	Financial year ending 30 June 2008 (Actual)
<b><i>FY09</i></b>	Financial year ending 30 June 2009 (Actual)
<b><i>YTD10</i></b>	Three months ended 30 September 2009 (Actual)
<b><i>FY10</i></b>	Financial year ending 30 June 2010 (Forecast)
<b><i>FY11</i></b>	Financial year ending 30 June 2011 (Forecast)
<b><i>Fimeri Placement</i></b>	Proposed issue and allotment of Placement Shares and Placement Options to Neil Fimeri
<b><i>FME</i></b>	Future Maintainable Earnings
<b><i>FPO</i></b>	Fully Paid Ordinary (Shares)
<b><i>HVAC</i></b>	Heating, ventilation and air-conditioning
<b><i>IFC or the Company</i></b>	IFC Capital Limited - ACN 087 737 068 (ASX:IFC) and its wholly owned subsidiaries
<b><i>Meeting</i></b>	The general meeting of IFC as convened by the Directors of IFC in the NoM
<b><i>NoM</i></b>	Notice of Meeting
<b><i>NTA</i></b>	Net Tangible Assets
<b><i>Placement Options</i></b>	4,000,000 Options to be issued to Neil Fimeri pursuant to the Fimeri Placement
<b><i>Placement Shares</i></b>	4,800,000 Shares to be issued to Neil Fimeri pursuant to the Fimeri Placement
<b><i>RG</i></b>	Regulatory Guide issued by ASIC
<b><i>Report</i></b>	This Independent Expert's Report prepared by BDO
<b><i>Resolutions</i></b>	The resolutions to be voted on at the Meeting as set out in the NoM
<b><i>Shareholders</i></b>	Non-associated Shareholders in IFC
<b><i>Shares</i></b>	Shares in IFC
<b><i>The Act</i></b>	The Corporations Act 2001
<b><i>Fimeri Placement</i></b>	The proposed issue of Placement Shares and Placement Options to Neil Fimeri
<b><i>Vendors</i></b>	The Vendors of Air Change being Mr John Urch, Mrs Marilyn Urch and Mr Paul Smit
<b><i>VWAP</i></b>	Volume weighted average Share price

## 1 Transaction Outline

### 1.1 Background to Fimeri Placement

As outlined in Section 3 of this Report, IFC completed the sale of its major asset being the Cranebrook Land in August 2009. Subsequent to the sale of the Cranebrook Land, IFC has actively reviewed several business opportunities and has identified the acquisition of Air Change to be an opportunity for IFC.

IFC is proposing to change the nature of its activities by entering into a series of transactions to create a specialised air conditioning company. The Air Change Acquisition will be effected by IFC acquiring 100% of the issued share capital in Air Change.

Prior to the Air Change Acquisition, IFC has proposed a 1 for 5 consolidation of its share capital. Unless otherwise stated, all data in this report is on a post consolidation basis.

To facilitate the Air Change Acquisition, the Company also proposes to undertake a placement of Shares and Options to Mr Neil Fimeri. On 30 December 2007 Neil Fimeri was appointed as a director of IFC and will become CEO after the Air Change Acquisition.

The Air Change Acquisition will only proceed if all Resolutions are passed by Shareholders at the Meeting and the Fimeri Placement is successfully completed. IFC will fund the Air Change Acquisition from its existing cash reserves and using the proceeds of the Fimeri Placement.

Prior to the Air Change Acquisition, IFC will seek to raise additional equity via a Share Purchase Plan. The purpose of the Share Purchase Plan is to satisfy the Australian Securities Exchange's shareholder spread requirements.

As the outcome of the Share Purchase Plan is not known at the date of this report we have not included it in our analysis of the Air Change acquisition.

### 1.2 Fimeri Placement

As set out in Section 2.3 of the EM, the Fimeri Placement comprises:

- the issue and allotment of 4,800,000 Placement Shares to Mr Fimeri at a subscription price of \$0.425 per Placement Share, raising a total of \$2,040,000. Mr Fimeri has agreed to a voluntary escrow of his Placement Shares for a period of 12 months from the date of their issue; and
- the issue and allotment of 4,000,000 Placement Options to Mr Fimeri for no additional cash consideration and with an exercise price of \$0.80 per Placement Option. The first exercise date for each Placement Option will be the day immediately after the period of 7 consecutive trading days in respect of which the closing price of IFC's shares quoted on ASX was in excess of \$1.50.

IFC will raise a total of \$2,040,000 from the issue of the Placement Shares and Options to Mr Fimeri. These proceeds will be used to partly fund the Air Change Acquisition.

This Report considers the terms of the Fimeri Placement as outlined above and concludes whether the Fimeri Placement is fair and reasonable to Shareholders.

### 1.3 IFC Capital Structure Post Fimeri Placement

IFC's capital structure if the Fimeri Placement and other resolutions relating to the Air Change Acquisition are approved is set out in Figures 1.3a and 1.3b.

Figure 1.3a: IFC Shares on issue if Resolutions approved

Shares	Number	Percentage
Shares currently on issue	12,467,955	71%
Placement Shares	4,800,000	27%
Vendor Shares	352,941	2%
Shares on issue if Resolutions approved	<b>17,620,896</b>	<b>100%</b>

Source: ASX

Figure 1.3b: IFC Options on issue if Resolutions approved

Options	Number	Percentage
Options currently on issue	0	0
Placement Options	4,000,000	100%
Options on issue if Resolutions approved	<b>4,000,000</b>	<b>100%</b>

Source: ASX

## 2 Scope of Report

### 2.1 Report Requirements

Section 606 of the Corporations Act expressly prohibits transactions that result in a person or entity that, with their associates, increase their voting power in a company from:

- 20% or below to more than 20%; or
- a starting point that is between 20% and 90%,

without making a full takeover offer to all shareholders.

However, Item 7 of Section 611 of the Corporations Act allows the non associated shareholders to waive the prohibition set out in Section 606 by passing a resolution at a general meeting agreeing to the issue of shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of the company issuing shares, by either:

- undertaking a detailed examination of the Fimeri Placement themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

Neil Fimeri does not currently have a shareholding in IFC. However if the Fimeri Placement is approved and the Placement Shares are issued to Neil Fimeri, Neil Fimeri will increase his holding in IFC to 27%. If all 4 million Placement Options issued to Neil Fimeri are exercised (and assuming no other IFC Shares are issued after the Air Change Acquisition) Neil Fimeri will increase his holding in IFC to 41%.

Accordingly, the Directors have commissioned this Independent Expert's Report to satisfy their requirement pursuant to Section 611 of the Corporations Act.

## 2.2 Basis of Evaluation

### 2.2.1 Regulatory Guidelines

In determining whether the Fimeri Placement is fair and reasonable, we have had regard to the views expressed by ASIC in RG111 ‘Content of Expert Reports’.

Under RG111, an offer is fair if the value of the Proposal is equal to or greater than the value of the securities which are the subject of the offer. This comparison must be made assuming 100% ownership of the target company. RG111 states that an offer is reasonable if it is fair. It may also be reasonable if, despite not being fair, but after considering other significant factors, shareholders should approve the offer in the absence of any higher bid before the close of the offer.

### 2.2.2 Adopted Basis of Evaluation

BDO considers that a report and analysis undertaken using the concepts of fair and reasonable as expressed in RG111 is consistent with determining whether the Fimeri Placement is fair and reasonable to Shareholders.

Having regard to the Regulatory Guideline above, BDO has completed this comparison in two parts:

- A comparison between the value of the Placement Shares and Placement Options to be issued to Neil Fimeri and the value of consideration proposed to be paid by Neil Fimeri (fairness); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above, including assessing the position of Shareholders if the Fimeri Placement is rejected (reasonableness).

The Fimeri Placement could be considered “reasonable” if there are valid reasons to approve the Fimeri Placement, notwithstanding that it may not be regarded as “fair” to Shareholders.

### 2.2.3 Individual Circumstances

In undertaking our assessment, we have considered the likely impact on Shareholders as a whole. We have not considered the effects of the Fimeri Placement on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Fimeri Placement from that adopted in our Report. Accordingly, individuals may reach different conclusions on whether or not the Fimeri Placement is in their particular best interests. Shareholders should consider the opinion of BDO in the context of their own circumstances and preferences.

This Report has been prepared and included in the NoM to provide Shareholders with general information only and does not take into account the objectives, financial situation or needs of any specific Shareholder. It is not intended to take the place of professional advice and Shareholders should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, a Shareholder should consider whether it is appropriate for their circumstances, having regard to their objectives, financial situation or needs. Shareholders who are in doubt should consult their own professional adviser.

### 3 Profile of IFC

#### 3.1 History

IFC (under the name E-Star Online Limited) listed on the ASX in August 2000. It operated an on-line share trading service until that business was closed down in August 2002.

In 2003, IFC's name was changed to Infracorp Limited. In July 2004 it announced the purchase of 181 hectares of land located at Cranebrook in NSW for \$15 million from Air Services Australia. The purchase settled in October 2004.

IFC's intention was to re-zone and develop the land and sought from the Minister of Planning permission to have the Cranebrook Land included in the Metropolitan Development Program which would enable residential subdivision of the Cranebrook Land.

In 2005 IFC's current name was adopted. Between 2005 and 2009 IFC continued to progress the re-zoning of the Cranebrook Land as well as maintaining a small involvement in other property and infrastructure projects including the provision of consulting services to such projects.

#### 3.2 Current Position

In IFC's half year report to Shareholders released to the ASX on 22 February 2009, the Directors advised that while the re-zoning proposal for the Cranebrook Land was still under consideration with the Minister of Planning, no timetable for the re-zoning process was available.

The Directors noted that extensive discussions with the Planning Ministry, local councillors, residents, and State Ministers would be required before any re-zoning would occur.

On 1 June 2009 the Directors announced to the ASX that they were in discussions with a party that was interested in purchasing the Cranebrook Land. On 12 June 2009 the Directors announced to the ASX that they had signed a conditional contract with the NSW National Parks and Wildlife Service for the sale of the Cranebrook Land for \$17.5 million.

Shareholders approved the sale of the Cranebrook Land on 31 July 2009, and the sale settled on 11 August 2009.

With the sale of the Cranebrook Land, IFC no longer had any business operations and advised Shareholders that it was investigating new opportunities in the areas of property investment, corporate advisory and strategic investments.

On 30 December 2009, IFC announced its intention to acquire Air Change.

Price sensitive announcements released to the ASX by IFC over the past 12 months are set out in Figure 3.2.

Figure 3.2: ASX Price Sensitive Announcements issued over the past 12 Months

Date	Announcements
31 December 2009	Reinstatement to Official Quotation
30 December 2009	Appointment of Neil Fimeri as Director
30 December 2009	Suspension from Official Quotation
30 December 2009	Agreement to purchase Air Change Pty Ltd
30 December 2009	Appendix 4C - Monthly cash flow report
27 November 2009	Appendix 4C - Monthly cash flow report
30 October 2009	Appendix 4C - Monthly cash flow report
30 September 2009	Appendix 4C - Monthly cash flow report
31 August 2009	Preliminary Final Report
31 July 2009	Notification that Shareholders have approved the sale of Cranebrook Land
29 July 2009	Appendix 4C - Monthly cash flow report
12 June 2009	Notification that Cranebrook Land has been sold (on a conditional basis)
1 June 2009	Notification that negotiations for the sale of Cranebrook Land have commenced
30 April 2009	Appendix 4C - Monthly cash flow report
25 February 2009	Half Yearly Report and Accounts released
21 January 2008	Appendix 4C - Monthly cash flow report

Source: ASX

### 3.3 Current Capital Structure

As set out in Figure 3.3a, IFC has 62,339,773 Shares on issue as at 30 June 2009 and prior to the:

- 5:1 share consolidation;
- Issue of Shares and Options to Neil Fimeri; and
- Shares to the Vendors.
- IFC had no listed or unlisted Options on issue as at the date of this Report.

Figure 3.3a: IFC Shareholder Spread as at 30 June 2009 (Pre Share Consolidation)

Shareholding Range	No. of Holders	No. of Shares
1 - 1,000	69	45,090
1,001 - 5,000	346	1,094,450
5,001 - 10,000	131	1,028,443
10,001 - 100,000	86	2,686,366
100,001 and over	37	57,485,424
	<b>699</b>	<b>62,339,773</b>

Source: FY09 Annual Reports

IFC's top 10 shareholders, post share consolidation and prior to the Issue of Placement Shares and Placement Options, are set out in Figure 3.3b.

Figure 3.3b: IFC's Ten Largest Shareholders (Post Share Consolidation)

Name	No. of Shares Held	Percentage of Issued Shares
Sun Hung Kai Investment Services Ltd - Clients a/c	4,051,722	32.50
Sun Hung Kai Investment Services Ltd - Katong Assets Ltd a/c	1,850,910	14.85
Mr Alan Jones	938,000	7.52
Mr Colin Sim & Mrs Dale Merran Sim (SSK Investments S/Fund a/c)	913,537	7.33
Citicorp Nominees Pty Limited - RIMC International Pty Ltd a/c	757,650	6.08
Sun Hung Kai Investment Services Ltd - Honesty Opportunity Ltd a/c	626,788	5.03
ANZ Nominees Limited (Cash Income Account)	429,672	3.45
Phoenix Properties International Pty Ltd	315,790	2.09
Mr Poh Chim Yeap	140,000	1.12
Altenburg Pty Limited	137,931	1.11
	<b>10,162,000</b>	<b>81.08</b>

Source: FY09 Annual Report

### 3.4 Historical Balance Sheets

The audited balance sheets of IFC as at 30 June 2008 and 30 June 2009, and unaudited balance sheet as at 30 November 2009 are set out in Figure 3.4. As set out in Figure 3.4, IFC's only major asset was its investment in the Cranebrook Land.

Figure 3.4: Balance Sheet of IFC

	June 2008 \$'000	June 2009 \$'000	November 2009 \$'000
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	819	274	5,780
Trade & other receivables	131	298	51
Non-current assets classified as held for sale - Cranebrook Land	-	17,500	-
<b>Total Current Assets</b>	<b>950</b>	<b>18,072</b>	<b>5,831</b>
<b>NON-CURRENT ASSETS</b>			
Other receivables	227	-	-
Cranebrook Land	20,555	-	-
Property, plant & equipment	83	-	-
<b>Total Non-Current Assets</b>	<b>20,865</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>21,815</b>	<b>18,072</b>	<b>5,831</b>
<b>CURRENT LIABILITIES</b>			
Trade & other payables	194	156	149
Interest bearing liabilities	11,297	-	-
Liabilities relating to discontinuing operations	-	11,846	-
Provisions	62	1	1
<b>Total Current Liabilities</b>	<b>11,553</b>	<b>12,004</b>	<b>150</b>
<b>Total Liabilities</b>	<b>11,553</b>	<b>12,004</b>	<b>150</b>
<b>NET ASSETS</b>	<b>10,261</b>	<b>6,068</b>	<b>5,681</b>
<b>EQUITY</b>			
Contributed equity	23,109	24,981	24,981
Reserves	136	136	136
Accumulated losses	(12,984)	(19,050)	(19,436)
<b>Total Equity</b>	<b>10,261</b>	<b>6,068</b>	<b>5,681</b>

### 3.5 Historical Income Statements

The audited income statements of IFC for the years ended 30 June 2008 and 30 June 2009 are set out in Figure 3.5.

Figure 3.5: IFC's Historical Income Statements

	FY08 \$'000	FY09 \$'000
Revenue from continuing operations	349	95
Administration costs	(512)	(519)
Occupancy costs	(138)	(77)
Employee benefits expenses	(718)	(664)
Depreciation	(27)	(26)
Impairment of equipment	-	(57)
Impairment of assets	(99)	-
Other expenses	(112)	(1)
<b>Loss before income tax</b>	<b>(1,259)</b>	<b>(1,248)</b>
Income tax expense	-	-
<b>Loss from continuing operations</b>	<b>(1,259)</b>	<b>(1,248)</b>
Loss from discontinuing operations	(82)	(4,817)
<b>Loss for the year</b>	<b>(1,341)</b>	<b>(6,065)</b>

Source: Audited Financial Statements

We make the following comments with respect to the IFC income statements:

- IFC has incurred losses for both the years ended 30 June 2008 and 30 June 2009.
- A major contributor to the \$6m loss for the year ended 30 June 2009 was property valuation impairments relating to the Cranebrook Land of \$3.5m.

## 4 Profile of Air Change

### 4.1 Overview

Air Change was established in 2000 by Mr John Urch, the inventor of the heat exchange technology used in the Air Change products.

Air Change designs, manufactures and commercialises a range of air-to-air counter-flow heat exchangers to improve indoor air quality and reduce energy usage.

The patented Air Change heat exchange technology enables the heat (or cold) from the outgoing exhaust air to be transferred to the incoming fresh air in a simple and efficient manner. This means that buildings that use Air Change units experience lower operating costs (by saving energy) and lower capital costs (as the plant size can be significantly reduced) because of the energy recovered from the outgoing exhaust air.

Air Change operates out of premises with a floor space of 3,600m<sup>2</sup> located in Caringbah, NSW. It maintains offices in Brisbane, QLD and Melbourne, VIC as has distribution representation across Australia as well as international distribution in Asia Pacific regions.

Air Change currently employs approximately 40 employees.



## 4.2 Historical Balance Sheets

The unaudited balance sheets of Air Change as at 30 June 2008, 30 June 2009 and 30 September 2009 are set out in Figure 4.2.

Figure 4.2: Air Change's Historical Balance Sheets

	June 2008 \$'000	June 2009 \$'000	Sept 2009 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	527	292	298
Trade and other receivables	2,516	1,743	1,838
Inventory	578	865	833
Current tax assets	26	-	-
Other	2	94	199
<b>Total Current Assets</b>	<b>3,649</b>	<b>2,994</b>	<b>3,168</b>
<b>Non Current Assets</b>			
Other financial assets	1	-	-
Property, plant and equipment	193	193	186
Intangible assets	1,761	1,795	1,795
<b>Total Non Current Assets</b>	<b>1,955</b>	<b>1,988</b>	<b>1,981</b>
<b>Total Assets</b>	<b>5,604</b>	<b>4,982</b>	<b>5,149</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	777	889	861
Financial liabilities	422	-	-
Current tax liabilities	311	128	150
<b>Total Current Liabilities</b>	<b>1,510</b>	<b>1,017</b>	<b>1,011</b>
<b>Non Current Liabilities</b>			
Financial liabilities	51	31	119
<b>Total Non-Current Liabilities</b>	<b>51</b>	<b>31</b>	<b>119</b>
<b>Total Liabilities</b>	<b>1,561</b>	<b>1,048</b>	<b>1,130</b>
<b>Net Assets</b>	<b>4,043</b>	<b>3,934</b>	<b>4,019</b>
<b>EQUITY</b>			
Issued capital	740	740	740
Reserves	1,761	1,761	1,761
Retained earnings	1,542	1,433	1,518
<b>Total Equity</b>	<b>4,043</b>	<b>3,934</b>	<b>4,019</b>

Source: Management Accounts for FY09 and YTD10 and Statutory Accounts for FY08.

We make the following comments with respect to Air Change's balance sheet:

- We have reviewed Air Change's debtors' ledger (Air Change's largest asset) as at 30 September 2009, and note that over 94% of Air Change' debtors are current (within trading terms); and
- Air Change's intangible asset is primarily goodwill relating to a revaluation reserve which resulted from a share sale and purchase transaction between the current shareholders of Air Change in 2004.

### 4.3 Historical Income Statements

The unaudited income statements of Air Change (as reported and prior to normalisations) for the years ending 30 June 2008 and 30 June 2009 are set out in Figure 4.3.

Figure 4.3: Air Change's Income Statements

	FY07 \$'000	FY08 \$'000	FY09 \$'000
Sales	4,563	7,924	7,322
COGS	2,557	4,575	4,352
<b>Gross Profit</b>	<b>2,006</b>	<b>3,349</b>	<b>2,970</b>
Other income	36	3	118
Overheads	1,655	2,137	3,063
<b>EBITDA</b>	<b>387</b>	<b>1,215</b>	<b>25</b>
Depreciation	52	201	63
<b>EBIT</b>	<b>335</b>	<b>1,014</b>	<b>(38)</b>
Interest	13	(19)	4
<b>NPBT</b>	<b>322</b>	<b>1,033</b>	<b>(42)</b>
GP %	44%	42%	41%
EBITDA%	8%	15%	0%
EBIT %	7%	13%	-1%

Source: Statutory and Management Accounts

We make the following comments with respect to Air Change's income statements:

- After strong sales growth in FY08, sales have declined in FY09 as a result of the global financial crisis and its impact on construction and building activities.
- We have reviewed Air Change's order book as at 30 October 2009 and note that, subsequent to May 2009, Air Change's order book has increased. Accordingly, an improvement in sales is expected by Air Change Management in the second half of FY10 and into FY11.
- In relation to the declining gross profit percentage in FY08 and FY09, Air Change Management have implemented product price increases. Air Change Management have advised that previous supply cost pressures that were impacting margins are no longer prevalent.
- After reporting strong EBITDA margins in FY08, reported EBITDA results for FY09 were impacted by the global financial crisis as well as several non recurring transactions (refer Section 4.4).

#### 4.4 FY09 Normalised EBITDA

Air Change's financial results presented in Figure 4.3 are prior to any normalisation adjustments. Normalisations generally consist of income and expense items resulting from irregular or abnormal events, related party transactions or transactions outside of the ordinary course of IFC's business.

In Figure 4.4 is Air Change's normalised EBITDA for FY09.

Figure 4.4: Normalised EBITDA for FY09

	Notes	FY09 \$'000
<b>Reported EBITDA</b>		<b>25</b>
Directors Salaries	1	250
Additional superannuation	2	266
Recruitment costs	43	33
Patent legal expenditure	4	63
Research and development expenditure on new patents	5	85
Government grants in relation to R&D expenditure	6	(114)
Staff relocation	7	20
<b>Adjusted EBITDA</b>		<b>628</b>
Adjusted EBITDA% of sales		8.6%

Source: BDO & Management

#### Notes:

- 1) The directors of Air Change currently derive combined salaries of approximately \$300,000. We estimate that Air Change can continue to operate in its current state by replacing the directors with one administration staff member resulting in estimated cost savings of \$250,000.
- 2) An amount of \$266k relating to a one-off superannuation payment made to the current directors of Air Change in September 2008.
- 3) Non recurring costs relating to the recruitment of the current CEO of Air Change.
- 4) Legal fees paid by Air Change in relation to patents not owned by Air Change.
- 5) Expenditure in relation to new patents not owned by Air Change.
- 6) Government grants/rebates in relation to R&D Expenditure.
- 7) Non recurring costs relating to relocation of sales staff.

## 5 Selected Valuation Approaches

As discussed in Section 1.2 it is proposed that Neil Fimeri is to be issued with 4.8 million Placement Shares in IFC and 4 million Placement Options in IFC, with IFC receiving \$2.04 million from Neil Fimeri as consideration.

In accordance with our adopted basis of evaluation set out in Section 2.2, we have considered the fairness of the Fimeri Placement by comparing the value of the Placement Shares and Placement Options, to the value of the Consideration being offered.

### 5.1 Valuation of IFC Shares

Valuation methodologies commonly used for valuing assets and businesses are summarised at *Appendix C*.

Our view of the most appropriate valuation methodologies to apply to IFC Shares is summarised in Figure 5.1.

Figure 5.1: Summary of Possible IFC Valuation Methodologies

Valuation Methodology	Appropriate	Explanation
DCF	×	Forecast financial information or projections are not available for IFC.
FME	×	Given IFC has recently disposed of its major asset, IFC's historical accounts do not reflect the current and future nature of IFC's business operations.
NTA	✓	The tangible assets and liabilities of IFC can be identified and their values determined with a reasonable degree of accuracy.
ASX Market Price Valuation	✓	IFC has been listed on the ASX since 2000. However, there has been very little liquidity in IFC Shares over past 12 months. Accordingly, while it is possible to utilise this methodology, a limited weighting should be placed on any ASX market price valuation.

For the reasons outlined in Figure 5.1, it is our view that the most appropriate valuation methodology to apply to IFC Shares is a NTA Valuation. As a cross-check, we have also considered the ASX Market Price Valuation.

Our valuation of IFC Shares is set out in Section 6.

## 5.2 Valuation of Placement Options

Valuation methodologies commonly used for valuing options are set out in *Appendix D*.

We have adopted the Binomial Option Pricing Model to determine the value of the Placement Options. The Binomial Option Pricing Model requires consideration of the following variables:

- Exercise price of the option;
  - Current valuation of the underlying stock;
  - Option barrier price;
  - Volatility of underlying stock;
  - Time to expiry;
  - Risk-free rate of return; and
  - Dividend rate of the underlying stock.
- Our valuation of the Placement Options is set out in Section 7.

## 5.3 Value of Consideration

It is proposed that Mr Fimeri pay a total of \$2.04 million in cash for the Placement Shares and Placement Options that are to be issued to him by IFC.

Accordingly, given that Mr Fimeri is paying cash for the Placement Shares and the Placement Options, we have assessed the consideration payable by Mr Fimeri for the purposes of this Report as \$2.04 million.

## 6 Valuation of IFC Shares

### 6.1 NTA Valuation

Set out in Section 3.4 are the audited balance sheets of IFC as at 30 June 2009 and the balance sheet as at 30 November 2009, per management accounts.

As discussed in Section 3.2, on 11 August 2009 IFC settled on the sale of the Cranebrook Land with a sale price (excluding GST) of \$17.5m.

The Pro forma balance sheet has been adjusted to reflect expenditure that IFC is committed to irrespective of the outcomes of the resolutions. Management estimate these costs to total \$200,000.

Based on this pro-forma balance sheet we have undertaken a valuation of IFC on an NTA basis.

Figure 6.1: Pro-forma Balance Sheet of IFC

	June 2009 \$'000 (Audited)	November 2009 \$'000 (Management Accounts)	Adjustments - Committed Expenditure	Pro Forma IFC Balance Sheet \$'000
<b>CURRENT ASSETS</b>				
Cash & cash equivalents	274	5,780		5,780
Trade & other receivables	298	51		51
Non-current assets classified as held for sale - Cranebrook land	17,500	-		-
<b>Total Current Assets</b>	<b>18,072</b>	<b>5,831</b>		<b>5,831</b>
<b>TOTAL (TANGIBLE) ASSETS</b>	<b>18,072</b>	<b>5,831</b>		<b>5,831</b>
<b>CURRENT LIABILITIES</b>				
Trade & other payables	157	149	200	349
GST payable	-	-		-
Liabilities relating to discontinuing operations	11,846	1		-
Provisions	1			1
<b>Total Current Liabilities</b>	<b>12,004</b>	<b>150</b>	<b>200</b>	<b>350</b>
<b>Total Liabilities</b>	<b>12,004</b>	<b>150</b>	<b>200</b>	<b>350</b>
<b>NET (TANGIBLE) ASSETS</b>	<b>6,068</b>	<b>5,681</b>	<b>(200)</b>	<b>5,481</b>
<b>Number of Shares on issue</b>				<b>12,467,955</b>
<b>NTA per Share (\$)</b>				<b>0.440</b>

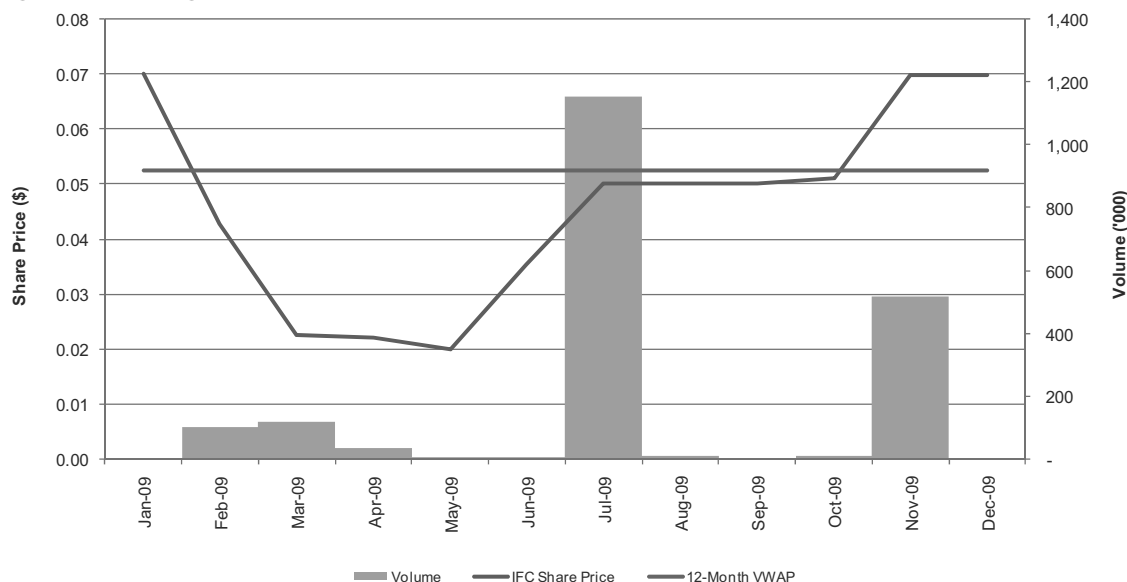
Source: Audited Financial Statements and Management Accounts

Accordingly, on an NTA valuation basis, the Shares have a value of \$0.440 each.

## 6.2 ASX Market Price Valuation

The data in the following section is presented on a pre-share consolidation basis unless otherwise stated. Figure 6.2a provides a summary of the daily trading prices and volumes in IFC for the year from 30 December 2008 to 29 December 2009. Also included at Figure 6.2a is the 12-month VWAP as calculated by BDO (\$0.053).

Figure 6.2a: Closing Share Price for the 12 months to 29 December 2009



Source: Bloomberg and BDO analysis

We note that there are only 17 days during the 12-month period where there has been trading in IFC Shares (this represents only 7.2% of the available trading days during that period). This indicates that there is limited trading in IFC Shares.

The IFC Share price has ranged from a low of \$0.02 on 7 May 2009 and 4 June 2009 to \$0.10 on 11 June 2009. The majority of volume during the year took place at \$0.05 on 6 July 2009 (representing 1.15m Shares). The price has remained around \$0.05 (at very low volumes) up to 20 October 2009. The price has since increased to \$0.07, including significant volume (503,649 Shares) transacted at this price on 25 November 2009.

We have outlined at Figure 6.2b the percentage of IFC's free float traded during the 12-months to 29 December 2009. We note that only 3.42% of IFC's free float was traded (on an annualised basis) indicating a low level of liquidity, particularly when there are relatively few days where trading has taken place.

Figure 6.2b: Percentage of Free Float Traded

	Source	12 Months to 18 November 2009
Number of Shares on issue at 30 June 2009	1	62,339,773
Number of Shares owned by Directors at 30 June 2009	1	4,806,800
Number of Free Float Shares		57,532,973
Number of Shares traded to 29 December 2009	2	1,965,892
% of free float traded		3.42%

Sources:

1. IFC FY09 Annual Report
2. Bloomberg and BDO analysis of Share volume data

We have calculated the VWAP of IFC Shares for the twelve month period to 29 December 2009, as illustrated at Figure 6.2c.

Figure 6.2c: VWAP for IFC Shares

IFC Shares	Closing Share Price 29 December 2009	12 Months VWAP to 29 December 2009
Pre Consolidation (\$)	0.070	0.053
Post Consolidation (\$)	0.350	0.265

Source: BDO analysis of Share price data

Based on the above analysis, we consider an ASX market price value of between \$0.265 and \$0.350 appropriate for IFC on a post share consolidation basis. However, our analysis shows that the market for IFC Shares is very thinly traded. This indicates:

- lack of a “deep” market for the IFC Shares; and
- Illiquidity in IFC’s ASX Share price such that the price may not react to circumstances or events in a reasonable or timely manner.

Accordingly, the extent to which we can rely on the ASX market price valuation methodology in our final assessment of IFC’s value is limited.

### 6.3 Premium for Control

We are required by RG 111 to consider the fairness of the Fimeri Placement assuming 100% ownership of IFC.

Investment fundamentals dictate that that the value of 100% of a company is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

The difference between the value of 100% of a company and the total of the value of minority share holdings is referred to as a “premium for control” taking into account synergistic benefits for the acquirer if relevant. Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company’s policies and strategies, and use of cash flows of the company.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired.

In assessing the control premium within the Fimeri Placement we have reviewed the observed premiums from announced and completed public deals within Australia in the last 12 months. The above observations indicate a premium for control ranging from 10% to 30%.

In the case of IFC, it currently has no business operations therefore little or no synergistic benefits for an acquirer are available. However, IFC does have significant cash reserves which an acquirer of IFC would gain control of. IFC is an ASX listed company, which is also of value to an acquirer that requires a vehicle to obtain a listing on the ASX. However, IFC does not currently meet the ASX’s shareholder spread requirements and the company may be delisted.

Accordingly, we consider an appropriate premium to be applied to the value of IFC to be in the range of 5% to 10%, which is at the low end of the observed range, but still reflects that there is some value to an acquirer in controlling IFC.

We have reviewed public deals within Australia in the last 12 months where the target has an asset base substantially in the form of cash, or of securities readily convertible to cash, and note that our adopted premium range of 5% to 10% is not inconsistent with the premium evidence observed.

## 6.4 Assessment of IFC Shares Including a Premium for Control

Our valuations of IFC Shares are summarised in Figure 6.4. Given that the market for IFC Shares is very thinly traded, in assessing our value per IFC Share, we have not considered ASX pricing.

Figure 6.4: Assessment of IFC Shares

Valuation	Section Reference	Low	High
NTA (\$)	5.1	0.440	0.440
ASX Market Price (\$)	5.2	0.350	0.265
Assessed Value per Share (\$)		0.440	0.440
Premium for Control (%)	5.3	5%	10%
Value per Share including Premium for Control (\$)		0.462	0.484

Source: BDO Analysis

## 6.5 Value of Placement Shares

We set out in Figure 6.5 the value of the Placement Shares.

Figure 6.5: Value of Placement Shares

	Section Reference	Low	High
Value per Placement Share to be issued (\$)	6.4	0.462	0.484
Number of Placement Shares to be issued	1.2	4.8 million	4.8 million
<b>Value (\$'000)</b>		<b>2,216</b>	<b>2,321</b>

Source: BDO Analysis

# 7 Valuation of Placement Options

## 7.1 Option Valuation Inputs

Figure 7.1 summarises the key inputs for the valuation of Placement Options to be issued to Mr Fimeri. Further information on the key inputs is set out in the notes to Figure 7.1. The options have been valued using the Binomial Option Pricing Model

Figure 7.1: Terms/Valuation inputs

Terms/Valuation Inputs	Section/Note	Terms/Valuation Inputs
Exercise Price (\$)	1.2	0.80
Time to Expiry (years)	(1)	4
Underlying Share Price (\$)	(2)	0.462 to 0.484
Volatility (%)	(3)	40 - 50
Risk free Rate of Return (%)	(4)	5.027
Exercise Hurdle	(5)	Shares to maintain a 7 day VWAP of \$1.50.
Dividend Rate (%)	(6)	-

**Notes:**

**1. Time to Expiry**

The expiry date is the fourth anniversary of the issue and allotment of the Placement Options.

**2. Underlying Share Price**

In determining the underlying share price of IFC Shares for the purpose of the Placement Option valuation we have adopted a value range of between \$0.462 and \$0.484 per Share as calculated in Section 6.4. This Share price includes a premium for control, which is appropriate given that if Mr Fimeri exercises his Placement Options, he will increase his Shareholding from a point that is above 20% to below 90%.

Pursuant to Section 606 of the Act and RG111, a transaction that results in an increase in a shareholding from above 20% should be assessed with reference to an underlying share price that includes a premium for control.



### 3. Volatility

Volatility is a measure of the degree to which an underlying asset's market price changes during a period of time. In order to determine an appropriate volatility to apply to the value of the Placement Options we have considered the observed historical standard deviation of returns on a range of companies with a similar size market capitalisation and nature of operations to IFC assuming IFC completes the acquisition of Air Change.

In determining an appropriate range of volatility for the Placement Options we have given consideration to the theory that volatility should be appropriate for the time period over which it is being applied (i.e. the life of the option) unless there are specific factors that impact on the volatility over the selected historical period and therefore the reliability of the outcome.

In this regard, in assessing volatility, we have placed a higher relative weighting on the volatility prior to 30 June 2008 for those companies that we considered, given the abnormally high volatility that the market generally experienced subsequent to 30 June 2008.

Based on the above analysis, we have adopted a volatility range of between 40% and 50%.

### 4. Risk Free Rate of Return

The risk free rate of return for the Placement Options has been based on the current 4-Year Government Bond Rate (which equates to the time to expiry for the Placement Options).

### 5. Exercise Hurdle

The Placement Options may only be exercised if the Shares have maintained a 7 day VWAP of \$1.50. This requirement has been included in the valuation of the Placement Options.

### 6. Dividend Rate

IFC does not have a history of paying dividends; therefore we have assumed a zero dividend rate for the purpose of our Placement Option valuation.

Based on the above inputs, we value the Placement Options to be issued to Mr Fimeri at between \$0.044 and \$0.091.

## 7.2 Value of Placement Options

We set out in Figure 7.2 the value of the Placement Options.

Figure 7.2: Value of Placement Options

	Section Reference	Low	High
Value per Placement Option (\$)	7.1	0.044	0.091
Number of Placement Options	1.2	4 million	4 million
<b>Value (\$'000)</b>		<b>176</b>	<b>364</b>

Source: BDO Analysis

## 8 Assessment Of Fairness

Based on the analysis undertaken at Sections 6 and 7 we summarise the value of Placement Shares and Placement Options to be issued to Mr Fimeri in Figure 8.1.

Figure 8.1: Value of Placement Shares and Placement Options

	Section Reference	Low	High
Value of Placement Shares (\$'000)	6.5	2,216	2,321
Value of Placement Options (\$'000)	7.2	176	364
<b>Total (\$'000)</b>		<b>2,391</b>	<b>2,685</b>

Source: BDO Analysis

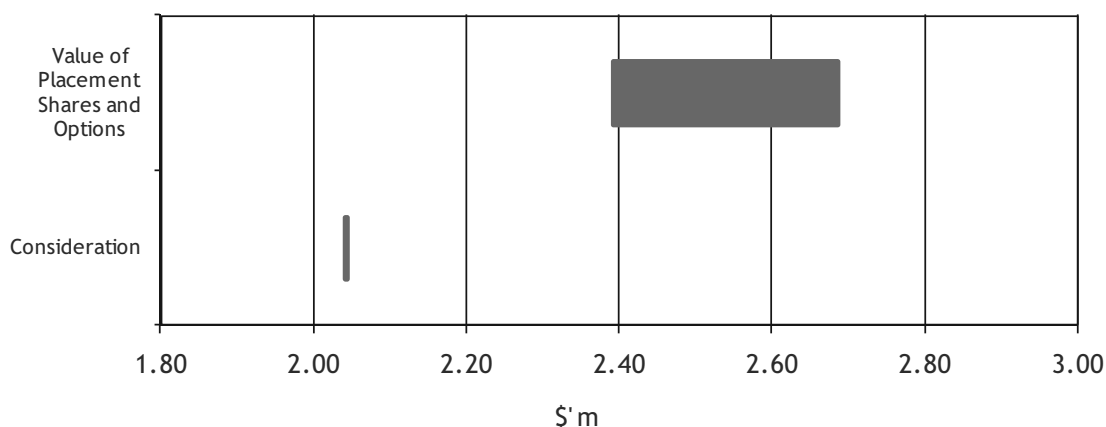
A comparison of the value of the Placement Shares and Placement Options to the consideration to be paid by Mr Fimeri, pursuant to the Fimeri Placement is set out in Figure 8.2.

Figure 8.2: Comparison of Placement Value to Consideration

	Reference	Low	High
Value of Placement Shares and Placement Options (\$'000)	Figure 8.1	2,391	2,685
Consideration (\$'000)	Section 1.2	2,040	2,040

Source: BDO Analysis

Figure 8.3: Comparison of value of Placement Shares and Options to Consideration



As the value of the Placement Shares and Placement Options to be received by Mr Fimeri exceeds the value of the consideration to be paid by Mr Fimeri, the Fimeri Placement is not fair to Shareholders.

## 9 Reasonableness

RG 111 considers an offer to be reasonable if:

- the offer is fair; or
- despite not being fair, but considering other significant factors, Shareholders should approve the Fimeri Placement in the absence of any superior alternative.

As we have concluded that the Fimeri Placement is not fair, in accordance with our basis of evaluation (Section 2.2) we have investigated other significant factors to which the Shareholders might give consideration prior to approving the Fimeri Placement as set out in the following advantages and disadvantages.

## 9.1 Advantages of Approving the Fimeri Placement

Figure 9.1 sets out potential advantages to the Shareholders if the Fimeri Placement is approved relative to the position if the Fimeri Placement was rejected. The inverse of these advantages also represent the disadvantages to the Shareholders in the event that the Fimeri Placement is rejected.

Figure 9.1: Advantages to Shareholders of approving the Fimeri Placement

Advantage	Description
Change in Shareholder's investment profile - exposure to the operations of Air Change including potential sales and profitability growth	<p>If the Fimeri Placement is approved and the Air Change Acquisition is completed, Shareholders will have exposure to the operations of the Air Change business.</p> <p>Prior to the Air Change Acquisition, IFC derives its income from interest on its cash holdings. After the Acquisition, IFC will derive its income from the sale of heat exchange and air-conditioning products.</p> <p>Air Change is forecasting sales growth in the second half of FY10 and FY11 as the building industry recovers from the global financial crisis. Air Change Management believe that Air Change, given its low cost of manufacturing relative to its competitors, is well placed to benefit from this recovery in construction growth and building capital expenditure.</p> <p>Air Change's sales forecasts do not include any potential sales relating to new products or new (overseas) markets. These represent potential areas of sales and profit growth for Air Change.</p>
Preferred form of equity financing for Air Change Acquisition	<p>The proposed consideration to be paid by Mr Fimeri reflects a premium over the 12 month volume-weighted average Share price prior to the date of this Report.</p> <p>We have discussed with IFC and considered the alternative sources of finance available to IFC to fund the Air Change Acquisition. These alternatives include:</p> <ul style="list-style-type: none"> <li>• A rights issue - a rights issue by IFC that was not underwritten is unlikely to raise the required level of equity to enable funding for the Air Change Acquisition, given IFC's current market capitalisation (\$3 million), its low level of liquidity, and the amount of equity required to be raised (\$2 million). In addition IFC would have to pay for the transaction costs associated with a rights issue.</li> <li>• An institutional placement - a placement would likely be at a price lower than the price of the Fimeri Placement therefore would be dilutionary to the existing Shareholders in IFC, relative to the Fimeri Placement. In addition IFC would have to pay for the transaction and broker costs associated with a placement.</li> </ul> <p>Based on our analysis and discussions with IFC, the alternative methods of raising the required funding would be unlikely to succeed or have a more dilutionary than the Fimeri Placement.</p>
Increase in size and potential liquidity	<p>As discussed in Section 6.2, there has been limited liquidity in IFC Shares over the past 12 months.</p> <p>Subsequent to the Fimeri Placement, there will be an additional 4,800,000 Shares on issue. The increased number of Shares together with the increased scale and size of IFC could potentially increase the liquidity in trading in Shares. This represents an advantage to Shareholders.</p>
May reduce the period for which the IFC Shares may be suspended from quotation on the ASX	<p>The ASX may suspend quotation of an entity's shares if it remains as a cash-box for 6 months after the sale of its major business.</p> <p>The sale of the Cranebrook Land settled on 11 August 2009.</p> <p>If the Fimeri Placement is approved and the Air Change Acquisition is completed, Shareholders may reduce the period for which IFC Shares may be suspended from quotation on the ASX assuming the required spread of shareholders is achieved via the Share Purchase Plan.</p>
Avoids costs in relation to assessment of other opportunities	<p>If the Fimeri Placement is approved and the Air Change Acquisition is completed, IFC avoids further time and transaction costs that may be incurred in relation to the identification and assessment of alternative opportunities.</p>

Source: BDO Analysis and Management

## 9.2 Disadvantages of Approving the Fimeri Placement

Figure 9.2 sets out potential disadvantages to the Shareholders if the Fimeri Placement is approved relative to the position if the Fimeri Placement was rejected. The inverse of these disadvantages also represent the advantages to the Shareholders in the event that the Fimeri Placement is rejected.

Figure 9.2: Disadvantages to Shareholders of approving the Fimeri Placement

Disadvantage	Description
<p><b>Change in Investment Profile - Exposure to operations and risks of Air Change</b></p>	<p>As set out in Section 9.1 if the Fimeri Placement is approved and the Air Change Acquisition is completed, Shareholders will have exposure to the operations and risks of the Air Change manufacturing business.</p> <p>In relation to financial risk we note that Air Changes' profitability declined during FY09 following reduced building and construction activity as a result of the global financial crisis. The risk therefore remains that the building and construction market is slow to recover from the global financial crisis or further external economic shocks impact Air Change's future profitability.</p> <p>Please refer to Section 6 of the EM for further details of financial, technological, operational and management risks of Air Change.</p> <p>This change in investment profile may be considered a disadvantage to Shareholders who do not want their investment profile changed in such a way and exposure to such risks.</p>
<p><b>Dilution of shareholding and voting rights</b></p>	<p>If the Fimeri Placement is approved and the Air Change Acquisition is completed, Mr Fimeri will hold 27% of IFC's Shares which represents a controlling block.</p> <p>If all 4 million Placement Options issued to Mr Fimeri are exercised (and assuming no other IFC Shares are issued) Mr Fimeri will increase his holding in IFC to 41%.</p> <p>As a result, the voting power of current Shareholders will reduce.</p> <p>This may represent a disadvantage to those Shareholders who wish to maintain their respective voting power in IFC.</p>

Source: BDO Analysis and Management

### 9.3 Position of Shareholders if Fimeri Placement is Rejected

In accordance with our basis of evaluation set out in Section 2.2, we have also considered the position of Shareholders if the Fimeri Placement is rejected. The matters are considered below.

Figure 9.3: Position of Shareholders if Fimeri Placement is rejected

Matter	Description
<b>Air Change Acquisition will not proceed</b>	If IFC does not issue Placement Shares and Placement Options to Mr Fimeri it will not have sufficient funds to complete the Air Change Acquisition.
<b>Potential suspension of quotation of IFC Shares on ASX</b>	<p>Pursuant to ASX Listing Rule 12.3, if half or more of an entity's total assets are in cash or in a form readily convertible to cash, ASX may suspend quotation of an entity's securities, until it invests those assets or uses them for the entity's business.</p> <p>Paragraph 45 of ASX Guidance Note 12 states that where the sale of a business results in the creation of a cash box (as in the case of IFC), ASX will generally tolerate the existence of a cash box for up to 6 months, with the intent that during that time the entity will look to find another business to acquire. Paragraph 45 further states that if a suitable acquisition is not identified in 6 months, ASX will normally suspend trading in the entity's securities.</p> <p>As set out in Section 3.2, the sale of Cranebrook Land settled on 11 August 2009. The sale of the Cranebrook Land resulted in IFC becoming a cash box. In accordance with Paragraph 45 of ASX Guidance Note 12, if IFC has not identified a business to acquire before 31 January 2010 the ASX may suspend trading in IFC's Shares and Shareholders will no longer be able to trade their Shares on the ASX.</p>
<b>Costs to IFC</b>	<p>IFC will still be required to pay all the legal and advisory costs incurred in relation to the Air Change Acquisition together with IFC's ongoing management and administration fees.</p> <p>In the event that another potential acquisition is found by IFC, IFC will be required to pay further legal and advisory costs, as well as potentially a brokers or introduction fee and advisory success fees.</p>
<b>Potential winding up of IFC</b>	If IFC is unable to find alternative suitable business or strategic investment opportunities (whether it remains listed on the ASX or not) there is the possibility that IFC would be wound up and any proceeds returned to Shareholders would be subject to realisation and liquidation costs.

Source: BDO Analysis and Management

## 10 Evaluation of Fimeri Placement

Based on our assessment of fairness of the Proposed Transaction at Section 8 and the reasonableness issues set out in Section 9, we believe that the Proposed Transaction is unfair but reasonable to Shareholders.

Our opinion is based on our assessment of the advantages and disadvantages of the Fimeri Placement, in particular, the following:

- The Fimeri Placement represents the preferred form of financing for the Air Change Acquisition;
- The Fimeri Placement together with the Air Change Acquisition provides Shareholders with the opportunity to share in any sales and profitability growth of Air Change; and
- The Fimeri Placement together with the Air Change Acquisition may reduce the period for which the Shares in IFC may be suspended from trading on the ASX subject to the Share Purchase Plan. The Air Change Acquisition also avoids further time and transaction costs that may be incurred by IFC in relation to the identification and assessment of alternative opportunities.

## 11 Qualifications

BDO has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sebastian Stevens and David McCourt of BDO. They have significant experience in the preparation of independent expert's reports, valuations and merger and acquisitions advice across a wide Range of Industries In Australia.

## 12 Independence

BDO is entitled to receive a total fee of \$35,000 (excluding GST and reimbursement of out of pocket expenses) for completion of this Report. Except for this fee, BDO has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Securities (NSW-VIC) Pty Limited is wholly owned by BDO, a member of BDO International. Prior to accepting this engagement BDO considered its independence with respect to IFC and any of their respective associates with reference to the ASIC Regulatory Guide 112 titled "Independence of Experts". In BDO's opinion it is independent of IFC and its respective associates.

BDO Securities (NSW-VIC) Pty Limited and BDO do not have at the date of the Report, and have not had within the previous two years, any shareholding in or other relationship with IFC or any of its respective associates, except in relation to the preparation of a due diligence report for IFC in relation to its proposed acquisition of Air Change.

A draft of this report was provided to IFC and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this Report as a result of this review.



In addition, BDO has been indemnified by IFC in respect of any claim arising from BDO's reliance on information provided by IFC, including the non-provision of material information, in relation to the preparation of this Report.

### 13 Disclaimers And Consents

This Report has been prepared at the request of IFC for inclusion in the NoM for the Fimeri Placement which will be sent to all Shareholders. The Company engaged BDO to prepare an independent expert's report to consider the Fimeri Placement on behalf of Shareholders.

BDO hereby consents to this Report being included in the EM for the Fimeri Placement. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO.

BDO takes no responsibility for the contents of the EM for the Fimeri Placement other than this Report.

BDO has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of IFC. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

To the extent that our conclusions are based on projections, we express no opinion on the achievability of those projections. Neither BDO nor any member or employee of BDO undertakes responsibility in any way whatsoever to any person in respect of errors in this report arising from incorrect information provided by Management or in respect of the failure of projections to be achieved.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Fimeri Placement, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of IFC, or any other party.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO has no obligation to update this Report for events occurring subsequent to the date of this Report.

Appendix A

## FINANCIAL SERVICES GUIDE

Dated 16 February 2010

BDO Securities (NSW-VIC) Pty Ltd ABN 82 065 203 492 ("BDO Securities (NSW-VIC)") or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

### 1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 222438
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

### 2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients on securities and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

### 3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### 4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement.

Except for the fees referred to above, neither BDO Securities, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### 5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

### 6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### 7 ASSOCIATIONS AND RELATIONSHIPS

BDO Securities is a wholly owned subsidiary of BDO (NSW-VIC) Pty Ltd, which is a member of an Australian association of independent accounting and management consulting firms trading under the name of "BDO".

From time to time BDO Securities or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### 8 INDEPENDENCE

BDO Securities is independent of the entity that engages it to provide a report. The guidelines for independence in the preparation of reports are set out in the Regulatory Guide 112 issued by the Australian Securities and Investments Commission in October 2007. BDO Securities operates independently of the other members of BDO International in Australia.

### 9 COMPLAINTS RESOLUTION

#### 9.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Securities, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### 9.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOS"). FOS is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Securities is a member of FOS (Member Number 11281).

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
GPO Box 3  
MELBOURNE VIC 3001

Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399

### 10 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of this FSG.



***Sources of Information***

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BDO has referred to or relied upon the following information for the purposes of this Report:

- a. Notice of General Meeting and Explanatory Memorandum dated on or about 1 March 2010.
- b. Annual Reports for IFC for the years ended 30 June 2008 and 2009;
- c. Half Year Report for IFC for the period ended 31 December 2008;
- d. Statutory Accounts for Air Change for FY07, FY08 and FY09;
- e. Historical monthly Management Accounts for Air Change (FY08, FY09 and YTD10);
- f. Detailed FY10 and FY11 forecast profit and loss for Air Change prepared by Air Change management;
- g. Bloomberg;
- h. Discussions with Management; and
- i. Publicly available information including ASX announcements.

**Capitalisation of FME**

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach the most commonly applied valuation technique and is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as EBIT or EBITDA. The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

**DCF**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate. DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

**NTA**

NTA is usually appropriate where the majority of assets consist of cash or passive investments. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall NTA valuation.

**FMD**

The FMD methodology applies particularly to minority holdings in private and unlisted public companies. FMD is similar in methodology to the FME and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth. While the use of benchmark methods is unwise in isolation, they can be helpful in providing a comparison or supporting valuation to the primary valuation methodology used.

**NRV**

NRV is usually appropriate when an asset or business is to be sold or wound up. The NRV should provide a realistic indication of the value that could be obtained in the event of an orderly realisation of assets.

**Quoted Market Price Basis**

Another alternative valuation approach that can be used in conjunction with (or as a replacement for) any of the above methods is the quoted market price of listed shares. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a share displays regular high volume trading, creating a "deep" market in that share.

The valuation of an option is a function of the price of the underlying share to which the option may convert, the remaining life of the option, the exercise price, medium term interest rates and the anticipated yield of the underlying share.

The price of an option is the sum of its intrinsic value and its time value. Intrinsic value is based on the difference between the option's exercise price and the current price of the underlying instrument and time value is the residual value of the options premium above any intrinsic value.

An option can either be American style or European style:

- American style options can be exercised by the holder at any time from the date of purchase up until (and including) expiry date.
- European style options can be exercised by the holder only on the specified expiry date.

Methodologies commonly used for valuing options are detailed below.

#### **Binomial Option Pricing Methodology**

This options valuation technique involves plotting possible paths that might be followed by the price of the underlying stock over the life of the option. The outcomes of the movements in the share price are discounted back to present value using the risk free rate.

#### **Black-Scholes Option Pricing Methodology**

The Black-Scholes Option Pricing Model is a formulaic approach which assumes that the options are European and considers the following variables:

- Exercise price of the option
- Current price of the underlying stock
- Volatility price of the price of the underlying stock
- Time to expiry of the option
- Risk free rate of return
- Dividends paid on the underlying stock

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## **PART I: PROXIES AND PROXY FORMS**

- (a) **Right to appoint:** Each member entitled to vote at the meeting has the right to appoint a proxy to attend and vote for the member at the meeting. To appoint a proxy, use the Proxy Form sent out with this Notice.
- (b) A proxy or attorney is not entitled to vote while the member appointing them is present at the meeting.
- (c) **Who may be a proxy:** A member can appoint anyone to be their proxy. A proxy need not be a member of the Company. The proxy appointed can be described in the Proxy Form by an office held eg "Chair of the Meeting".
- (d) **Lodgement place and deadline:** Proxy forms must be received by the Company with the original or a certified copy of the authority under which the Proxy Form is signed (if the Proxy Form is signed by an attorney or other representative):
- at Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 Australia; or
  - by facsimile on 1800 783 447

by no later than 10.00am (Sydney time) on Sunday, 4 April 2010. Please mark them to the attention of the Company Secretary.

## **CORPORATE REPRESENTATIVES**

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at meetings of a company's members. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a photocopy or facsimile of it) must be received by the Company at Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001 Australia or by facsimile on 1800 783 447, by no later than 10.00am (Sydney time) on Sunday, 4 April 2010.

## **MEMBERS WHO ARE ENTITLED TO VOTE**

In accordance with Section 1109N of the Corporations Act, the Directors have determined that a person's entitlement to vote at the meeting will be the entitlement of that person set out in the registrar of members as at 7.00pm (Sydney time) on Sunday 4 April 2010.

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