



POWERLAN LIMITED

ACN 057 345 785

SUPPLEMENTARY PROSPECTUS

Powerlan Limited (ACN 057 345 785) (**Powerlan** or **Company**) lodged a prospectus with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on 15 January 2010 (**Prospectus**) for the issue of up to 330,107,288 fully paid Shares at an issue price of \$0.06 each on the basis of four New Shares for every Share held as at the close of business on the Record Date (25 January 2010), to raise a maximum amount of approximately \$19.8 million.

This supplementary prospectus is dated 3 February 2010 (**Supplementary Prospectus**) and is supplemental to, and therefore should be read together with, the Prospectus dated 15 January 2010.

A copy of this Supplementary Prospectus was lodged with ASIC and ASX on 3 February 2010. Neither ASX nor ASIC takes any responsibility for this Supplementary Prospectus.

Capitalised terms not defined in this Supplementary Prospectus have the same meaning as defined in the Prospectus.

BACKGROUND

New circumstances have arisen since the Prospectus was lodged with ASIC and ASX on 15 January 2010 which may be relevant to your decision to participate in the Offer. The Company has prepared this Supplementary Prospectus to provide shareholders with information about recent developments concerning:

- the announcement made by Alpha Growth International (Australia) Pty Ltd (**Alpha Growth**) on 15 January 2010 of a proposed takeover offer for the Company and the subsequent withdrawal of that proposed takeover; and
- the Takeovers Panel Application made by Alpha Growth and the Takeovers Panel's orders.

This Supplementary Prospectus has also been prepared to disclose, in accordance with the Company's undertakings to the Takeovers Panel, details of:

- the process the Board will apply in allocating any Shortfall to Shareholders who have applied for Shares additional to their Entitlement;
- the Sub-Underwriting arrangements for the Offer; and

- the maximum number of Further Shares that the Company may place with the Underwriter without shareholder approval under the Listing Rules if the Shortfall available to the Underwriter is less than 133,333,333 Shares.

The Company also takes this opportunity to update Shareholders on the following:

- the expected impact of the Alpha Growth takeover announcement on the CPS Loan and the undertaking given by CPS Investments to the Company regarding repayment of that loan;
- a revised timetable for the Offer; and
- ASX announcements made by the Company since 15 January 2010.

This Supplementary Prospectus makes the following changes to the Prospectus:

1. TAKEOVER ANNOUNCEMENT AND RESULTS OF TAKEOVERS PANEL APPLICATION

The Prospectus is amended by, on page 5, after the section headed "The Issue and Key Investment Details", inserting the following:

Takeover announcement made by Alpha Growth

On 15 January 2010, Alpha Growth announced it intended to make an off-market takeover bid for all the Shares in the Company at \$0.10 a Share. The bid proposal was announced contemporaneously with and, apparently, without knowledge of, the Company's Offer. The proposed takeover bid was unsolicited and subject to a number of conditions (**Defeating Conditions**), including a 90% minimum acceptance condition and that, during the period from the announcement of the takeover offer to the end of the offer period, the Company would not issue or agree to issue any Shares.

Both during and after the Takeovers Panel's Proceedings, the Company wrote to Alpha Growth seeking urgent clarification of whether it intended to proceed with its takeover bid given the rights issue would be a Defeating Condition entitling Alpha Growth to withdraw its takeover offer.

On 2 February 2010, Alpha Growth announced the withdrawal of its takeover offer.

Powerlan also sought confirmation of Dr Tomislav Matic's publicly stated position (published in the Financial Review on 18 January 2010) that he and other shareholders associated with Alpha Growth would take up their full entitlements under the rights issue. On 2 February 2010, the Company was told that each associate of Alpha Growth which holds Shares will "independently decide whether or not to take up their rights under Powerlan's rights issue".

Results of Takeovers Panel application

Alpha Growth made an application to the Takeovers Panel on 19 January 2010 seeking a declaration that the Offer constitutes unacceptable circumstances under section 657A of the Corporations Act.

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).

The Company opposed the application and made submissions to the Takeovers Panel responding to the Takeovers Panel's queries and rebutting the submissions made by Alpha Growth.

On 29 January 2010, the Takeovers Panel accepted an undertaking from Powerlan (in the form attached to the Takeovers Panel's media release of 29 January 2010) and declined to make a declaration of unacceptable circumstances.

2. TIMETABLE

The Prospectus is amended by replacing the timetable on page 3 with the following (updated to reflect the revised timetable disclosed to shareholders in an announcement to ASX on 21 January 2010):

The Issue will proceed according to the following proposed Timetable. These dates are indicative and the Company reserves the right, subject to the Corporations Act and the Listing Rules, to amend any of the dates without notification.

Announcement of Issue	Before commencement of trading 15 January 2010
Lodgement of Prospectus at ASIC and ASX and lodgement of Appendix 3B at ASX	Before commencement of trading 15 January 2010
Despatch Notice to Shareholders containing Appendix 3B information	18 January 2010
Shares quoted on "ex" basis and rights trading starts	21 January 2010
Record Date for determining entitlements and Supplementary Prospectus lodged at ASIC and ASX	25 January 2010
Prospectus and Acceptance Form sent to Shareholders and announcement that despatch has been completed	29 January 2010
Rights trading ends	8 February 2010
Shares quoted on deferred settlement basis	9 February 2010
Closing date for acceptances	5.00pm 15 February 2010
Notification to ASX of any under subscriptions	18 February 2010
Holding statements despatched; deferred trading ends; confirmation of Appendix 3B particulars; Shares allotted	23 February 2010
Trading in New Shares commences	24 February 2010

References to rights trading commencing on 19 January 2010 on pages 5 and 7 of the Prospectus should be read as references to trading in those rights commencing on 21 January 2010 (as per the revised timetable above).

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3. APPLICATION FOR ADDITIONAL SHARES

The Prospectus is amended by, on page 6 of the Prospectus, replacing the text under the heading "Application for Additional Shares" with the following:

The directors reserve the right to issue any Shortfall at their discretion which will be exercised as set out below and in the section of this Prospectus headed Allotment and Subscription Shortfall on page 8.

Subject to the Corporations Act, if there is a Shortfall, the directors will issue all the Additional Shares that are applied for before calling on the Underwriter's commitment. The number of Additional Shares available will depend on the size of the Shortfall.

Applications from Shareholders for Additional Shares will be dealt with as follows:

- (a) only Shareholders who have taken up their Entitlement in full will be eligible to apply for Additional Shares;
- (b) to the extent there is a shortfall between Applications received for Shares from Shareholders and the total number of New Shares to be issued under the Offer (First Shortfall), each Shareholder who has applied for Additional Shares will be allocated their proportionate share of the First Shortfall (having regard to their shareholdings as at the Record Date). If a Shareholder applied for Additional Shares but has specified a maximum number of Additional Shares which is less than the amount of New Shares which that Shareholder would otherwise be allocated under this process, that Shareholder will be allocated the lesser amount; and
- (c) if, following allocation of the First Shortfall, there remains a shortfall between the allocated New Shares and total number of New Shares to be issued under the Offer (Second Shortfall), the above allocation process will be repeated in respect of the Second Shortfall and any subsequent shortfalls until either all of the New Shares proposed to be issued under the Offer have been allocated or all applications for Additional Shares have been satisfied in full.

4. ALLOTMENT AND SUBSCRIPTION SHORTFALL

The Prospectus is amended by, on page 8 of the Prospectus, replacing the text under the heading "Allotment and Subscription Shortfall" with the following:

The directors will issue the New Shares on or before the date for despatch of holding statements specified in the Timetable on page 3.

Additional Shares may only be issued if there is a Shortfall. Applications from Shareholders for Additional Shares will be dealt with in the manner set out in the section headed "Application for Additional Shares" on page 6. Successful applicants for Additional Shares will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation being made.

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).

It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in New Shares. Applicants who sell New Shares before they receive notice of the number of New Shares allocated to them do so at their own risk.

If there is still a Shortfall after all applications for Additional Shares have been satisfied in full (subject to the Corporations Act), the directors will call on the Underwriter's commitment.

If a Shortfall remains after calling on the Underwriter's commitment, the directors reserve the right to issue any such remaining Shortfall at their discretion (subject to the Corporations Act and Listing Rules) at any time within 3 months following the Acceptance Closing Date at an issue price not less than the price offered in this Prospectus for the New Shares. Recipients of such Shortfall Shares need not be existing Shareholders and the Company may pay fees or commissions when offering or issuing Shortfall Shares.

5. PURPOSE

The Prospectus is amended by, on page 12, replacing the text under the heading "Purpose" with the following:

There are 2 purposes of the Issue.

Purpose 1: reduction of CPS Loan

One purpose is to repay part of the loan funds advanced to the Company by CPS Investments ("CPS Loan") so that the CPS Loan is reduced by a minimum amount of about \$10 million. The CPS Loan is currently about \$19.8 million including accrued and unpaid interest.

Although the CPS Loan is generally repayable 48 hours after a demand at any time after 26 February 2010, if the Offer proceeds, CPS Investments has provided an undertaking to the Company that it will not seek repayment of the CPS Loan before 30 June 2010 if it would reduce the working capital of the Company below \$6 million.

The undertaking ceases if at any time before 30 June 2010, Dr Campbell (who controls CPS Investments) forms the view that a change of control in the Company is imminent.

The proposed takeover announced by Alpha Growth on 15 January 2010 was not expected to have an impact on the undertaking given to the Company by CPS Investments. Dr Campbell had stated his intention not to accept any such takeover offer, and so the takeover offer was unlikely to result in a change of control. In any event, Alpha Growth withdrew its takeover offer on 2 February 2010.

While CPS Investments has not made a call on the CPS Loan which, therefore, is not immediately due, having regard to the interest cost savings associated with retiring a substantial portion of the CPS Loan as well as the advantages of reducing the Company's reliance on external debt, the Board has determined it is in the Company's interest to apply part of the funds raised under the Offer to immediately reduce the CPS Loan. For more information about the CPS Loan, please refer to page 27 of the Prospectus.

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).

Purpose 2: working capital buffer and synergistic acquisitions

The other purpose of the Offer is to ensure that the Company has available to it an amount of \$6 million that will be used as working capital and to secure the acquisition of businesses synergistic to the Group's existing businesses in accordance with the strategy the Company's Chairman outlined in his speech at the Company's Annual General Meeting on 30 November 2009. When suitable acquisitions are secured, depending on the amount raised by this Issue and the Company's financial position at the time, the Company may embark on further capital raisings for the balance of the purchase monies for these acquisitions.

6. UNDERWRITING AND SUB-UNDERWRITING ARRANGEMENTS

The Prospectus is amended by deleting the last paragraph on page 15 of the Prospectus and replacing it with the following text:

The Underwriting Agreement also provides for an obligation on the part of the Company, if requested by the Underwriter and if the Shortfall is less than 133,333,333 New Shares, to issue further Shares ("Further Shares") to the Underwriter or its nominees that will enable the Underwriter or its nominees to receive a total of 133,333,333 Shares ("Additional Placement"). The maximum number of Further Shares is capped at the lesser of 61,895,117 and the number of Shares that may be issued without shareholder approval pursuant to the Listing Rules.

Listing Rule 7.1 generally limits without shareholder approval the number of shares that may be issued by a listed company in a 12 month period to 15% of the shares on issue in the listed company 12 months before ("Base Number"), subject to various adjustments. The Base Number is adjusted by increasing it by the number of shares that have been issued in accordance with exceptions to Listing Rule 7.1 in the previous 12 months. One such exception to Listing Rule 7.1 is a share issue made pursuant to pro rata rights issues (or the underwriting of such an issue).

As at the date of this Supplementary Prospectus, the maximum number of Further Shares that could be issued to the Underwriter under the Additional Placement is 12,379,023 (being 15% of 82,526,822 (the current Base Number or the number of issued Shares 12 months ago)).

Assuming that the Issue proceeds and that the combination of the take up of the Offer by shareholders and underwriting by the Underwriter results in the issue of the maximum number of New Shares, the Base Number of Shares will be increased to 412,634,110. In that scenario 15% of the Base Number would mean that the Company could issue without shareholder approval, and be required to issue to the Underwriter or Sub-Underwriters under the Additional Placement, up to 61,895,117 Further Shares at 6 cents per Share (raising a maximum amount of about \$3.7 million).

Sub-underwriting arrangements

The Underwriter has engaged nine unrelated sub-underwriters to assist in underwriting the Issue. The terms of the Sub-Underwriting are arm's length and the Sub-Underwriters are professional or sophisticated investors.

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).

The Underwriter will disperse not less than 85% of any Shares to which it becomes entitled pursuant to the Underwriting Agreement (including any Further Shares under the Additional Placement) to the Sub-Underwriters, none of whom will be allocated more than 25 million Shares (approximately 6% of the Company's issued capital).

There is no agreement, arrangement or understanding between any one or more of the Underwriters, CPS Investments, Dr Campbell and any Sub-Underwriter concerning the Company, other than as contained in the Underwriting Agreement.

7. IMPACT ON EXISTING SHAREHOLDING

The Prospectus is amended by replacing the table on page 16 and the accompanying text on that page with the following:

Circumstance	Shareholding			
	CPS Investments	Others	Underwriter	* Sub-Underwriters
Issue fully subscribed and Underwriter and Sub-Underwriters do not apply for any Further Shares	40.25%	59.75%	0.00%	0.00%
CPS subscribes for its entitlement in full and other Shareholders take up 40% of their entitlements and underwritten as to the balance up to a maximum subscription of \$16 million and Underwriter and Sub-Underwriters do not apply for Further Shares	47.57%	36.71%	2.36%	13.36%
CPS subscribes for its entitlement in full and other Shareholders take up 40% of their entitlements and underwritten as to the balance up to a maximum subscription of \$16 million and Underwriter and Sub-Underwriters apply for maximum amount of Further Shares (see breakdown of this allocation discussed below)	38.84%	29.98%	4.68%	26.50%
CPS subscribes for its full entitlement and other Shareholders take up 70% of their entitlements so that there is no underwriting shortfall and Underwriter and Sub-Underwriters do not apply for Further Shares	46.99%	53.01%	0.00%	0.00%

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CPS subscribes for its full entitlement and other Shareholders take up 70% of their entitlements so that there is no underwriting shortfall but Underwriter and Sub-Underwriters apply for maximum amount of Further Shares (see breakdown of this allocation discussed below)	35.00%	39.48%	3.83%	21.68%
No subscriptions other than by CPS Investments and underwritten as to the balance up to \$8 million by the Underwriter and Sub-Underwriters (see breakdown of this allocation discussed below)	47.63%	14.14%	5.73%	32.50%
Issue fully subscribed and [61,895,117] Shares issued amongst Underwriter and Sub-Underwriter	35.00%	51.95%	1.96%	11.08%

* To be allocated to nine Sub-Underwriters none of whom will receive more than 25 million shares and none of whom are associated (as defined in, and for the purposes of, the Corporations Act) with each other or the Underwriter.

Therefore it is possible that CPS Investments may increase its voting power in and control over the Company up to 47.63% depending on which of the above scenarios occurs. In another possible scenario, the Underwriter and Sub-Underwriters may acquire up to 38.23% of the voting power in the Company. The Underwriter has indicated to the Company that it intends to retain 15% of its allocation of Shares issued pursuant to the Offer and/or the issue of the Further Shares and that any balance over 15% will be allocated to up to nine of the Sub-Underwriters, none of whom will receive more than 25 million shares (approximately 6% of the Company's issued capital).

If CPS Investments acquires further voting power in the Company as a result of the Offer, CPS Investments intends to operate the business of Powerlan in the manner in which it is currently operated and follow the acquisition strategy outlined in the Chairman's speech to the Company's Annual General Meeting on 30 November 2009.

The ongoing process of selling Unmarketable Parcels of Shares will have no impact on the percentage holdings referred to in the above table.

The Company's obligation to issue Further Shares to the Underwriter in the event of the Shortfall being less than 133,333,333 New Shares is capped to an issue to the Underwriter of that number of Shares that will not require shareholder approval pursuant to the Listing Rules (including the Listing Rule 7.1 15% limitation) or the Corporations Act (including the prohibition on acquisitions of voting power of greater than 20% in section 606).

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).

8. COMPANY ANNOUNCEMENTS

The Prospectus is amended by replacing the table on pages 21-22 of the Prospectus with the following table (which has been updated to include the ASX announcements made by the Company since the Prospectus was originally lodged with ASIC on 15 January 2010):

Date lodged	Document Description
25/09/2009	Omnix launches software-as-a-service offering
14/10/2009	Convertor Technology announces new partnership with Soroc
27/10/2009	Appendix 4C – Quarterly
06/11/2009	Powerlan purchases remaining 49% of Omnix
17/11/2009	IMX agrees to provide PoS solution to leading ferry company
18/11/2009	Notice of Annual General Meeting Proxy Form
24/11/2009	Clarity appoints new VP Services
30/11/2009	Chairman’s Address to Shareholders
02/12/2009	Sale of Unmarketable Parcels of Shares
03/12/2009	Results of Meeting
04/12/2009	Change in substantial holding from ANZ
07/12/2009	Becoming a substantial shareholder
08/12/2009	Becoming a substantial shareholder
09/12/2009	Convertor Technology signs partnership with SHI International
09/12/2009	Ceasing to be a substantial shareholder from ANZ
23/12/2009	Becoming a substantial shareholder
11/01/2010	Powerlan rejects offer to acquire controlling interest
14/01/2010	ConverterTechnology Announces Partnership with Change Base
15/01/2010	Renounceable 4:1 Rights Issue
15/01/2010	Takeover Offer for Powerlan Limited
15/01/2010	Appendix 3B
15/01/2010	Prospectus for 4 for 1 Renounceable Rights Issue
18/01/2010	Takeover Offer for Powerlan
18/01/2010	Letter Received from AsiaInfo Holdings
18/01/2010	Becoming a substantial holder
18/01/2010	Takeover Offer Announcement. Correction
19/01/2010	Powerlan Limited - Panel Makes Interim Orders
19/01/2010	Trading Halt
19/01/2010	Delay to Rights Issue
20/01/2010	Powerlan Limited - Panel Receives Application
20/01/2010	Powerlan Limited - Panel Revokes Interim Orders
21/01/2010	Clarity Receives PO from Leading Bulgarian Operator
21/01/2010	Rights Issue to Resume
21/01/2010	Change in substantial holding
21/01/2010	Change in substantial holding
21/01/2010	Change in substantial holding
25/01/2010	Update on Rights Issue and Takeovers Panel Proceedings
29/01/2010	TOV: Powerlan Limited - Panel Accepts Undertaking
29/01/2010	Appendix 4C - quarterly cash flow report
29/01/2010	Powerlan Takeovers Panel Decision
02/02/2010	Withdrawal of Takeover Offer

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9. LOAN NOTE SUBSCRIPTION AGREEMENT

The Prospectus is amended by replacing the second paragraph under the heading "Loan Note Subscription Agreement and Deeds amending Agreement" on page 27 of the Prospectus with the following:

Pursuant to the Loan Agreement, as amended, the amount now outstanding is \$19.8 million including accrued and unpaid interest.

10. GLOSSARY

The Glossary on pages 32-33 is updated to include the following definition:

Sub-Underwriter means one or more sub-underwriters appointed by the Underwriter to sub-underwrite the Offer.

Directors' Consent

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with ASIC.

Signed for and on behalf of the Company.



Dr Ian Campbell
Chairman

3 February 2010

This Supplementary Prospectus is supplemental to, and should be read together with, the Prospectus dated 15 January 2010 relating to the issue of New Shares by Powerlan Limited ACN 057 345 785 (ASX: PWR).