

NOTICE OF GENERAL MEETING

Notice is given that a general meeting of the members of Cellnet Group Limited ACN 010 721 749 (the **Company**) will be held at 10.00am (Brisbane time) at 59-61 Qantas Drive, Eagle Farm, Queensland 4009 on Monday, 16 January 2012.

The business to be considered at the meeting is set out below. This notice of meeting should be read in conjunction with the accompanying Explanatory Memorandum. A Proxy Form also accompanies this Notice of Meeting.

AGENDA

1. RESOLUTION 1 - APPROVAL FOR AN EQUAL REDUCTION OF CAPITAL

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*That, for the purposes of sections 256B and 256C(1) of the Corporations Act 2001, approval is given for the Company to reduce its share capital by paying to each shareholder of the Company at 24 January 2012 (**Record Date**), the amount of \$0.09 per share held by the shareholder on the Record Date.*

NOTES

Proxies

Votes at the Meeting may be given personally or by proxy, attorney or representative. A member entitled to attend and vote at the meeting has the right to appoint no more than two proxies.

A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If the member appoints two proxies and the appointment does not specify the proportion or the number of the member's votes each proxy may exercise, each proxy may exercise one half of the member's votes. If the member appoints two proxies, neither proxy may vote on a show of hands.

A proxy form is attached. A proxy need not be a member of the Company.

A proxy form must be signed by the member or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed by a director, company secretary, sole director and sole company secretary or under the hand of a duly authorized officer or attorney.

The proxy form (and any power of attorney under which it is signed) must be received by Link Market Services Pty Limited either by –

- fax to 61 2 9287 0309

- by mail in the enclosed self addressed envelope, or

- by delivery to Level 12, 680 George Street, Sydney NSW 2000

no later than 48 hours before the commencement of the meeting, that is by no later than 10.00am (Brisbane time) on 14 January 2012. Any proxy form received after that time will not be valid for the scheduled meeting.

Explanatory Memorandum

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting and shareholders should read this document in full.

By order of the Board



Christopher Barnes
Company Secretary
15 December 2011

EXPLANATORY STATEMENT

1. INTRODUCTION

This explanatory statement has been prepared for the information of shareholders in connection with the business to be conducted at a meeting of the Company to be held at 10.00am (Brisbane time) on Monday, 16 January 2012 at 59-61 Qantas Drive, Eagle Farm, Brisbane QLD 4009. It forms part of the notice of meeting and must be read together with that notice.

Shareholders should read this document in full and if they have any questions, obtain professional advice, before making any decision in relation to the resolutions to be put to the meeting.

2. RESOLUTION 1 – APPROVAL OF AN EQUAL REDUCTION OF CAPITAL

2.1 Introduction

Shareholders are being asked to consider a resolution authorising the Company to reduce its capital by returning to shareholders the amount of \$0.09 per share, representing a total return to shareholders of approximately \$5,488,030 (**Capital Return**).

The date for determining which shareholders are entitled to participate in the return of capital is 24 January 2012 (**Record Date**).

The terms of reduction are the same for each shareholder.

2.2 Background

Over the past 24 months Cellnet has explored numerous potential acquisitions / mergers with the aim of increasing shareholder value. Through the many opportunities reviewed the Board has not been convinced of the relative merits of any of them to an extent worthy of recommendation to shareholders. As a result, the current cash reserves of approximately \$16 million are in the opinion of the Board surplus to the requirements of the current business and would be better used in the hands of individual investors. Thus the Board has completed a capital management review and have considered various options to return surplus capital to Shareholders.

In determining the elements of the capital management program, the Directors have considered a share buy-back and a capital return. In assessing the benefits of each option they considered factors such as simplicity, equity between shareholders and tax effectiveness.

The Company has decided, as part of its capital management program that an equal reduction of capital by way of capital return is the most expedient, effective and cost efficient way for the Company to enhance shareholder value.

The Capital Return is also in line with the Board's aim of realising the inherent value in the Company's assets and allowing share holders the opportunity to derive this value in an effective manner.

2.3 **Equal reduction of capital**

The amount of \$0.09 per share is being returned to shareholders by way of an equal reduction of capital under Chapter 2J of the Corporations Act. The date for determining which shareholders receive the Capital Return is the Record Date (as defined in the accompanying notice).

The number of shares on issue in the Company will not change as a result of the Capital Return.

This explanatory memorandum provides shareholders with all information known to the Company that is material to the decision whether or not to vote in favour of the resolution to approve the reduction of capital.

2.4 **Regulatory requirements**

The proposed Capital Return constitutes an equal reduction of share capital for the purposes of the Corporations Act 2001 (**Act**).

The Act authorises a Company to reduce its share capital as long as the reduction:

- is fair and reasonable to the Company's share holders as a whole;
- does not materially prejudice the Company's ability to pay its creditors; and
- is approved by share holders under section 256C of the Act.

This proposed resolution of the Company seeks the approval of shareholders as required under section 256C of the Act. In accordance with section 256C(5) of the Act, a copy of the Notice of Meeting has been lodged with the Australian Securities and Investments Commission (**ASIC**).

2.5 **Fair and reasonable to shareholders**

The Directors consider that the Capital Return is fair and reasonable to shareholders as a whole. All shareholders will be treated in the same manner in terms of the proportion of the share capital of the Company being returned.

2.6 **Interests of creditors**

The Directors of the Company believe that the Company has sufficient cash reserves to pay the Capital Return without materially prejudicing the Company's ability to pay creditors.

Based on the unaudited management accounts of the Company as at 30 November 2011, the Company had net assets of approximately \$27.7 million with a cash balance of approximately \$16.1 million. Accordingly, the Company believes it will have the capacity to meet the claims of its creditors following the proposed Capital Return.

2.7 Discussion and analysis of the proposed Capital Return

(a) Indicative timetable

Subject to shareholder approval, the Capital Return will take effect in accordance with the following timetable:

Event	Date
Shareholder meeting to approve the reduction of capital	16 January 2012
Cellnet Group Limited shares trade on an 'ex return of capital' basis	18 January 2012
Record date for determining entitlement to participate	6.00pm (Brisbane time) 24 January 2012
Implementation of the capital return	08 February 2012
Despatch of cheques	08 February 2012

The above is an indicative timetable only, the Board reserves the right to change the dates without notice to shareholders.

(b) Impact on financial position

The Capital Return will be funded from existing cash reserves. As a result, the Capital Return will see a reduction of cash assets in the Company's statement of financial position of \$5,488,030 and a diminution in shareholder funds of the same amount.

The following table is a summary of the Company's unaudited consolidated balance sheet as at 30 November 2011 reflecting a pro-forma adjustment for the completion of the reduction of capital of \$5,488,030.

The table is not a forecast of the balance sheet as at any balance date or a forward looking statement. The balance sheet of the Company upon completion of the Capital Return or any part of it may be materially different from the pro-forma table below.

	Balance Sheet Summary 30/11/2011	Equal Capital Reduction	Pro Forma Balance Sheet Post Buy Back
	\$ Millions	\$ Millions	\$ Millions
<u>Assets</u>			
Cash	16.1	(5.5)	10.6
Other assets	24.9		24.9
Total assets	41.0	(5.5)	35.5
<u>Liabilities</u>			
Interest bearing liabilities	0.0		0.0
Other liabilities	13.3		13.3
Total liabilities	13.3		13.3
Net Assets	27.7	(5.5)	22.2
<u>Equity</u>			
Contributed equity	37.8	(5.5)	32.3
Retained earnings	(10.7)		(10.7)
Reserves	0.6		0.6
Total equity	27.7	(5.5)	22.2
Net tangible assets (NTA)	24.9	(5.5)	19.4
Number of issued shares (million)	61.0		61.0
NTA per share	40.8 cents	(9.0 cents)	31.8 cents

(c) **Historical share price information**

Historical share price information is below:

Information	Price	Date
Close Price	0.34	30 November 2011
High for 12 months to 30 November 2011	0.45	26 July 2011
Low for 12 months to 30 November 2011	0.30	05 October 2011
30 day Volume Weighted Average	0.32	30 November 2011
60 day Volume Weighted Average	0.32	30 November 2011

(d) **Effect on capital structure**

The Company has approximately 60,978,107 fully paid ordinary shares on issue as at the date of this notice. There are no options or other convertible instruments issued by the Company other than the options granted under the Company's Long Term Incentive Plan.

The effect of the Capital Return is that the Company's issued share capital will be reduced by approximately \$5,488,030, being \$0.09 per share. The Company will, however, continue to have 60,978,107 fully paid shares on issue.

Accordingly the Capital Return will not affect the number of shares in the Company, the number of shares held by each shareholder, nor the control of the Company.

(e) **The impact of the Capital Return on options granted under Cellnet's Long Term Incentive Plan (LTIP)**

Listing Rule 7.22.3 provides that in a Capital Return, the number of options must remain the same, and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each ordinary share.

The Company currently has 3,300,000 options on issue with a pre-Capital Return exercise price of \$0.45 each. In accordance with the LTIP plan rules, the option terms and the ASX Listing Rules, the option exercise price will be reduced by \$0.09 per share to \$0.36 per share.

New grants of options under the LTIP which arise after the Record Date will not be affected by the Capital Return.

(f) **Advantages of passing the resolution**

The Directors believe that the proposed Capital Return will allow shareholders to realise part of their investment in the Company, while at the same time providing sufficient cash to fund the current business objectives of the Company. The funds which are being returned are considered surplus to the Company's requirements.

(g) **Disadvantages of passing the resolution**

The Capital Return will reduce the amount of cash reserves and liquid investments held by the Company.

2.8 Tax implications of the reduction of capital

General

The following is a summary of the main Australian taxation consequences of the Capital Return for shareholders who are residents of Australia for income tax purposes and who hold their shares on capital account. It is based upon the law in effect at the date of this Explanatory Memorandum.

This summary does not purport to be a complete analysis of Australian taxation laws which may apply in relation to the Capital Return, nor to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice.

In particular, special rules may apply to certain shareholders such as persons not resident in Australia for income tax purposes, tax exempt organisations, listed investment companies or share holders that hold their shares on revenue account. This summary does not address any of the above circumstances or special rules.

Implications for Australian resident shareholders holding shares on capital account

The Capital Return should not be included in a shareholder's assessable income, as long as the shareholder holds the shares on capital account and does not have a cost base of less than \$0.09 per share. If the Shareholder's cost base is less than \$0.09, the difference between the capital return and the cost base is likely to be a capital gain.

In the event that the Capital Return does not exceed the cost base of the shares at that time, the cost base of those shares will be reduced by the Capital Return to the extent of the amount of capital returned per share.

Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the Capital Return under the laws of their country.

2.9 Director's interests

As at the date of the Notice of Meeting, the following directors of the Company have an interest in the proposed reduction of capital as they are shareholders of the Company:

Holder	Shares held	Options to acquire shares	Amount likely to be received if the Resolution is passed and implemented
Mr Alexander Beard	Nil	Nil	Nil
Mr Stuart Smith	2,000,000	900,000	\$180,000*
Mr Mel Brookman	1,851,943	400,000	\$166,675

** In accordance with the LTIP rules, the amount received by Mr Smith will be applied, less any tax payable by him, towards the reduction of the plan loan.*

The Directors unanimously recommend that share holders vote in favour of this Resolution.



Cellnet Group Limited

ABN 97 010 721 749

LODGE YOUR VOTE

By mail: Cellnet Group Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia

By fax: (02) 9287 0309

All enquiries to: Telephone: (02) 8280 7454 Overseas: +61 2 8280 7454

SHAREHOLDER VOTING FORM

I/We being a member(s) of Cellnet Group Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the General Meeting of the Company to be held at 10:00am (Brisbane time) on Monday, 16 January 2012, at the company's office 59-61 Qantas Drive, Eagle Farm, Brisbane, Queensland and at any adjournment or postponement of the meeting.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. Please read the voting instructions overleaf before marking any boxes with an X

STEP 2

VOTING DIRECTIONS

Resolution 1

Approval for an equal reduction of capital

For Against Abstain* with checkboxes

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

CLT PRX101



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (Brisbane time) on Saturday, 14 January 2012**, being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:



by mail:

Cellnet Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:

(02) 9287 0309



by hand:

delivering it to Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.