



World Reach Limited

ABN 39010 568 804

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26th October 2012

The Manager
Market Announcements Platform
Australian Securities Exchange

Annual General Meeting

Please find attached the Notice of Annual General Meeting, Explanatory Notes, Independent Experts Reports and Proxy Form, for the meeting to be held on Wednesday 28th November 2012 at 10.00am.

Yours faithfully

A handwritten signature in black ink, appearing to read "Dennis Payne".

Dennis Payne
Company Secretary

26th October 2012

The Shareholder

Dear Shareholder,

Please find enclosed a notice of the Annual General Meeting of the company to be held on Wednesday 28th November 2012 at 10.00am.

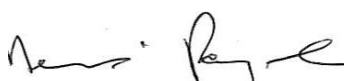
I hope you can attend the meeting, however if you are unable to attend, I encourage you to complete the enclosed proxy form and return it by mail or fax to the company at the addresses noted on the instructions for completion of the proxy form no later than 10.00am on Monday 26th November 2012.

A copy of the Annual Report from the year ended 30th June 2012 has been lodged with the ASX and on the company's website and has been mailed to all shareholders who elected to receive a copy.

If you wish to receive a copy please contact the Mulgrave office of the company at the above address.

I look forward to seeing you at the meeting.

Yours faithfully



Dennis Payne
Company Secretary

WORLD REACH LIMITED
ACN 010 568 804

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of World Reach Limited (**Company**) will be held at the Company's office at Unit 5, 8 Anzed Court, Mulgrave, Victoria on Wednesday, 28 November, 2012 at 10.00am.

AGENDA:

A. Annual Report

To table the Annual Report of the Company for the year ended 30 June 2012 and to provide members with the opportunity to raise any issues or ask questions generally of the Directors concerning the Annual Report or the business and operations of the Company.

B. RESOLUTIONS:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. Election of Director

THAT, Mr. Trevor Bruce Moyle, a Director appointed by the Board on 13 August 2012 in accordance with the Company's Constitution, being eligible and having offered himself for election, be elected as a Director of the Company.

2. Grant of Options to Trevor Moyle

THAT, for the purpose of part 2E.1 of the Corporations Act 2001 and for the purposes of ASX Listing Rule 10.11, approval is given for the grant of 200,000 options to Mr. Moyle, exercisable at \$0.65 (65 cents) a share on or before 1 July 2017 on the terms and conditions set out in the Explanatory Statement.

3. Extension of the Maturity date of Convertible Notes

THAT, for the purposes of Listing Rules 7.1, 10.1 and 10.11, and Chapter 2E of the Corporations Act and for all other purposes, approval is given to extend the maturity date of 41 Convertible Notes of \$25,000 each issued on 15 May 2009 from 1 July 2013 to 1 July 2015 (the original maturity date of 1 July 2011 having been extended to 1 July 2013 by approval of shareholders on 23 December 2010).

The Independent Expert has provided an opinion that the extension of the maturity date of 41 Convertible Notes from 1 July 2013 to 1 July 2015 (Proposed Transaction) is **not fair** but **is reasonable** after consideration of all factors.

In coming to the opinion that the Proposed Transaction is **not fair**, the Independent Expert compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding. The Independent Expert estimated that the Convertible Note holders will receive an increase in the value of their options in return for agreeing to extend the maturity date of the Convertible Notes by two years, of approximately \$7,300 per Convertible Note and the estimated reduction in funding costs as a result of extending the maturity date by two years will be in the range of \$3,500 to \$6,000 per Convertible Note.

However, after considering other significant factors the Independent Expert concluded that the Proposed Transaction **is reasonable**. These factors include the legal and other transaction costs that World Reach would incur in obtaining alternate funding and the additional management time. In addition, if World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. The conversion of all 41 Convertible Notes would result in the issue of 5,125,000 new shares. World Reach shares are only moderately liquid and the holders of the Convertible Notes could not dispose of the newly issued shares without significantly depressing World Reach's share price. This has not been taken into account in the Independent Expert's assessment of the option value. These factors are not incorporated into the assessment of fairness.

4. Adoption of Remuneration Report

THAT, for the purpose of Section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2012 as set out on pages 7 to 9 of the Annual Report be adopted.

-This is a non binding advisory resolution.

C. SPECIAL RESOLUTION:

To consider and, if thought fit, to pass the following resolution as a special resolution:

5. Approval for Additional Placement Capacity

THAT, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the issue and allotment of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting

GENERAL NOTES

General Notes

1. Voting in Person

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

2. Voting by proxy

1.2.1 **(Appointing a Proxy):** A Shareholder who is entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote for the Shareholder at the Meeting. A Shareholder who is entitled to cast 2 or more votes at the Meeting may appoint a second proxy. The appointment of the second proxy must be done on a separate copy of the proxy form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Shareholder's voting rights. If a Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a Shareholder of the Company.

1.2.2 **(Direction to Vote):** A proxy need not vote in that capacity on a show of hands on any Resolution nor (unless the proxy is the Chairman of the Meeting) on a poll. However, if the proxy's appointment specifies the way to vote on a Resolution, and the proxy decides to vote in that capacity on that Resolution, the proxy must vote the way specified (subject to the other provisions of this notice of Meeting, including the voting exclusions noted below).

1.2.3 **(Voting restrictions with respect to undirected proxies):** The Corporations Act prohibits the Company's key management personnel and their closely related parties voting as proxy on Resolutions connected directly or indirectly with the remuneration of key management personnel (such as Resolutions 2 and 4), if the proxy appointment does not specify the way the person is to vote. The prohibition does not apply to the Chairman of the Meeting where the proxy appointment expressly authorises the Chairman of the Meeting to exercise an undirected proxy. If a Shareholder appoints

the Chairman of the Meeting as their proxy and the Shareholder does not direct the Chairman of the Meeting how to vote on Resolutions 2 and 4 the Shareholder authorises the Chairman of the Meeting in respect of Resolutions 2 and 4 to exercise the proxy:

1.2.3.1 notwithstanding that Resolutions 2 and 4 are connected directly or indirectly with the remuneration of the Company's key management personnel; and

1.2.3.2 even if the Chairman of the Meeting has an interest in the outcome of the vote on Resolutions 2 and 4, and that any votes cast by the Chairman of the Meeting in respect of Resolutions 2 and 4, other than as proxy holder, will be disregarded because of that interest.

The Chairman of the Meeting intends to vote undirected proxies (where he has been appropriately authorised, having regard to the voting restrictions set out in this notice of general meeting) in favour of each Resolution.

1.2.4 **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form (and attach any authority under which it is signed or a copy which appears on its face to be an authentic copy) by:

1.2.4.1 post to World Reach Limited, Unit 5, 8 Anzed Court, Mulgrave VIC 3170; or

1.2.4.2 facsimile to the Company on facsimile number +61 3 9560 9055,

so that it is received by 10.00am (AEST) on Monday 26 November 2012, being not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.

3. Corporate Representative

A body corporate which is a Shareholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. Unless it has previously been given to the Company, the representative should bring evidence of their appointment to the Meeting, together with any authority under which it is signed. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth).

4. Attorney

A Shareholder may appoint an attorney to vote on their behalf. To be effective for the Meeting, the instrument effecting the appointment (or a copy which appears on its face to be an authentic copy) must be received by the deadline for the receipt of proxy forms (see above), being no later than 48 hours before the Meeting.

5. Voting Entitlement

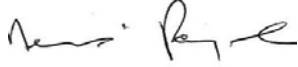
A determination has been made by the Board of Directors of the Company in accordance with Regulation 7.11.3 7 of the Corporations Act that those persons who are registered as the holders of Shares in the Company at 7pm on Monday 26 November 2012 will be taken to be the holders of Shares for the purposes of determining voting entitlements at the Meeting.

6. Explanatory Notes

Explanatory Notes accompany this Notice containing information about the business referred to in this Notice.

DATED this 26th day of October 2012

By order of the Board

A handwritten signature in black ink, appearing to read "Dennis Payne", written over a horizontal line.

Dennis Payne

Secretary



World Reach Limited

ABN 39 010 568 804

Please return your Proxy forms to:

World Reach Limited
5 / 8 Anzed Court, Mulgrave,
Victoria, Australia 3170
Telephone: 03 8588 4500
Fax: 03 9560 9055
ASX Code: WRR

Website: www.worldreach.com.au

APPOINTMENT OF PROXY

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.

I/We being a member(s) of World Reach Limited and entitled to attend and vote hereby appoint

A 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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of World Reach Limited to be held at the company's office, Unit 5, 8 Anzed Court, Mulgrave, Victoria at 10.00am on Wednesday, 28 November 2012 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Important for Resolutions 2 and 4: If the Chairman of the Meeting is your proxy or is appointed your proxy by default.

By marking this box, you are directing the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 2 and 4 as set out below and in the Notice of Meeting. **If you do not mark this box and you have not directed your proxy how to vote on Resolutions 2 and 4, the Chairman of the Meeting will not cast your votes on Resolutions 2 and 4 and your votes will not be counted in computing the required majority if a poll is called on this item.**

If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Part B below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolutions 2 and 4.

☐

The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 2 and 4.

I/We direct the Chairman of the Meeting to vote in accordance with the Chairman's voting intentions on Resolutions 2 and 4 (except where I/we have indicated a different voting intention below) and acknowledge that the Chairman of the Meeting may exercise my proxy even though Resolutions 2 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel.

ORDINARY RESOLUTIONS:

B To direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below

	For	Against	Abstain*
Resolution 1 Election of Director, Trevor Moyle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Grant of Options to Trevor Moyle	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Extension of Maturity Date of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Adoption of Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL RESOLUTION:

C To direct your proxy how to vote on any resolution please insert ☒ in the appropriate box below

	For	Against	Abstain*
Resolution 5 Approval for Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*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

D

SIGNATURE AND NAME OF SECURITYHOLDERS-THIS MUST BE COMPLETED

Securityholder 1 (Individual)
or
Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)
or
Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)
or
Director

Name:.....

Name:.....

Name:.....

Holding No (if known):.....

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder'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 securityholder's constitution and the Corporations Act 2001 (Cwlth).

How to complete this Proxy Form

1. 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.

2. Appointment of a Proxy using this Form

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in section A. 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 section A. 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.

3. Votes on Items of Business

You should 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.

4. Appointment of 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 or you may copy this form.

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.

5. 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 securityholder may sign.
Power of Attorney: to sign under Power of Attorney, you must attach the instrument effecting the appointment (or a copy which appears on its face to be an authentic copy) 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.

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. A form of the certificate may be obtained from the company.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by 10.00am (AEST) on Monday 26 November 2012, being no 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:

By posting or facsimile to World Reach Limited as follows:
World Reach Limited
5/8 Anzed Court, Mulgrave,
Victoria, Australia 3170
Facsimile: 03 9560 9055

Or by delivering it to the above address

WORLD REACH LIMITED

ACN 010 568 804

EXPLANATORY NOTES

The purpose of these Explanatory Notes (which are included in and form part of this Notice of Annual General Meeting to be held on 28 November 2012) is to provide shareholders with further information and an explanation of the business of the meeting and of the resolutions to be proposed and considered at the meeting, to assist shareholders to determine how they wish to vote on these resolutions.

ORDINARY BUSINESS

1. Annual Report

The Corporations Act requires that the Company's Annual Report which includes the Financial Statements, Director's Report and Auditor's Report for the year ended 30 June 2012 be laid before the Annual General Meeting.

A copy of the Annual Report has been lodged with the ASX and on the Company's website and has been sent to those shareholders who have elected to receive a copy.

Shareholders will have the opportunity to raise questions about these reports at the meeting, although in accordance with the Corporations Act and the Company's Constitution, there is no need for shareholders to vote on, approve or adopt these reports.

2. Resolution 1 - Election of Director

Background

Trevor Moyle was appointed as a Non Executive Director and Chairman by the Board on 13 August 2012. In accordance with the Company's Constitution and being eligible, Mr Moyle offers himself for election at this meeting of the Company. Personal particulars of Mr Moyle are set out in the information on Directors at page 3 of the Company's Annual Report.

Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

3. Resolution 2 – Grant of Options to Trevor Moyle

3.1 Background

Under Resolution 2, the Company seeks Shareholder approval under Chapter 2E of the Corporations Act and Listing Rule 10.11 for the

issue of Options as remuneration and also as a long term incentive to Trevor Moyle following his appointment to the board on 13 August 2012.

3.2 ASX Listing Rule and Corporations Act Disclosure Requirements

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to its Directors without shareholder approval, unless the giving of the financial benefit falls under one of the exceptions specified in the Act. Financial benefit is defined in the Corporations Act in broad terms and includes a public company issuing options. As none of the exceptions in the Act apply in this case, shareholder approval is required for the grant of the Options. In accordance with Chapter 2E of the Corporations Act, the Company has lodged a copy of this Notice with ASIC.

ASX Listing Rule 10.11 prohibits the issue of securities to Directors without shareholder approval (unless one of the exceptions set out in Listing Rule 10.12 applies, none of which apply here).

For the purposes of ASX Listing Rule 10.13 and section 219 of the Corporations Act, the following information is given to shareholders:

(a) The identity of the related parties

The Director to whom financial benefits will be given if the resolutions are approved is Trevor Moyle (Non-Executive Director and Chairman).

(b) The nature of the financial benefit

The financial benefit to be given is the grant of 200,000 Options to Mr Moyle as part of his remuneration and incentive package. No cash consideration will be paid by Mr Moyle. In the Board's opinion, the financial, legal and other responsibilities assumed by Directors of public companies provide a risk that monetary fees alone do not adequately reward and do not provide adequate incentive to enable the Company to attract and keep board members of the requisite level of experience and qualifications.

In determining the number of Options to be granted, consideration was given to Mr Moyle's relevant experience and role and the current market price of the Company's shares.

Mr Moyle holds no other Options or shares in the Company.

The Options to be issued under Resolutions 2 have the following terms:

- (a) Each Option entitles the holder to one (1) fully paid ordinary Share in the capital of the Company.
- (b) The Options vest with the holder as follows:

4. One third of the Options vest on 1 July 2014, (Vesting Date)
 5. One third of the Options vest on 1 July 2015, (Vesting Date)
 6. One third of the Options vest on 1 July 2016. (Vesting Date)
- (c) The Options are exercisable before 5.00pm (AEST) on 1 July 2017 (Expiry Date).
- (d) The Options are exercisable at a price of \$0.65 each.
- (e) If the holder is no longer a Director of the Company for any reason, the Options will automatically lapse.
- (f) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Options will be unlisted. No quotation will be sought from the ASX for the Options.
- (g) The Options are not transferable.
- (h) In accordance with Listing Rule 6.19, Option holders will not have a right to participate in new issues without exercising their Options prior to the record date of such a new issue.
- (i) In the event of a reorganization of the capital of the Company the rights of an Option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganization of capital at the time of the reorganization.

The issue of the Options will result in the Company recognizing an estimated expense in the years in which the Options vest as follows:

- Year ended 30 June 2015 : \$7,787
- Year ended 30 June 2016 : \$8,567
- Year ended 30 June 2017 : \$9,226

A total expense of \$25,580

(c) Valuation

The fair value of the Options to be granted has been assessed by an independent expert Mr. Paul Lom of DMR Corporation

Pty Ltd whose full report is attached hereto (Schedule 1). Mr. Lom has assessed the value of the Options to be granted as:

Vesting on 1 July 2014 : \$7,787
Vesting on 1 July 2015 : \$8,567
Vesting on 1 July 2016 : \$9,226

A total value of \$25,580

(d) Director's remuneration

As at the date of this Notice, the annual remuneration (inclusive of superannuation where applicable) payable to the Director for the current and previous financial years is set out below:

Current Year	Year ended 30 June 2012
\$36,667	nil

(e) Directors' interest in the outcome

On a fully diluted basis including conversion of Convertible Notes and exercise of existing Options, the percentage interest in the Company of Mr Moyle if Resolution 2 is approved by Shareholders will increase if the Options are granted as follows:

Current	After full vesting of the Options
nil	0.1%

Mr Moyle, because he has a material personal interest in the outcome, declines to make a recommendation in relation to the resolution.

(f) Dilution effect

If the Options are issued, and all are subsequently exercised, the Company will issue an additional 200,000 Shares, which will dilute the holdings of existing Shareholders by 1.4% assuming no other change in the capital of the Company. If existing Options are exercised and existing convertible notes are converted the interests of existing shareholders would be diluted by 1.0% by the exercise of the Options.

(g) Share price history

in the 12 months before the date of this Notice, the highest, lowest and last trading price of the Company's ordinary shares on the ASX was:

Highest:	\$0.70
Lowest:	\$0.20
Last:	\$0.28

(h) Date of Issue

The Options will be issued within 1 month of approval by the Company's Shareholders.

(i) Use of Funds

No funds will be raised from the issue of the Options. However, if all the Options are issued and are subsequently exercised, the Company will receive \$130,000. Any funds raised on the exercise of the Options will be applied as working capital.

(j) Further information

The Directors are not aware of any other information that may be reasonably required by members in order to decide whether or not it is in the Company's interests to pass the proposed resolution.

3.3 Voting Exclusion Statement:

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 2 by Mr Moyle and his associates. However the Company need not disregard a vote if

- (a) 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
- (b) it is cast by the person Chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3.4 Recommendation

Mr John Bee and Mr Michael Capocchi who are Directors and do not have a material interest in the outcome of the resolution recommend that Shareholders vote in favour of Resolution 2.

4. Resolution 3 – Extension of the Maturity Date of Convertible Notes

Background

On 15 May 2009, the Company issued 58 secured Convertible Notes of \$25,000 each with the approval of shareholders at a meeting held on 7 May 2009 (Convertible Notes).

At the date of this notice 14 Convertible Notes have been converted into shares leaving 44 remaining.

On 23 December 2010 shareholders approved an extension of the maturity date of the Convertible Notes from 1 July 2011 to 1 July 2013 under the same terms and conditions.

A capital raising on 31 August 2011 at \$0.25 per issued share had the consequential effect, under the terms and conditions of the Convertible Notes, of varying the conversion price of the Convertible Notes to \$0.20 per share. Each remaining Note is therefore convertible into 125,000 shares (a total of 5,500,000 shares) at the discretion of the Noteholder on or before 1 July 2013.

The Convertible Notes are secured by a fixed and floating charge over the assets of the Company. CN Holder Pty Ltd holds the security as trustee on behalf of all of the Noteholders.

Each Convertible Note bears interest at a rate of the higher of:

- (i) 8.00%; or
- (ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%)

payable in arrears on the last day of each calendar month, from the date of issue of the Convertible Note up to and including the date on which the Convertible Note is converted.

Of the 44 Convertible Notes, 18 are held by related parties of the Company in the numbers as follows:

- (i) Mrs Capocchi, 14 notes,
- (ii) Makormak Investments Pty Ltd ATF McCormack Super Fund A/C, (Makormak), 2 notes,
- (iii) Dennis Payne and Susan Payne ATF Payne Super Fund, (Payne Super Fund), 2 notes.

Mrs Amy Capocchi is the spouse of a Director, Mr Michael Capocchi, Mr John McCormack who was a Director until 14 June 2012 is also a Director of Makormak, and Mr Dennis Payne who was a Director until 13 August 2012 is a member of the Payne Super Fund.

In addition, 14 secured Convertible Notes are held by substantial holders in the Company. Killarney Properties Pty Ltd (Killarney) holds 10 Notes and

Geoffrey Robert Garrott & Margaret Garrott ATF<Derwentwater Super Fund A/c> (Mr Garrott) holds 4 Notes.

The Company considers that having regard to its recent financial performance and the present value of the Company's shares that there is no certainty that all of the holders of convertible notes will exercise their conversion entitlements on or before 1 July 2013 and the Company could have to fund the repayment of up to \$1,100,000 on that date.

The Company's cash flow projections do not indicate that the Company will have sufficient funds to meet the full amount payable in July 2013 if all noteholders require repayment. Alternative funding sources to meet this potential commitment are not certain and may be difficult and costly to put in place.

In order to provide financial stability, in August 2012 the Company approached all current holders and reached agreements under which holders of 41 out of the 44 Notes agreed to an extension of the maturity date from 1 July 2013 to 1 July 2015.

Apart from the extension of the maturity date there are no other changes to the terms and conditions on which these notes were issued. The fixed and floating charge over the Company will remain in place until such time as the Convertible Notes are repaid.

Key facts:

The following is a summary of key facts relating to the extension of the maturity date for the Convertible Notes.

(a) Related Parties:

- (i) Mrs Capocchi,
- (ii) Makormak,
- (iii) Payne Super Fund.

(b) Number of Convertible Notes:

41 Convertible Notes are affected by the extension of the maturity date.

(c) Date of issue and date proposed extension to take effect:

The Convertible Notes were issued on 15 May 2009 with the maturity date first extended to 1 July 2013 on 23 December 2010 and, if approved, the second extension of the maturity date, to 1 July 2015, will take effect on the date of approval.

(d) Price:

The face value of each Convertible Note was \$25,000. There will not be any payments between the Convertible Noteholders and the Company in connection with extension of the maturity date of the Convertible Notes. The Convertible Notes may be converted to Shares at an issue price of \$0.20 per Share. In the event that the Company issues additional securities at a price

which is less than \$0.20, the actual conversion price will be lower resulting in a greater number of Shares being issued on conversion as set out in Annexure B 1.2(c).

(e) Noteholders:

The following is a list of each of the Convertible Noteholders and the number of Convertible Notes held:

Noteholder	Notes held
Killarney	10
Mr Garrott	4
Mrs Capocchi	14
Makormak	2
Colin McLean Adam	3
Maurice Venning	3
Reiny Gajewski	2
Payne Super Fund	2
Tom Bekiaris	1
Rolf Graf ATF Graf Superannuation Account	1
Bruce Hotton ATF BG Hotton and Family Superannuation Account	2

(f) Terms:

Apart from extension of the maturity date from 1 July 2013 to 1 July 2015 there will be no change to the terms of the Notes and the fixed and floating charge over the Company will remain in place until such time as the Convertible Notes are repaid. A summary of the terms is provided at Annexure B and the original and full terms of the Convertible Notes are set out at Annexure C. Please note that as there is no change to the terms of the options attaching to the Convertible Notes issued on 15 May 2009, in order to avoid confusion, references to the options have been removed from the terms at Annexure C.

(g) Use of funds:

Any funds raised on the exercise of the options granted on the issue of the Convertible Notes on 15 May 2009 will be applied as working capital.

ASX Listing Rule 7.1

Subject to a number of exceptions, Listing Rule 7.1 limits the number of securities that the Company can issue without Shareholder approval in any 12 month period to 15% of its issued securities.

Shareholder approval of an issue of securities pursuant to Listing Rule 10.11 is an exception to Listing Rule 7.1. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Approval was sought on 7 May 2009 for the purpose of Listing Rule 7.1 in relation to Convertible Notes issued to all Convertible Noteholders other than related parties (for which approval was sought under Listing Rule 10.11).

As an extension of the maturity date of the Convertible Notes is a change to a key term, Shareholder approval pursuant to the current resolution is sought to confirm that, notwithstanding the extension of the maturity date, the issue of the Convertible Notes to all Convertible Noteholders will not be counted in the 15% calculation, giving the Company flexibility to issue Securities in the future in response to opportunities as they arise.

ASX Listing Rule 10.1

Pursuant to Listing Rule 10.1, the Company must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes a substantial asset to a related party or substantial holder.

Pursuant to Listing Rule 10.2, an asset is substantial if its value, or the value of the consideration for it, is, or in the ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

Killarney and Mr Garrott are substantial holders in World Reach and Mrs Capocchi, Makormak and Payne Super Fund are related parties.

As CN Holder Pty Ltd, as trustee for all of the Noteholders may acquire greater than 5% or more of the equity interests of the Company under the fixed and floating charge over the Company should the Company default on its obligation to repay the Noteholders, Shareholder approval is required for the issue of secured Convertible Notes to Killarney, Mr Garrott, Mrs Capocchi, Makormak and Payne Super Fund under Listing Rule 10.1.

Listing Rule 10.10 requires that, where Shareholder approval is sought under Listing Rule 10.1, the notice of meeting must include a report from an independent expert stating whether the transaction is fair and reasonable to ordinary Shareholders. The Company has commissioned DMR Corporate Pty Ltd to review the extension of the maturity date for the Convertible Notes to 1 July 2015. A copy of this Independent Expert Report is attached at Annexure A.

As an extension of the maturity date of the Convertible Notes is a change to a key term, Shareholder approval pursuant to the current resolution is sought to confirm that, notwithstanding the extension of the maturity date, for the purpose of Listing Rule 10.1, Shareholders approve the issue of Convertible Notes held by Killarney, Mr Garrott, Mrs Capocchi, Makormak and Payne Super Fund.

ASX Listing Rule 10.11

Pursuant to Listing Rule 10.11, the Company may not issue securities to a related party without the consent of the Shareholders. Consequently, Shareholder approval was sought for the issue of Convertible Notes to Mrs Capocchi, Makormak and Payne Super Fund on 7 May 2009.

Further, Shareholder approval of an issue of securities pursuant to Listing Rule 10.11 is an exception to Listing Rule 7.1. If approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

Approval for the purpose of Listing Rule 7.1 was not required for the issue of Convertible Notes to Mrs Capocchi, Makormak and Payne Super Fund as approval was sought under Listing Rule 10.11.

As an extension of the maturity date of the Convertible Notes is a change to a key term which may be viewed as a new issue of Securities, Shareholder approval pursuant to the current resolution is sought to confirm that, notwithstanding the extension of the maturity date, for the purpose of Listing Rule 10.11, Shareholders approve the issue of Convertible Notes held by Mrs Capocchi, Makormak and Payne Super Fund.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to any of its related parties unless a relevant exception applies.

The term *financial benefit* is widely defined and the term *related party* includes anyone who has been a Director of the Company in the last six months, their spouses and entities controlled by Directors. Shareholder approval was sought on 7 May 2009 for the issue of Convertible Notes to Mrs Capocchi, Makormak and Payne Super Fund.

Section 219 of the Corporations Act requires the following information relating to the resolution to be provided to Shareholders:

(a) Related Parties:

- (i) Mrs Capocchi is the spouse of Director, Michael Capocchi,
- (ii) Makormak is an entity controlled by ex Director, John McCormack,
- (iii) Payne Super Fund is a fund a member of which is ex Director, Dennis Payne.

(b) Nature of financial benefit:

Extension of the maturity date from 1 July 2013 to 1 July 2015.

(c) Directors' recommendation, reasons for recommendation and directors' interests:

Mr John Bee and Mr Trevor Moyle who are Directors and do not have a material interest in the outcome of the resolution recommend that Shareholders vote in favour of Resolution 3. The reasons for their recommendation are explained in the introduction to Resolution 3, under the heading 'Background'.

(d) Independent Expert Report

The Company has commissioned DMR Corporate Pty Ltd to provide an Independent Expert Report in relation to the extension of the maturity date for the Convertible Notes proposed in the resolution. This Independent Expert Report is attached at Annexure A. These Explanatory Notes and

the Independent Expert Report aim to provide Shareholders with all the information that is reasonably required in order to decide whether or not it is in the Company's interests to pass the resolution.

The Independent Expert has provided an opinion under sections 3, 10 and 11 that the proposed Resolution is not fair but is reasonable for non-associated shareholders, after consideration of all factors involved.

In coming to the opinion that the Proposed Transaction is not fair, the Independent Expert compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding. The Independent Expert estimated that the Convertible Note holders will receive an increase in the value of the options over World Reach shares in return for agreeing to extend the maturity date of the Convertible Notes by two years of approximately \$7,300 per Convertible Note and the estimated reduction in funding costs as a result of extending the maturity date by two years will be in the range of \$3,500 to \$6,000 per Convertible Note.

However, after considering other significant factors the Independent Expert concluded that the Proposed Transaction is reasonable. These factors include the legal and other transaction costs that World Reach would incur in obtaining alternate funding and the additional management time that would be required in seeking alternate funding. In addition, the Independent Expert noted that if World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. The conversion of all 41 Convertible Notes would result in the issue of 5,125,000 new shares. World Reach shares are only moderately liquid and the holders of the Convertible Notes could not dispose of the newly issued shares without significantly depressing World Reach's share price. This is usually referred to as a blockage discount and this has not been taken into account in the Independent Expert's assessment of the option value. These factors are not incorporated into the assessment of fairness.

(e) Trading History

At the close of trading on the date preceding this Notice, the Share price of the Shares in the Company was \$0.28. In the 12 months prior to the date of this Notice, the Shares in the Company traded at:

- (i) a high of \$0.70; and
- (ii) a low of \$0.20.

(f) Opportunity Cost

The Directors do not consider that there are any material opportunity costs to the Company of benefits foregone by the Company in extending the maturity date for the Convertible Notes from 1 July 2013 to 1 July 2015 pursuant to the resolution.

(g) Taxation Consequences

The Directors are not aware of any taxation consequences that will arise from the extension of the maturity date for the Convertible Notes from 1 July 2013 to 1 July 2015 pursuant to the resolution.

(h) Dilution effect

If the Convertible Notes are issued pursuant to the resolution and Mrs Capocchi, Makormak and Payne Super Fund elect to:

- (i) convert all their Convertible Notes; and
- (ii) exercise all the options they (or the relevant Director) currently hold,

the total Shares on issue will increase from 11,461,797 to 14,620,860 being an increase of 27.56%, and accordingly each Shareholder's shareholding in the Company will be diluted.

As an extension of the maturity date of the Convertible Notes is a change to a key term which may be viewed as a new issue of securities, Shareholder approval pursuant to the current resolution will confirm, for the purpose of Chapter 2E of the Corporations Act, that Shareholders approve the issue of Convertible Notes held by Mrs Capocchi, Makormak and Payne Super Fund.

Voting Exclusion Statement:

The Company will disregard any votes cast on this resolution by any Directors (other than Mr John Bee and Mr Trevor Moyle who do not hold Convertible Notes), and any other noteholders of the Convertible Notes the subject of the resolution, and their associates. However the Company need not disregard a vote if

- (a) 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 from; or
- (b) it is cast by the person Chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

5. Resolution 4 – Adoption of Remuneration Report

- 5.1 The Annual Report for the year ended 30 June 2012 contains a Remuneration Report (refer pages 7-9) which sets out the remuneration policy for the Company and reports remuneration arrangements in place for Directors and/or key management personnel.

The Corporations Act requires the agenda of an annual general meeting to include a resolution for the adoption of the Remuneration Report. The vote on the resolution is advisory only and is not binding on the Directors or the Company.

The Company's Annual Report is available on the Company website (<http://worldreach.com.au>) or will be mailed to shareholders who request a copy.

A reasonable opportunity will be allowed to the shareholders as a whole for questions and comments on the Remuneration Report.

5.2 Voting Prohibition

A vote on Resolution 4 must not be cast by or on behalf of either of the following persons:

- (a) a member of the key management personnel as disclosed in the remuneration report;
- (b) a closely related party (such as close family members and any controlled companies) of those persons,

unless the vote is cast by a person as proxy for a person entitled to vote in accordance with the direction on the proxy form.

SPECIAL RESOLUTION

1. Resolution 5 – Approval for Additional Placement Capacity

1.1 General

ASX Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval to allow it to issue Equity Securities up to 10% of its issued capital through placements over a period up to 12 months after the entity's annual general meeting (**10% Placement Capacity**). The 10% Placement Capacity is an addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300 million.

The Company is an eligible entity.

The effect of Resolution 5 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

The Company is now seeking shareholder approval of Resolution 5 by way of a special resolution. Accordingly at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 5 for it to be passed.

1.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an eligible entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the eligible entity's 15% annual placement capacity under Listing Rule 7.1.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$3,209,300 as at the date of this Notice.

The Equity Securities issued under Listing Rule 7.1A must be in the same class as an existing class of quoted Equity Securities. As at the date of this Notice, the Company has only one class of quoted Equity Securities on issue, being the Shares.

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

- A** = the number of Shares on issue 12 months before the date of issue or agreement:

- (i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
- (ii) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rule 7.1 or 7.4; and
- (iv) less the number of Shares cancelled in the previous 12 months.

B = 10%.

C = the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4.

1.3 Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 5:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph 2.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Annual General Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of the Annual General Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking),

or such longer period if allowed by ASX.

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 5 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under 10% Placement Capacity.

Number of Shares on Issue	Dilution			
	Number of Shares issued under 10% Placement Capacity	Funds raised based on issue price of \$0.14 (50% \$0.14 decrease in current issue price)	Funds raised based on issue price of \$0.28 (Current issue Price)	Funds raised based on issue price of \$0.42 (50% increase in current issue price)
11,461,797 (Current)	1,146,180	\$1,604,651.58	\$3,209,303.16	\$4,813,954.74
17,192,696 (50% increase)	1,719,276	\$2,406,977.44	\$4,813,954.88	\$7,220,932.32
22,923,594 (100% increase)	2,292,359	\$3,209,303.16	\$6,418,606.32	\$9,627,909.48

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 5 October 2012.
2. The issue price set out above is the closing price of the Shares on the ASX on 5 October 2012.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Annual General Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Annual General Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may seek to issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration, in which case the Company may use funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition) and/or general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) Allocation under the 10% Placement Capacity

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the Company's circumstances, including, but not limited to, its financial position and solvency;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) Previous Approval under ASX Listing Rule 7.1A

The Company has not previously obtained approval under ASX Listing Rule 7.1A.

1.4 Voting Exclusion

The Company will disregard any votes cast on Resolution 5 by any person who may participate in the issue of Equity Securities under this Resolution 5 and any person who might gain an advantage, other than an advantage solely in the capacity of an ordinary security holder, from the passing of Resolution 5 and any associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) 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.

As at the date of this Notice, the Company has not invited any existing Shareholders to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 5.

Schedule 1

Independent Expert Report on Grant of Options to Mr Trevor Moyle – attached

Annexure A

Independent Expert Report on Extension of Maturity date of Convertible Notes -
attached

Annexure B

Terms and conditions of Convertible Notes - Summary

1.1. *Terms of Convertible Notes*

The original and full terms and conditions of the Convertible Notes issued on 15 May 2009 are set out at Annexure C.

On 23 December 2010 shareholders approved an extension of the maturity date of the Convertible Notes from 1 July 2011 to 1 July 2013 under the same terms and conditions.

A capital raising on 31 August 2011 at \$0.25 per issued share had the consequential effect, under the terms and conditions of the Convertible Notes, of varying the conversion price of the Convertible Notes to \$0.20 per share. Each remaining Note is therefore convertible into 125,000 shares (a total of 5,500,000 shares) at the discretion of the noteholder on or before 1 July 2013.

The following is a summary of the key terms of the Convertible Notes with the conversion price revised and the proposed amendments to the maturity date included. As the resolution does not propose to change the terms of the free options attaching to the Convertible Notes, references in the terms to the free attaching options are not included in this summary:

- (a) Each Convertible Note has a Face Value of \$25,000.00.
- (b) The Conversion Price of the Convertible Notes is calculated as follows:
 - (i) where the Company does not issue any further securities on or before the Maturity Date, the Conversion Price will be \$0.20 per share. Each Convertible Note may therefore be converted into 125,000 Shares;
 - (ii) where the Company issues Shares or Convertible Securities on or before the Maturity Date and:
 - (A) the issue price of the Shares; or
 - (B) the conversion price into Shares of the Convertible Security,is equal to or greater than \$0.20 per Share, the Conversion Price will be \$0.20 per Share; or
 - (iii) where the Company issues Shares or Convertible Securities on or before the Maturity Date and:
 - (A) the issue price of the Shares; or

(B) the conversion price into Shares of the Convertible Security,

is less than \$0.20 per Share, the Conversion Price will be:

(A) the issue price of the new Shares; or

(B) the conversion price into the new Shares of the Convertible Security,

less 20% as the case may be.

(c) In the event:

(i) the Company undertakes an issue of Ordinary Shares on or before the Maturity Date pursuant to a Share Purchase Plan, the issue of these Ordinary Shares; or

(ii) any existing Convertible Security is converted or exercised in accordance with its terms, the issue of the resulting Ordinary Shares,

will be disregarded for the purposes of calculating the Conversion Price under Section 1.1(b) above.

(d) The Maturity Date of the Convertible Notes is 1 July 2015 (as proposed in Resolution 3).

(e) Each Convertible Note bears interest at a rate of the higher of:

(i) 8.00%; or

(ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%),

payable in arrears on the last day of each calendar month, from the date of issue of the Convertible Note up to and including the date on which the Convertible Note is converted.

(f) In the event the Convertible Notes are converted:

(i) the principal amount of each Convertible Note will be deemed to have been repaid; and

(ii) all Shares allotted will rank pari passu with other Shares at the allotment date.

- (g) In the event that the Convertible Notes are not converted, each Convertible Note will entitle the Noteholder to receive from the Company the Face Value together with any accrued interest on the Maturity Date.
- (h) The Convertible Notes are secured by a Charge. See Annexure D for further information of the terms of the Charge.
- (i) The Convertible Notes are unlisted.
- (j) In the event of a Bonus Issue or reconstruction:
 - (i) if the Company makes a Bonus Issue to holders of Shares in the Company prior to the Convertible Notes being converted, it must allot Bonus Securities of the number which the Noteholder would have been entitled to receive by way of participation in the allotment of Bonus Securities if it had converted the Convertible Notes into Shares in the Company; and
 - (ii) if the Company makes a reduction, repayment by way of reduction, consolidation or division of the issued capital of the Company prior to the Convertible Notes being converted, then the entitlement of the Noteholder to convert the Convertible Notes must be reconstructed in the same proportion and manner as that reduction, repayment of reduction, consolidation or division of issued capital of the Company as are approved by the meeting of the Shareholders of the Company which approves the reconstruction of capital.
- (k) The Company has provided a number of covenants in favour of the subscribers of the Convertible Notes including:
 - (i) not to permit or allow any security interest over any of its property (other than existing security interests) without the consent of the Noteholders;
 - (ii) not to amend its Constitution without the consent of the Noteholders;
 - (iii) to notify the Noteholder immediately on becoming aware that the power to control more than 50% of the issued Shares in the Company will or is likely to change;
 - (iv) to notify the Noteholder of any proposed sale of the whole or a substantial part of the Company's assets and undertaking;
 - (v) to notify the Noteholder of any litigious matter or dispute or event of default that is threatened or pending; and

- (vi) to notify the Noteholder of the occurrence of any breach or default by it or any other party to any of the Company's material contracts.
- (l) The terms and conditions of the Convertible Notes specify a number of usual events of default relating primarily to solvency and maintenance of assets. In the event of a default, the Noteholder may elect to either:
 - (i) declare the principal amount of the Convertible Note and all accrued interest immediately payable; or
 - (ii) convert the Convertible Notes into Shares at a strike price of \$0.20 to the extent of the Face Value of the Convertible Notes.
- (m) The Convertible Notes do not confer any voting rights.

1.2. **Impact of change in Conversion Price**

(a) **Conversion Price**

Pursuant to the terms of the Convertible Notes as set out in Part A Section 1.1(b)(iii), where the Company does not issue any further securities on or before the Maturity Date, the Conversion Price will be \$0.20, converting each Convertible Note into 125,000 Shares. Where the Company issues Shares or Convertible Securities on or before the Maturity Date where:

- (i) the issue price of the Shares; or
 - (ii) the conversion price into Shares of the Convertible Security,
- is less than \$0.20 per Share, the Conversion Price will be reduced.

(b) **Trading history**

At the close of trading on the date preceding the date of this Notice, the share price of the Shares in the Company was \$0.28, higher than the current Conversion Price of \$0.20. Furthermore, in the 12 months prior to the date of this Notice, the Shares in the Company traded at a high of \$0.70 in May 2012 which corresponds with the announcement that Telstra was to purchase \$5m of Beam products, and a low of \$0.20 cents in October 2011 and again in September 2012.

(c) **Examples of lower Conversion Price**

(i) **Conversion price of \$0.12**

By way of an example, in the event the Company issues Shares or Convertible Securities where:

- (A) the issue price of the Shares; or

- (B) the conversion price into Shares of the Convertible Security,

is \$0.15, the new Conversion Price will be \$0.12. Where the Conversion Price is \$0.12, each Convertible Note may therefore be converted into 208,333 Shares in the Company.

The table below represents the total number of Shares which are to be issued on conversion of a Convertible Note for a given number of Convertible Notes where the Conversion Price is \$0.12:

Convertible Notes	Total Shares to be issued at a Conversion Price of \$0.12
1	208,333
10	2,083,330
20	4,166,660
30	6,249,990
40	8,333,320
50	10,416,650
58	12,083,314

(ii) Conversion price of \$0.08

As an alternative example, in the event the Company issues Shares or Convertible Securities where:

- (A) the issue price of the Shares; or
- (B) the conversion price into Shares of the Convertible Security,

is \$0.10, the new Conversion Price will be \$0.08. Where the Conversion Price is \$0.08, each Convertible Note may therefore be converted into 12,500,000 Shares in the Company.

The table below represents the total number of Shares which are to be issued on conversion of a Convertible Note for a given number of Convertible Notes where the Conversion Price is 0.2 cents:

Convertible Notes	Total Shares to be issued at a Conversion Price of \$0.08
1	312,500
10	3,125,000
20	6,250,000

30	9,375,000
40	12,500,000
50	15,625,000
58	18,125,000

Annexure C

The original and full terms and conditions of the Convertible Notes issued on 15 May 2009 are set out at Annexure C, with the conversion price revised and the proposed amendments to the maturity date included. As the resolution does not propose to change the terms of the free options attaching to the Convertible Notes, references in the terms to the free attaching options are not included in this Annexure C.

On 23 December 2010 shareholders approved an extension of the maturity date of the Convertible Notes from 1 July 2011 to 1 July 2013 under the same terms and conditions.

A capital raising on 31 August 2011 at \$0.25 per issued share had the consequential effect, under the terms and conditions of the Convertible Notes, of varying the conversion price of the Convertible Notes to \$0.20 per share. Each remaining Note is therefore convertible into 125,000 shares (a total of 5,500,000 shares) at the discretion of the noteholder on or before 1 July 2013.

Introduction

- A. *The Company is a listed public company.*
- B. *The Company wishes to borrow the Advance from the Subscriber by the issue of convertible notes on the terms and conditions set out in this Agreement.*
- C. *The Subscriber has agreed to subscribe for the Advance by way of loan on and subject to the terms and conditions set out in this Agreement.*

It is agreed

DEFINITIONS

In this Agreement and all documents issued under this Agreement, unless the context otherwise requires:

- (d) *Advance* means the amount of \$[insert amount] advanced by the Subscriber to the Company;
- (e) *Agreement* means this convertible note subscription agreement;
- (f) *ASX* means ASX Limited (ACN 008 624 691);
- (g) *ASX Listing Rules* means the listing rules of ASX;
- (h) *Business Day* means a day that is not a Saturday, Sunday or public holiday or bank holiday in Melbourne;
- (i) *Business Hour* means an hour in the period between 8:00 am to 6:00 pm on a Business Day;

- (j) *Conditions* in relation to a Note means the terms and conditions on which the Notes are issued and which are set out in Schedule 2;
- (k) *Corporations Act* means the *Corporations Act 2001* (Cth);
- (l) *Event of Default* means any of the events listed in clause 7;
- (m) *Holder* means the holder of the Notes pursuant to this Agreement;
- (n) *Issue Date* means the date on which a Note is issued by the Company;
- (o) *Issue Price* means the issue price in respect to a Note;
- (p) *Maturity Date* means 1 July 2015 (as proposed in Resolution 3);
- (q) *Moneys Owning* means, in relation to a Note, the principal amount, interest, and premium (if any) payable or repayable from time to time;
- (r) *Note* means a \$25,000 convertible note created and issued under this Agreement and for the time being outstanding (whether matured or not);
- (s) *Note Certificate* means a certificate issued by the Company:
 - (i) in accordance with this Agreement evidencing that the person named in that certificate is the Holder of a Note or Notes referred to in that certificate; and
 - (ii) in or to the effect of the form of the note certificate set out in Schedule 1;
- (t) *Ordinary Share* means (subject to any re-organisation or reconstruction of capital) one fully paid ordinary share in the capital of the Company;
- (u) *Register* means the register of Holders kept under this Agreement and includes any branch register;
- (v) *Subscription Date* means the date on which the Subscriber gives to the Company a letter of application pursuant to clause 3.2;
- (w) *Subscription Notes* means [insert number] Notes issued at the Issue Price;
- (x) *Subsidiary* has the meaning given in section 46 of the *Corporations Act*; and

- (y) Tax includes any present or future tax (including, without limitation, any income, sales, value added, consumption or goods and services tax), levy, impost, duty, charge, fee, deduction, compulsory loan, or withholding of whatever nature which is levied or imposed by a government or governmental authority, together with any interest, penalty, charge, fee, or other amount imposed or made on or in respect of any of the above.

1.3. *Interpretation*

Unless expressed to the contrary, in this Agreement:

- (a) words in the singular include the plural and vice versa;
- (b) any gender includes the other genders;
- (c) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (d) “includes” means includes without limitation;
- (e) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it; and
- (f) a reference to:
 - (i) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
 - (ii) a person includes the person’s legal personal representatives, successors, assigns and persons substituted by novation;
 - (iii) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced; and
 - (iv) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
 - (v) time is to local time in Melbourne, Victoria, Australia;
 - (vi) “\$” or “dollars” is a reference to Australian currency;
- (g) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded; and
- (h) headings do not affect the interpretation of this Agreement.

2. CONDITIONS PRECEDENT

Notwithstanding any other provision of this Agreement, the Subscriber is not obliged to pay (or procure the payment of) the Issue Price in respect of a Note unless:

- (a) the members of the Company pass (at a general meeting duly convened for that purpose) resolutions to approve the issue of the Notes under or in connection with this Agreement pursuant to the ASX Listing Rules and the Corporations Act; and
- (b) the Company obtains all other shareholder, regulatory and other consents and approvals necessary to issue the Notes, and the underlying Ordinary Shares (including those required under the Corporations Act or ASX Listing Rules or required by ASIC or ASX policy).

3. ISSUE OF NOTES AND CERTIFICATES

The Company hereby creates the Subscription Notes subject to the conditions and this Agreement.

- 3.1. *The Subscriber agrees to subscribe for the Subscription Notes on the Subscription Date by delivering to the Company a letter of application for the Subscription Notes.*
- 3.2. *The Advance will be deemed to be the price payable for the Subscription Notes.*
- 3.3. *Upon receipt of the letter of application and Advance referred to in clause 3.1, the Company agrees to allot to the Subscriber the Subscription Notes subscribed for under clause 3.1.*
- 3.4. *The allotment of the Subscription Notes under clause 3.1 will be deemed to be a repayment of the Advance and upon such allotment, the Company will be released from any liability it may have to the Subscriber.*

4. REPRESENTATIONS AND WARRANTIES

- 4.1. *The Company represents and warrants to the Subscriber that as at the date of this Agreement and, separately, as at the Subscription Date:*
 - (a) it is properly incorporated and validly existing under the laws of the State of Victoria;
 - (b) it is empowered to enter into this Agreement and to carry out any transaction or obligation contemplated by this Agreement; and
 - (c) no Event of Default has occurred.
- 4.2. *The Subscriber warrants that the issue of Subscription Notes to the Subscriber by the Company is an issue that does not require the Company to*

lodge a disclosure document with ASIC for the purposes of Chapter 6D of the Corporations Act.

5. UNDERTAKINGS

The Company undertakes to the Subscriber that so long as any Note remains outstanding it will:

- (a) comply with the Conditions;
- (b) procure that neither the nominal amount of nor any rights (including but not limited to voting rights) attaching to any class of issued shares will be altered so as to prejudice any rights relating to the shares which are to be issued in consequence of the conversion of Notes without the prior written consent of the Holder;
- (c) notify the Holders in writing of the occurrence of any Event of Default as soon as the Company becomes aware of the occurrence; and
- (d) not sell or otherwise dispose of (or permit the sale or disposal of) all or substantially all of the assets of the Company.

6. EVENTS OF DEFAULT

For the purposes of this Agreement, an Event of Default occurs if:

- (a) any representation or warranty made by the Company proves to be incorrect or misleading in any material respect;
- (b) in respect of the Company:
 - (i) (application for winding up): an application (other than a frivolous or vexatious application) is made for the winding up or dissolution of the Company and such application has not been set aside, discharged, enjoined, stayed or withdrawn, as the case may be, within 7 days;
 - (ii) (winding up resolution or order): an order is made for the winding up or dissolution of the Company or a liquidator is appointed to the Company or a resolution is passed for winding up or dissolution of the Company (otherwise than in relation to a members' voluntary liquidation of the Company where the proceeds of such winding up or dissolution are distributed to the Company or a Subsidiary of the Company, or a winding up or dissolution for the purposes of a reconstruction or amalgamation on terms approved by the Subscriber) and such order or resolution has not been discharged, enjoined, stayed or withdrawn, as the case may be, within 14 days;
 - (iii) (receiver): a receiver or receiver and manager, official manager, trustee, administrator or similar officer is appointed, or is requested to be appointed by the Company, over all or any part of the assets or undertaking of the Company, and that

appointment or request has not been discharged or withdrawn within 14 days;

- (iv) (compositions): the Company enters into a composition or compromise with its creditors (except with the consent of the Subscriber) pursuant to the *Corporations Act*;
- (c) without the consent of the Subscriber the Company stops or threatens to stop carrying on its business; or
- (d) execution or distress takes place or is attempted or an order to execute a judgment (however described) is made against the Company or any of its material assets.

7. COSTS

Each party must bear its own costs of preparing and executing this Agreement, except that the Company must pay all stamp duty on this Agreement.

8. NO WAIVER

A failure of a party at any time to require full or partial performance of any obligation under this Agreement will not affect in any way the rights of that party to require that performance subsequently.

9. NOTICE

9.1. *A notice or other communication required or permitted to be given by one party to another must be in writing and:*

- (a) delivered personally;
- (b) sent by pre-paid mail to the address of the addressee specified in this Agreement;
- (c) sent by facsimile transmission to the facsimile number of the addressee with acknowledgment of receipt from the facsimile machine of the addressee; or
- (d) sent by email to the email address of a party as notified in this Agreement or such other email address notified as being the email address to use for the purposes of this clause.

9.2. *A notice or other communication is taken to have been given (unless otherwise proved):*

- (a) if sent by facsimile before 4 pm on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of receipt; or
- (b) if mailed from Australia to an address within Australia, on the second Business Day after posting;

- (c) if mailed from Australia to an address outside Australia or mailed from outside Australia to an address within Australia, on the fifth Business Day (at the address to which it is mailed) after posting; or
- (d) if sent by email:
 - (i) where the email is sent during a Business Hour on a Business Day, on return of a receipt produced by the system to which the email was sent which confirms successful transmission of the email to the email address of the recipient or, where no return receipt is produced by the recipient's email system, by the end of the last Business Hour on the day the email was sent;
 - (ii) where the email is sent after the end of the last Business Hour on a Business Day or on a non-Business Day, the email will be deemed to be received at the beginning of the first Business Hour on the next Business Day.

9.3. *The address for service of each party is as set out in this Agreement. A party may change its address for service by giving notice of that change in writing to the other party.*

10. **SEVERABILITY**

Part or all of any provision of this Agreement which is illegal or unenforceable may be severed from this Agreement and the remaining provisions of this Agreement will continue in force.

11. **GOVERNING LAW**

11.1. *This Agreement is governed by and is to be construed in accordance with the laws applicable in Victoria.*

11.2. *Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.*

SCHEDULE 1

CONVERTIBLE NOTES CERTIFICATE WORLD REACH LIMITED ACN 010 568 804

Register:

Certificate Number:

ISSUE OF CONVERTIBLE NOTES

1. This is to certify that [insert entity] of [insert address] is registered as the holder of [insert number] Notes on World Reach Limited's Notes Register:

Total Number of Notes: [insert number]
2. The Notes are issued with the benefits of, and subject to the terms of the Convertible Note Subscription Agreement dated [insert], including in particular, the Conditions set out in Schedule 2 of that agreement. The Conditions are attached to this Certificate.
3. Each Note may be converted into one hundred and twenty five thousand [subject to adjustment under the Conditions] (125,000 [subject to adjustment]) Ordinary Shares in the capital of World Reach Limited in accordance with the Conditions at any time prior to 1 July 2015 (as proposed).
4. The Issue Price of each Note is \$25,000.
5. For value received, the Company promises to pay to the Holder of a Note the Money Owed on each Note on the Maturity Date (determined in accordance with the Conditions).
6. Each Note bears interest in accordance with the Conditions.
7. Each Note is governed by the laws of the State of Victoria.

CONVERSION NOTICE

To: World Reach Limited

[insert entity] gives notice of the exercise of its rights to convert _____
Note(s) included in this Certificate into _____ fully paid
Ordinary Shares in the capital of World Reach Limited.

If this notice is signed by an attorney, the attorney declares that he has no notice of revocation of the power of attorney by authority of which this Conversion Notice is signed and the power of attorney must, if it has not already been produced to World Reach Limited, be forwarded with the Conversion Notice for noting and return.

SCHEDULE 2

CONDITIONS OF ISSUE OF THE NOTES

DEFINITIONS

- 11.3. *Words and expressions defined in the convertible note subscription agreement (the Agreement) have the same meaning in these Conditions, unless the context otherwise requires.*
- 11.4. *In addition, in these Conditions, unless the context otherwise requires:*
- (a) *Bonus Shares* means any shares allotted by the Company as Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves or share premium account or capital redemption reserve fund;
 - (b) *Conversion Date* means, in relation to a Note, the date with effect from which that Note is converted into Ordinary Shares following receipt by the Company of a Conversion Notice given in accordance with the provisions of Condition 3.1;
 - (c) *Conversion Notice* means a written notice, effective immediately, given by the Holder in the form printed on the Convertible Notes Certificate or in such other form as the Company may accept requiring the Company to convert the Note;
 - (d) *Conversion Price* has the meaning given to it in Condition 3;
 - (e) *Convertible Security* means a security which is convertible into Ordinary Shares if the holder may, by the exercise of rights attached to that security, have an Ordinary Share issued to it;
 - (f) *Escrow Period* means the period of time specified under section 707 of the Corporations Act where the Subscriber may not carry out any of the actions set out in Condition 6.1 in relation to a Note or Ordinary Shares issued pursuant to the conversion of a Note;
 - (g) *Interest Rate* means the higher of:
 - (i) 8.00%; or
 - (ii) Ninety Day Authorised Dealers Bank Bill Rate (Buying Rate 12 noon) as published in the Australian Financial Review on the relevant day plus three percent (3%);
 - (h) *Security* means an Ordinary Share or a Convertible Security; and
 - (i) *Share Purchase Plan* means an offer of Ordinary Shares to existing Shareholders not exceeding the maximum value as set out in the relevant ASIC Class Order which does not require the issue of a

disclosure document or product disclosure statement in accordance with relief granted by ASIC.

- 11.5. *The general interpretation provisions under Condition 1.2 of the Agreement are incorporated in these Conditions as if set out in full.*

12. GENERAL TERMS OF ISSUE

12.1. *Each Note:*

- (a) has a principal amount of \$25,000; and
- (b) is convertible in the manner and at the times provided by Condition 3.1 and subject to Condition 17, into a number of Ordinary Shares equivalent to:

$$\text{Number of Ordinary Shares} = \frac{\$25,000}{\text{Conversion Price}}$$

- 12.2. *The Company must, subject to Condition 2.3, pay simple interest accruing daily on each outstanding Note calculated on the principal amount of the Note at the rate of the Interest Rate per annum. Interest will be payable quarterly in arrears.*

- 12.3. *Interest on a Note converted into Ordinary Shares will cease to accrue on the earlier of:*

- (a) an interest payment date last occurring before the Conversion Date; or
- (b) repayment or redemption of the Note.

- 12.4. *Interest on a Note will cease to accrue upon conversion.*

13. CONVERSION PRICE

13.1. *The Conversion Price of the Notes is calculated as follows:*

- (a) where the Company does not issue further Securities on or before the Maturity Date, the Conversion Price will be \$0.20;
- (b) where the Company issues Securities on or before the Maturity Date and:
 - (i) the issue price of the Ordinary Shares; or
 - (ii) the conversion price into Ordinary Shares of the Convertible Security,

is equal to or greater than \$0.20 per Ordinary Share, the Conversion Price will be \$0.20 cents per Ordinary Share; or

- (c) subject to Conditions 3.2 and 3.3 where the Company issues Securities on or before the Maturity Date and:
 - (i) the issue price of the Ordinary Shares; or
 - (ii) the conversion price into Ordinary Shares of the Convertible Security,
 - (iii) is less than \$0.20 per Ordinary Share, the Conversion Price will be:
 - (A) *the issue price of the Ordinary Shares under Condition 1.1(b)(iii)(A); or*
 - (B) *the conversion price into Ordinary Shares of the Convertible Security under Condition 1.1(b)(iii)(B),*
- less 20% as the case may be.

In the event:

the Company undertakes an issue of Ordinary Shares on or before the Maturity Date pursuant to a Share Purchase Plan, the issue of these Ordinary Shares; or

- (d) any existing Convertible Security is converted or exercised in accordance with its terms, the issue of the resulting Ordinary Shares,
- (e) will be disregarded for the purposes of calculating the Conversion Price under Condition 3.1.

13.2. *To the extent shareholder approval is required to be obtained in accordance with ASX Listing Rule 7.1 for the increased number of Ordinary Shares that may be issued as a result of the Conversion Price being less than \$0.20:*

- (a) the Holder shall only be entitled to convert such number of Notes as determined by the Company, being not less than the number of Notes that would have been issued at a Conversion Price of \$0.20; and
- (b) the Company must use its best endeavours to obtain shareholder approval as soon as possible following the conversion of the Notes referred to in Condition 3.3(a) for the balance of the Notes to be converted at the Conversion Price determined in accordance with Condition 3.1(c).

13.3. *For the avoidance of doubt, Securities to be issued to third parties on substantially the same terms and conditions as these Notes where the Conversion Price is \$0.20 shall not be taken into consideration for the purposes of adjusting this Conversion Price under this Condition 3.*

14. GENERAL RIGHTS OF CONVERSION

- 14.1. *A Note is convertible into the number of Ordinary Shares determined in accordance with Condition 2.1 at any time from the Issue Date to the Maturity Date (both dates inclusive) by delivery of a duly signed and completed Conversion Notice to the Company accompanied by the Convertible Notes Certificate (if any Convertible Notes Certificate for the Note has been issued) comprising or including the Note or Note to be converted.*
- 14.2. *Ordinary Shares issued to the Holder on conversion of a Note will be issued as fully paid.*

15. ALLOTMENT OF SHARES

- 15.1. *A notice given under Condition 3.1 is irrevocable.*
- 15.2. *The Company must allot the Ordinary Shares to which the Holder is entitled within 30 days of the Conversion Date. The allotment will have effect and be deemed to have been made on that Conversion Date.*
- 15.3. *Ordinary Shares allotted on conversion of a Note will rank equally in all respects and form one class with the Ordinary Shares on issue at the Conversion Date and without limitation, those Ordinary Shares will rank equally with all Ordinary Shares for any dividends declared or paid after that conversion.*
- 15.4. *Subject to the Corporations Act and the ASX Listing Rules, the Company must, upon allotment of Ordinary Shares pursuant to these Conditions, use its best endeavours to apply to the ASX for official quotation of such Ordinary Shares.*
- 15.5. *The Subscriber acknowledges that as the Notes (and resulting Ordinary Shares) are being issued without a disclosure document, an offer to sell the securities within 12 months after their issue may require disclosure to investors in accordance with Part 6D.2 of the Corporations Act.*
- 15.6. *The Subscriber acknowledges that it has received independent legal advice or has had the opportunity to seek independent legal advice in relation to the prohibitions against the on-selling the Notes or allotted shares.*

16. ESCROW PERIOD

- 16.1. *During the Escrow Period, the Holder must not do any of the following in relation to a Note or the Ordinary Shares issued on conversion of a Note (the Escrowed Securities):*
- (a) *sell, assign, transfer or otherwise dispose of, or agree or offer to sell, assign, transfer or otherwise dispose of, the Escrowed Securities or any legal, beneficial or economic interest in the Note;*
 - (b) *create, or agree to create, any security interest in the Note or any legal, beneficial or economic interest in the Escrowed Securities; or*

- (c) do, or omit to do, any act or omission if the act or omission would have the effect of transferring effective ownership or control of the Note or any legal, beneficial or economic interest in the Escrowed Securities.

16.2. *For the avoidance of doubt, during the Escrow Period, the Holder may exercise in its discretion all voting rights attached to the Ordinary Securities issued on conversion of a Note and the Holder is entitled to all dividends and distribution rights in relation to the Escrowed Securities.*

17. PARTICIPATION IN ISSUES

17.1. *If and whenever on or prior to the Maturity Date there is made to the holders of Ordinary Shares an offer or invitation by the Company to subscribe for or purchase shares in the Company or of any other body corporate or unit trust controlled by the Company (and whether by way of renounceable or non-renounceable rights or otherwise), the Company will procure that there is extended to each Holder the same offer or invitation as that Holder would have received if, immediately before the relevant date (in this Condition, the Record Date) for determining entitlements of holders of Ordinary Shares in respect of the offer or invitation, that Holder had:*

- (a) converted all Notes held by the Holder to Ordinary Shares under Condition 3.1; and
- (b) become registered as the holder of the number of Ordinary Shares equivalent to the number of Ordinary Shares which the Holder would have been entitled to have allotted to the Holder on the basis referred to in Condition 2.1(b).

17.2. *The Company must ensure that the Holder receives notice in writing of any offer or invitation referred to in Condition 7.1 at least 5 Business Days before the relevant Record Date.*

17.3. *So long as the Company has, in respect of a particular Holder, complied with its obligations under Condition 7.2, that Holder may (without limiting any other rights or entitlements it may have otherwise than under these Conditions) only participate in the relevant offer or invitation if and to the extent that the Holder has, prior to the Record Date for that offer or invitation, exercised its conversion rights in respect of the Notes held by it.*

18. PARTICIPATION IN ISSUES OF BONUS SHARES AND CAPITAL RECONSTRUCTIONS

18.1. *If prior to any Conversion Date, the Company makes an allotment of Bonus Shares, the Holder shall have allotted to it on the Conversion Date shares in the capital of the Company of the same class as the Bonus Shares on the same terms and conditions as the Bonus Shares were allotted.*

18.2. *If prior to the Maturity Date, the Company reduces its issued Ordinary Shares, the right of each Holder under Condition 2.1(b) will be reduced in the same proportion and manner as the issued Ordinary Shares of the Company are reduced (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of ordinary shareholders approving*

the reduction of capital) but in all other respects the terms of conversion of the Notes will remain unchanged.

- 18.3. *In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, the number of Ordinary Shares into which the Notes will be converted will be reconstructed in a manner which will not result in any benefit or detriment being conferred on the Holders which are not conferred on shareholders of the Company.*

19. NATURE OF ORDINARY SHARES

Ordinary Shares to be allotted on conversion of the Notes will be shares with respect to which no provision is made (whether by the Constitution of the Company or otherwise) for changing or converting them into shares of another class, except for the purpose of enabling a consolidation and division of all or any of the share capital of the Company or the subdivision of all or any of the shares in the capital of the Company in accordance with the Corporations Act.

20. MATURITY AND REPAYMENT

- 20.1. (a) *Any Holder may, on giving at least 2 days' notice in writing to the Company (which may be given at any time), require the Company on or at any time after the Maturity Date to redeem any of the Holder's Notes which have not been converted in accordance with these Conditions; and*
- (b) The Company may at any time elect to redeem all or any of the Notes which have not been converted in accordance with these Conditions,
- by the Company paying or repaying all Moneys Owing in relation to those Notes (including, without limitation, the Issue Price and all interest then accrued but unpaid on those Notes).
- 20.2. *The Company must comply with any notice duly given by a Holder under paragraph (a) of Condition 10.1.*

21. CANCELLATION OF NOTES

All Notes redeemed, converted or purchased by the Company will thereupon be cancelled and may not be re-issued.

22. REGISTERS

22.1. *The Company:*

- (a) will cause to be established and maintained in Victoria a Register of the issued and outstanding Notes;
- (b) will cause to be entered in the Register the names and addresses of the Holders whose Notes are carried on that Register, the amount of the Notes held by each Holder and any other particulars as the Company thinks fit;

- (c) will cause the Register to be open at all reasonable times during business hours for the inspection of any Holder and of any persons authorised in writing by them; and
- (d) may from time to time close any relevant Register for any period or periods not exceeding in total in any one year the maximum period for the time being permitted by law or 30 days, whichever is the lesser period.

22.2. *Any change of the name or address of a Holder must be notified immediately by the Holder in writing to the Company, accompanied, in the case of a change of name, by such evidence as the Company requires and the Register will be altered accordingly.*

23. ENTITLEMENTS TO CERTIFICATES

A Holder, other than an allottee of Notes, may waive its entitlement to a Convertible Notes Certificate.

24. JOINT HOLDERS

24.1. *Subject to Condition 14.2, joint Holders will be entitled to one Convertible Notes Certificate only in respect of Notes held by them jointly and the Convertible Notes Certificate will be delivered to that one of the joint Holders whose name stands first in the Register.*

24.2. *If several persons are entered in the Register as joint Holders in respect of a Note the receipt by any one of such persons for the payment or satisfaction of any principal or interest from time to time payable or repayable to the joint Holders will be as effective a discharge to the Company as if the person signing the receipt were a sole Holder in respect of that Note.*

25. REPLACEMENT OF CONVERTIBLE NOTES CERTIFICATES

25.1. *If any Convertible Notes Certificate is lost, stolen, defaced or destroyed it may be replaced at the registered office of the Company upon payment by the claimant of the relevant expenses incurred and on such terms as to evidence, indemnity and security as the Company may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.*

25.2. *Any stamp duty payable on a new Convertible Notes Certificate issued under this Condition 14 must be paid by **the Holder**.*

26. TRANSFER OF NOTES

26.1. *Subject to the Escrow Period under Condition 16, the Holder will otherwise be entitled, to transfer the Notes and Ordinary Shares issued pursuant to conversion of a Note by an instrument in writing.*

26.2. *The transferor Holder will be deemed to remain the owner of the Notes until the name of the transferee is entered in the Register in respect of the Notes.*

26.3. *No instrument of transfer need be registered by the Company during the 14 days immediately preceding any day fixed for the computation of interest.*

27. TITLE OF NOTES, NON-RECOGNITION OF EQUITIES

Subject to these Conditions, the Company will recognise only the Holder whose name appears in the Register as the absolute owner of the Notes in respect of which it is entered in the Register, and the Company may act accordingly.

28. DECEASED HOLDERS

The legal personal representatives of a deceased Holder (not being one of joint Holders) will be the only persons recognised by the Company as having any title to that Holder's Notes. Any person becoming entitled to Notes in consequence of the death or winding up or other demise of any Holder may, on producing such evidence of that person's title as the directors of the Company think sufficient, be registered as the Holder of the Notes or, subject to the preceding Conditions as to transfer, may transfer those Notes. The Company may retain the principal and interest and any other moneys payable in respect of any Notes which any person under this Condition is entitled to or entitled to transfer until such person is registered or has duly transferred the Notes in accordance with these Conditions.

29. INDEMNITY TO THE COMPANY

29.1. *Whenever in consequence of:-*

- (a) the death, winding up, insolvency or demise of a Holder;
- (b) the non-payment of any income Tax or other Tax payable by a Holder;
or
- (c) the non-payment of any stamp or other duty by the legal personal representatives of a Holder or his estate,

any law for the time being of Australia or any State or Territory or any other country or place, in respect of that Notes, imposes or purports to impose any liability of any nature whatever on the Company to make any payments to any government or governmental authority, the Company will in respect of that liability be indemnified by that Holder and his legal personal representatives and any moneys paid by the Company in respect of that liability may be recovered by action from that Holder and/or his legal personal representatives as a debt due to the Company and the Company will have a lien in respect of those moneys upon the Notes held by that Holder or his legal personal representatives and upon the principal and interest payable in respect of those Notes.

29.2. *Nothing in this Condition 19 will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Company.*

Annexure D

Charge

1. Fixed and Floating Charge

In consideration of advances made or to be made by the parties set out in the Explanatory Notes, the Company proposes to grant a fixed and floating charge over the assets of the Company as security for payment of each of the Convertible Notes. The Charge is to be held by the Chargee, CN Holder Pty Ltd (ACN 128 460 882).

2. Fixed Charge

The fixed nature of the Charge is by way of a fixed charge over all of the Company's property, including but not limited to, the Company's estate and interest in any real and leasehold property, uncalled and called but unpaid capital plant and equipment (other than stock in trade) and goodwill, patents, trade marks and licences.

3. Floating Charge

The floating nature of the Charge is by way of a floating charge which shall automatically and immediately crystallise and the Charge shall operate as a fixed charge:

- i. on the occurrence of an Event of Default;
- ii. on service by the Chargee upon the Company of a notice stating the Floating Charge has crystallised in respect of all or any part of the Charged Property as specified in the notice; or
- iii. in respect of any asset forming part of the Charged Property and not already subject to a fixed charge if the Company deals, or attempts, purports, or proposes to deal with that asset other than in accordance with the Charge Deed or in the ordinary course of business of the Company.

4. Event of Default

An Event of Default at the option of the Chargee shall have occurred where certain events, including but not limited to, the following occur:

- i. the Company fails to pay monies payable to the Chargee within 3 days of the due date;
- ii. there is default by the Company and if the default is capable of remedy it is not remedied to the satisfaction of the Chargee;

- iii. the Company cannot pay, satisfy or discharge any Indebtedness or other obligation to any person when due;
- iv. an application is made to a court or a meeting convened for the purpose of passing a resolution for the appointment of or there is appointed a receiver or receiver and manager or liquidator or provisional liquidator or trustee or inspector or official manager or similar person to the Company or to the Company's undertaking or any part thereof;
- v. proceedings are initiated or an application is presented with a view to obtaining an order for the winding up or similar process of the Company or a meeting is called or threatened to be called for the purpose of considering or passing any resolution for the winding up or a similar process of the Company or an order is made or a resolution is passed for the winding up of the Company;
- vi. the ASX listing of the Company is suspended or revoked and such suspension or revocation remains in force for a period greater than 14 days; or
- vii. any representations, warranties, replies to requisitions or any financial or other information provided to the Chargee in connection with the Charge is or becomes untrue false or misleading.

5. Powers on Default

After the occurrence of an Event of Default, the Chargee may at its option do any or all of the following:

- i. enter, take possession and assume control of the Charged Property;
- ii. carry on any business of the Company forming part of, or relating to, the Charged Property;
- iii. sell or agree to sell any Charged Property (whether or not the Chargee has taken possession) on such terms as the Chargee thinks fit;
- iv. appoint a Receiver on such terms as the Chargee deems fit notwithstanding that an order may have been made or a resolution passed for the winding up of the Company; or
- v. pay out any monies owing to any other person in respect of the Charged Property.

11 October 2012

The Directors
World Reach Limited
8 Anzed Court
Mulgrave VIC 3170

Dear Sirs

Value of Options

1. Introduction

- 1.1 We have been requested by Mr. Dennis Payne, Chief Financial Officer of World Reach Limited (“World Reach” or the “Company”) to provide World Reach with independent advice in respect of the fair value (as defined by Appendix A of AASB 2) of the options proposed to be granted to Mr. Trevor Moyle, the Chairman of World Reach. Approval of the grant of the options will be sought at a forthcoming meeting of shareholders scheduled to be held on or about 28 November 2012.
- 1.2 We understand that Mr Moyle is to be issued 200,000 options.
- 1.3 We understand that these options will not be issued pursuant to the World Reach Share Option Incentive Plan, however they are to be issued on terms and conditions that correspond to the World Reach Share Option Incentive Plan, namely:
 - the options may be exercised any time after vesting and before their expiry when they will automatically lapse;
 - the options will lapse if Mr. Moyle ceases to be a Director of World Reach for any reason;
 - the options are not transferable;
 - the options are exercisable at \$0.65 per share;
 - the options expire on 1 July 2017.
- 1.4 The options are to vest as to 1/3rd on 1 July 2014, 1/3rd on 1 July 2015 and 1/3rd on 1 July 2016.

2. Valuation Methodology

- 2.1 Options are generally valued using one of a number of option pricing models and AASB 2 does not mandate the use of a particular model in valuing director options.
- 2.2 We have reviewed the terms of the options and based on this review we have concluded that there is a reasonable probability that the options will be exercised before their expiry date. Our principal reason for this view is the lack of transferability of the options and the fact that they lapse following cessation of employment. Our view is supported by empirical evidence that employee and director options are often exercised well before their expiry date. For this reason we have valued the options using the binomial model, which has been tailored specifically for use in valuing employee options.
- 2.3 The binomial model used incorporates the Hull-White adjustment. The Hull-White adjustment requires an assumption to be made that the options will be exercised when the share price reaches a selected multiple of the option exercise price.
- 2.4 The model used determines the value of an option as a function of the following variables:
- 1) the current share price of the underlying shares
 - 2) exercise price of the option
 - 3) volatility of the share price
 - 4) vesting conditions
 - 5) time to maturity
 - 6) risk free rate of interest
 - 7) expected dividend yield
 - 8) an exercise price multiple

3. Assumptions used

- 3.1 Set out below is a discussion of each of the variables and the assumptions that we have selected in applying the binomial model to the options.
- 3.2 The share price of the underlying shares

World Reach is a company incorporated in Australia and listed on the Australian Securities Exchange.

Set out below is the recent volume weighted average share price (based on closing daily prices) ("VWAP"):

	VWAP \$	Volume	Value Traded \$
30 day VWAP	0.203	9,650	1,958
60 day VWAP	0.262	44,150	11,566
90 day VWAP	0.351	310,694	108,911

After end of trading on 8 June 2012 World Reach announced that it would not meet its earlier profit guidance and would in fact incur a loss for the year. Since that announcement the shares have traded in a range of \$0.20 to \$0.40 per share and the VWAP since that date is \$0.304 per share.

Based on a review of the above information we have formed the opinion that the World Reach shares have a market value in a range of \$0.26 to \$0.35 per share, with a preferred value of \$0.30 per share.

In addition to the above share price analysis, we recently completed a valuation of the World Reach shares using the capitalisation of earnings valuation methodology. Based on this methodology we concluded that the value per World Reach share is in a range of \$0.18 to \$0.31.

After considering the results of the two valuation methodologies, we concluded that the World Reach shares have a value in a range of \$0.26 to \$0.31 per share, a mid point of \$0.285 per share.

3.3 The exercise price of the options

The exercise price of the options is \$0.65 per share.

3.4 The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualised standard deviation of daily share price returns on the underlying security over a specified period.

We source historical volatility information for Australian listed companies from a quarterly research report issued by SIRCA Limited ("SIRCA"), a leading provider of financial data in the Australian market.

The June quarter 2012 SIRCA report estimated the volatility of World Reach shares to be 114.32%. Based on our experience we consider this to be unusually high and we considered the historical volatility of share price returns for companies comparable to World Reach as set out below:

Company	ASX Code	Market Capitalisation (\$mil)	Volatility (%)
Electro Optic Systems	EOS	31.5	72.75
My Net Fone	MNF	31.2	60.97
Eftel	EFT	18.1	78.98
SmartTrans Holdings	SMA	11.3	130.60
World Reach	WRR	3.3	114.32
Queste Communications	QUE	3.0	69.97
Reverse Corp	REF	2.9	57.85
Broad Investments	BRO	1.2	92.84
AVERAGE			84.78

We have concluded that a share price volatility of 85% is appropriate when valuing the World Reach options.

3.5 Vesting conditions

The options are to vest as to 1/3rd on 1 July 2014, 1/3rd on 1 July 2015 and 1/3rd on 1 July 2016.

3.6 Time to maturity

All of the options have an expiry date of 1 July 2017 and we have assumed this date to be the maturity date of the options, however this assumption is impacted by paragraph 3.9 below.

3.7 Risk free rate of interest

We have used a risk free rate of 2.44% in valuing the options. This rate is based on current Treasury Bond yields, with a maturity approximating the expiry date of the options.

3.8 Expected dividend yield

World Reach does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

3.9 An exercise price multiple

As stated in Section 2, options issued to employees and directors are often exercised prior to their expiry date. This occurs due to the lack of liquidity of the options. World Reach does not have a history that we could use to predict the likely exercise date.

Based on the available empirical evidence from a number of published studies emanating from the USA, we have concluded that options are generally exercised when the market price of the underlying shares reaches a multiple of 2.0 times the exercise price. This evidence is based on the issuance of options at an exercise price that is approximately equal to the current share price at the grant date.

This factor has been taken into account in the application of the Binomial Option Valuation Model we have used.

4. Valuation

- 4.1 Based on the assumptions set out in Section 3 above we have assessed the value of the options (using the Binomial Model) to be:

No. of Options	Vesting Date	Value of One Option \$	Total Value \$
66,667	1 July 2014	0.1168	7,787
66,667	1 July 2015	0.1285	8,567
<u>66,667</u>	1 July 2016	0.1384	<u>9,227</u>
<u>200,000</u>			<u>25,580</u>

- 4.2 The above value is our estimate of the fair value of the options. The value incorporates an assumption that the options will be exercised when the share price reaches a multiple of 2.0 times the exercise price. As this multiple is not based on the specific experience of World Reach, by way of a cross check we have calculated the value of the options by excluding the assumption set out in 3.9 above and assuming that they would be exercised at their expiry date of 1 July 2017. This calculation reveals the maximum value of the options using the Black-Scholes Option valuation method to be \$0.143.
- 4.3 Having considered all of the factors outlined in this report, including the above cross check, we have concluded that the fair value of the options is set out in the table at paragraph 4.1 above.
- 4.4 This report has been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

Should you require any further information, please do not hesitate to contact us.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom

11 October 2012

The Directors
World Reach Limited
8 Anzed Court
Mulgrave VIC 3170

Dear Sirs

Independent Expert's Report

1. Introduction

The directors of World Reach Limited ("World Reach" or "the Company") have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect of a proposed resolution to be put before the shareholders at a forthcoming General Meeting.

On 7 May 2009 the World Reach shareholders approved the issue of 58 Convertible Notes, each with a face value of \$25,000. The Convertible Notes were due to mature on 1 July 2011 however on 23 December 2010 the World Reach shareholders approved an extension of the maturity date of the Convertible Notes until 1 July 2013.

There are currently 44 of the 58 Convertible Notes still outstanding and World Reach is now seeking shareholder approval to further extend the maturity date in respect of 41 of the outstanding Convertible Notes until 1 July 2015. World Reach anticipates that the other 3 Convertible Notes will either be converted by the note holders, or they will be repaid by World Reach.

As the extension of the maturity date from 1 July 2013 to 1 July 2015 is a change in a material condition of the Convertible Notes, the proposed change in the maturity date requires shareholder approval pursuant to provisions of the Corporations Act 2001 ("the Act") and the Listing Rules of the Australian Securities Exchange ("ASX").

2. The Proposed Transaction

2.1 Definition of the Proposed Transaction

Shareholders are being asked to vote on the following resolution:

"THAT, for the purposes of Listing Rules 7.1, 10.1 and 10.11 and Chapter 2E of the Corporations Act and for all other purposes, approval is given to extend the maturity date of 41 Convertible Notes of \$25,000 each issued on 15 May 2009 (and announced on the ASX on 19 and 20 May 2009) from the 1 July 2013 to 1 July 2015."

We refer to the above resolution as “the Proposed Transaction”.

2.2 The Convertible Notes

The Convertible Notes incorporate the following key terms and conditions¹:

- (a) The maturity date of the Convertible Notes is 1 July 2013.
- (b) The Convertible Notes are secured by a fixed and floating charge over the assets of World Reach.
- (c) The Convertible Notes bear interest at the higher of:
 - i) 8.0% per annum; or
 - ii) the prevailing 90-day bank bill rate plus a margin of 3.0%.

Interest is payable monthly in arrears.

- (d) The Convertible Note holders are entitled to convert each Convertible Note into World Reach shares at any time up to their maturity as follows:
 - i) provided that World Reach has not issued any shares prior to conversion of the Convertible Note or if any shares were issued and the issue price was \$0.0045 per share or higher, each Convertible Note will convert into 5,555,555 shares, being a price of \$0.0045 per share. (Post share consolidation the issue price increased to \$0.45 per share and each Convertible Note now converts into 55,556 shares).
 - ii) if World Reach issued any shares prior to conversion of the Convertible Note at a price below \$0.0045 (post share consolidation - \$0.45 per share), each Convertible Note will convert at a 20% discount to the price at which such shares are issued.

On 2 September 2011 World Reach announced a placement of 96 million shares at \$0.0025. As this is below the conversion price listed in (d) i) above, the conversion price has been reduced to \$0.002 per share, being 80% of \$0.0025 ((d) ii) above). This means that post share consolidation the conversion price has increased to \$0.20 per share and each Convertible Note converts into 125,000 shares.

Approval of the Proposed Transaction will result in an extension of the maturity date from 1 July 2013 to 1 July 2015. All other terms and conditions of the Convertible Notes will remain unchanged.

¹ On 29 June 2012 shareholders approved a 100:1 share consolidation, which has impacted on the conversion ratio attaching to the Convertible Notes. All information provided in this report reflects the impact of the share consolidation.

2.3 Impact on Share Capital and Voting Power

Set out in the table below are details of the holders of the Convertible Notes:

Noteholder	No of Convertible Notes held	Face Value \$	No of Shares on Conversion
Maturity Date to be Extended			
Mrs Amy Capocchi	14	350,000	1,750,000
Killarney Properties Pty Ltd	10	250,000	1,250,000
Geoffrey Robert Garrott & Margaret Garrott	4	100,000	500,000
Colin McLean Adam	3	75,000	375,000
Maurice Venning	3	75,000	375,000
Makormak Investments Pty Ltd	2	50,000	250,000
Tim Don Nominees Pty Ltd	2	50,000	250,000
Dennis Payne & Susan Payne	1	25,000	125,000
Rolf Graf	1	25,000	125,000
Bruce Hotton	1	25,000	125,000
Sub-total	41	1,025,000	5,125,000
No Extension of Maturity Date Sought			
Reiny Gajewski	2	50,000	250,000
Dennis Payne & Susan Payne	1	25,000	125,000
Sub-total	3	75,000	375,000
Total Convertible Notes	44	1,100,000	5,500,000

Geoffrey Robert Garrott & Margaret Garrott (“Garrott”) are World Reach’s largest shareholder holding 2,089,500 shares, representing 18.23% of the ordinary shares on issue.

Killarney Properties Pty Ltd (“Killarney”) is World Reach’s second largest shareholder holding 1,212,245 shares, representing 10.58% of the ordinary shares on issue.

Both Garrott and Killarney are substantial shareholders of World Reach.

The directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

2.4 Related Parties

Mrs Amy Capocchi (“Capocchi”) is the wife of current Managing Director of World Reach. Makormak Investments Pty Ltd (“Makormak”) is a company associated with Mr. John McCormack, a recently resigned director of World Reach and Mr Dennis Payne (“Payne”) is also a recently resigned director of World Reach. Each of Capocchi, Makormak and Payne are holders of Convertible Notes and are regarded as related parties of World Reach.

3. Summary Opinions

3.1 Fairness and Reasonableness

In our opinion the Proposed Transaction is **not fair**. In reaching this conclusion we compared the funding cost of extending the existing Convertible Notes with potential alternate sources of funding.

After considering the significant factors set out in Section 11, we concluded that the Proposed Transaction is **reasonable** to the Non-Associated Shareholders. These factors include the legal and other transaction costs that World Reach would incur in obtaining alternate funding and the additional management time that would be required in seeking alternate funding. Neither of these factors were incorporated into the assessment of fairness. Furthermore, if World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. If this occurred and they proceeded to sell their shares, then the price of World Reach shares may fall significantly.

3.2 Related Parties - Financial Benefits

Approval of the Proposed Transaction will result in the following holders of Convertible Notes, each of whom is deemed to be a related party for the purposes of Chapter 2E of the Act, receiving a benefit of approximately \$11,300 per Convertible Note. The benefit accruing to each related party is:

Noteholder	No of Convertible Notes held	Value of Benefit \$
Payne	1	11,300
Mrs Capocchi	14	158,200
Makormak	2	22,600

4. Structure of this Report

This report is divided into the following sections:

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8	Evaluation of the Proposed Transaction	21
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A	Comparable Companies	30
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5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **ASX - Listing Rules**

Listing Rule 10.1 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of a substantial asset is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

Listing Rule 10.2 defines a substantial asset as being an asset whose value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to the ASX under the listing rules. The Convertible Notes will continue to be secured by a fixed and floating charge over the assets of World Reach and this charge is deemed to be a substantial asset.

As each of Garrott, Killarney, Payne, Capocchi and Makormak are either a substantial shareholder or a related party and as each of them may benefit from the charge securing the Notes, Listing Rule 10.1 will apply to the Proposed Transaction.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports (“RG111”)

RG 111.52 Experts who are asked to prepare a report for the following transactions should comply with RG 111.53–RG 111.63:

- (a) a transaction with a related party that requires member approval under Ch 2E (including as modified by Pt 5C.7 for registered managed investment schemes); or
- (b) a transaction with a person in a position of influence that requires member approval under ASX Listing Rule 10.

- RG 111.53 When analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction, rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction.
- RG 111.54 Where the related party transaction is one component of a broader transaction or a series of transactions involving non-related parties (such as a control transaction), the expert should carefully consider what level of analysis of the related party aspect is required: see also RG 111.4. In this consideration, the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction.
- RG 111.55 Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is ‘fair and reasonable’ from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1.
- RG 111.56 Where an expert assesses whether a related party transaction is ‘fair and reasonable’ (whether for the purposes of Ch 2E or ASX Listing Rule 10.1), this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as in a control transaction. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information. See Regulatory Guide 76 *Related party transactions* (RG 76) at RG 76.106–RG 76.111 for further details.
- RG 111.57 A proposed related party transaction is ‘fair’ if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made:
- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and
 - (b) for control transactions, on the basis referred to in RG 111.11.
- RG 111.59 In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transactions.
- RG 111.60 A proposed related party transaction is ‘reasonable’ if it is ‘fair’. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes there are sufficient reasons for members to vote for the proposal.
- RG 111.61 If an expert concludes that a related party transaction is not fair, but reasonable, it should clearly explain the meaning of this opinion, why the expert has reached this conclusion, and the significance of the conclusion to the decision to be made by security holders (e.g. what it might mean for the security holders’ decision-making).
- RG 111.62 When deciding whether a proposed transaction is ‘reasonable’, factors that an expert might consider include:
- (a) the financial situation and solvency of the entity, including the factors set out in RG 111.26, if the consideration for the financial benefit is cash;
 - (b) opportunity costs;
 - (c) the alternative options available to the entity and the likelihood of those options occurring;
 - (d) the entity’s bargaining position;
 - (e) whether there is selective treatment of any security holder, particularly the related party;
 - (f) any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
 - (g) the liquidity of the market in the entity’s securities.

- **General**

The terms fair and reasonable are not defined in the Act so we have defined them for the purpose of this report as:

- Fairness - the Proposed Transaction set out in Section 2 is fair if the net benefit to World Reach through the extension of the maturity date of the Convertible Notes exceeds the increase in the value of the options over World Reach shares imbedded in the Convertible Notes.
- Reasonableness - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, the Non-Associated Shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as:

- (i) In determining whether the Proposed Transaction is fair, we have:
 - (a) valued the World Reach shares;
 - (b) valued the options over the World Reach shares and assessed the increase in the value of the options as a result of the extension of the maturity date of the Convertible Notes;
 - (c) assessed the value of the net benefit that will accrue to World Reach from an extension of the maturity date of the Convertible Notes; and
 - (d) compared the results of (b) and (c) above.
- (ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors, which the Non-Associated Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

- **Corporations Act 2001 – Chapter 2E**

Section 208 of the Act states that a public company must obtain approval from the company’s members if it gives a financial benefit to a related party unless, the benefit falls within the scope of an exception to the Act as set out in Sections 210 to 216 of the Act.,

Section 210 of the Act states that member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm’s length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a) above.

Section 228 of the Act defines ‘related parties’ as:

- (a) directors of the public company;
- (b) directors (if any) of an entity that controls the public company;
- (c) if the public company is controlled by an entity that is not a body corporate – each of the persons making up the controlling entity;
- (d) spouses and de facto spouses of the persons referred to in paragraphs (a) to (c) above.

As Payne, Capocchi and Makormak are deemed to be Related Parties of World Reach pursuant to Section 228 of the Act, the extension of the maturity date of the Convertible Notes contemplated by the Proposed Transaction is deemed to be the giving of a financial benefit to these Related Parties by World Reach. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the Company’s interests to approve the giving of the financial benefit.

Section 229(1)(c) of the Act states:

“In determining whether a financial benefit is given you must disregard any consideration that is or may be given for the benefit, even if the consideration is adequate.”

The ASIC media release issued on 10 August 2004 has expressed the view that the financial benefit must be adequately valued. ASIC has gone on to state:

“An adequate valuation requires the basis of the valuation and the principal assumptions behind the valuation to be disclosed, and in some circumstances it may be necessary to provide a valuation by an independent expert.”

The Directors of World Reach have requested DMR Corporate to independently assess the value of this financial benefit.

6. World Reach - Key Information

6.1 Background

World Reach was listed on the ASX in 1996 as Pacific Arc Exploration NL, which was subsequently renamed Pacarc NL.

In 1999 Pacarc NL acquired a telecommunications and network management systems business and related assets from Martin Communications Pty Ltd. Following completion of this transaction Pacarc NL became a limited liability company and adopted the name Tele-IP.

Following the move into the telecommunications industry the Company made a number of acquisitions and grew to become a significant technology supplier to the service provider and corporate data network markets.

In 2007 and 2008 the Company divested its Cabling and Installation Division and its Network Services Division. At the same time the Company adopted its current name, World Reach.

The major remaining operating subsidiary of World Reach is Beam Communications Pty Ltd (“Beam”). The business of Beam is briefly described below:

Beam was established by World Reach in 2002, making a substantial investment in the development and manufacturing of Remote Satellite Communications solutions for the global telecommunications market.

Today Beam is a major provider of global communications solutions for use on mobile satellite communications platforms operated by Iridium Communications Inc. (“Iridium”) and Inmarsat Plc. (“Inmarsat”).

Iridium provides a truly global satellite voice and data solution with complete coverage of the earth by its network of low orbit satellites and Inmarsat is a leading provider of global mobile satellite communications services that are delivered through a global network of more than 400 distribution partners and service providers operating in 100 countries.

Beam solutions are utilised by industries such as maritime, aviation, government/military, oil and gas, emergency/humanitarian services, mining, forestry, heavy equipment, transportation, utilities, telemetry and rural telephony.

Beam’s primary products are docking stations designed specifically for use in maritime and other harsh environments.

6.2 Share Capital

As at the date of this report World Reach had on issue 11,461,797 fully paid ordinary shares. The 10 largest shareholders of World Reach’s ordinary shares as at 31 August 2012 were as follows:

Name	Number of Fully Paid Ordinary Shares	Percentage of Ordinary Shares on Issue
Geoffrey Robert Garrott	2,089,500	18.23%
Killarney Properties Pty Ltd	1,212,245	10.58%
Enak Pty Ltd	809,994	7.07%
John Bee & Margaret Bee	720,000	6.28%
Robert Mansfield Niall	452,200	3.95%
Tabedge Pty Ltd	357,143	3.12%
Li Family	282,238	2.46%
Briaroaks Pty Ltd	250,000	2.18%
Artpreciation Pty Ltd	202,700	1.77%
Barrios Pty Ltd	190,846	1.67%
	6,566,866	57.29%

Source: World Reach 2012 Annual Report

World Reach also has 2,235,134 options on issue. The options are unlisted and were issued to employees pursuant to World Reach's Share Option Incentive Plan, to directors, to investors who took up the original issue of the Convertible Notes and to investors who took up the further tranche of (unsecured) convertible notes issued in April 2012. The details of the options are:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
30.06.08	31.10.12	\$2.50	147,500
30.06.08	31.10.12	\$5.00	129,063
30.06.08	31.10.12	\$7.50	110,625
25.07.08	01.04.13	\$2.50	35,000
25.07.08	01.04.13	\$5.00	30,625
25.07.08	01.04.13	\$7.50	26,250
23.12.08	31.12.13	\$0.65	75,500
15.05.09	01.07.14	\$0.60	435,000
30.09.09	30.09.14	\$0.65	117,000
01.01.11	01.01.16	\$0.65	75,000
01.02.12	01.02.17	\$0.45	75,000
26.07.12	26.07.14	\$0.70	178,572
26.07.12	01.07.17	\$0.65	800,000
			<u>2,235,134</u>

Source: World Reach 2012 Annual Report

World Reach also has two tranches of convertible notes on issue. In addition to the Convertible Notes issued on 7 May 2009 of which 44 are currently outstanding and which are detailed in Section 2.3 above, World Reach also issued a further 25 convertible notes in April 2012. These convertible notes are unsecured, mature on 1 July 2015 and can be converted into 1,785,714 shares.

6.3 Operating Performance

World Reach's consolidated statements of comprehensive income for the financial years ended 30 June 2010, 2011 and 2012 were as follows:

	Year Ended		
	30/06/10	30/06/11	30/06/12
	Audited	Audited	Audited
	\$	\$	\$
Sales revenue	7,775,528	9,332,398	12,831,302
Interest income	442	20,956	32,610
Unrealised foreign currency exchange gain	-	602,179	-
Export market development grant	33,755	88,343	126,400
Total Revenue	7,809,725	10,043,876	12,990,312
Changes in inventories of raw materials, finished goods and work in progress	96,341	469,358	1,356,388
Raw materials, consumables and other costs of sale	(4,908,892)	(6,484,806)	(9,292,602)
Employee benefits expense	(1,882,139)	(2,030,269)	(2,291,394)
Depreciation expense	(107,339)	(122,962)	(94,086)
Amortisation expense	-	(387,916)	(811,664)
Finance costs expense	(263,236)	(326,407)	(354,352)
Auditor remuneration expense	(57,342)	(114,049)	(97,296)
Accounting, share registry and secretarial expense	(83,047)	(88,083)	(94,397)
Consultancy and contractor expense	(110,466)	(125,462)	(191,963)
Legal and insurance expense	(92,080)	(118,274)	(129,175)
Other expenses	(852,594)	(898,659)	(1,238,950)
Profit/(loss) before income tax	(451,069)	(183,653)	(249,179)
Income tax benefit	-	-	-
Profit/(loss) from continuing operations	(451,069)	(183,653)	(249,179)
Profit from discontinuing operations	82,000	-	-
Profit /(loss) for the year attributable to owners of the company	(369,069)	(183,653)	(249,179)

Source: World Reach 30 June 2011 and 2012 annual report

6.4 Cash Flow Statements

World Reach's consolidated statements of cash flows for the financial years ended 30 June 2010, 2011 and 2012 were as follows:

	Year Ended		
	30/06/10	30/06/11	30/06/12
	Audited	Audited	Audited
	\$	\$	\$
Cash Flows from Operating Activities			
Receipts from customers	8,150,945	9,335,531	13,876,591
Payments to suppliers and employees	(8,384,405)	(8,992,068)	(13,746,107)
Interest received	442	20,956	32,610
Interest and finance charges paid	(263,236)	(326,407)	(354,352)
Export market development grant	103,755	88,343	126,400
Net Cash Provided By/(Used in) Operating Activities	(392,499)	126,355	(64,858)
Cash Flows from Investing Activities			
Purchases of plant & equipment	(264,397)	(72,929)	(21,643)
Proceeds from sale of plant & equipment	164	5,740	-
Development costs capitalised	(764,589)	(1,511,205)	(632,925)
Net Cash Provided By/(Used in) Investing Activities	(1,028,822)	(1,578,394)	(654,568)
Cash Flows from Financing Activities			
Proceeds on share purchase plan/share placement	-	-	697,091
Proceeds on issue of convertible notes	-	-	625,000
Payments on 2009 share buy back	(9,323)	-	-
Net cash proceeds/(payments) – unsecured loans	1,319,278	-	-
Net loan proceeds/(payments)	-	1,762,320	(797,611)
Net Cash Provided By/(Used In) Financing Activities	1,309,955	1,762,320	524,480
Net Increase/(Decrease) in Cash Held	(111,366)	310,281	(194,946)
Cash at Beginning of the Period	(258,476)	(369,842)	(59,561)
Cash at End of the Period	(369,842)	(59,561)	(254,507)

Source: World Reach 30 June 2011 and 2012 annual report

6.5 Financial Position

World Reach's consolidated statements of financial position as at 30 June 2010, 2011 and 2012 were as follows:

	Audited 30/06/10 \$	Audited 30/06/11 \$	Audited 30/06/12 \$
CURRENT ASSETS			
Cash and cash equivalents	406,853	845,917	712,884
Trade and other receivables	1,037,350	1,611,709	1,634,175
Inventories	1,816,681	2,286,039	3,642,427
TOTAL CURRENT ASSETS	3,260,884	4,743,665	5,989,486
NON CURRENT ASSETS			
Intangible assets	764,590	1,887,879	1,709,140
Plant and equipment	351,201	294,985	217,602
TOTAL NON CURRENT ASSETS	1,115,791	2,182,864	1,926,742
TOTAL ASSETS	4,376,675	6,926,529	7,916,228
CURRENT LIABILITIES			
Trade and other payables	979,067	2,300,719	2,771,308
Other financial liabilities	2,210,705	3,499,626	1,738,801
Short-term provisions	263,318	324,235	361,161
TOTAL CURRENT LIABILITIES	3,453,090	6,124,580	4,871,270
NON CURRENT LIABILITIES			
Other financial liabilities	1,750,000	1,750,000	3,070,442
Long-term provisions	37,131	37,333	27,018
TOTAL NON CURRENT LIABILITIES	1,787,131	1,787,333	3,097,460
TOTAL LIABILITIES	5,240,221	7,911,913	7,968,730
NET ASSETS	(863,546)	(985,384)	(52,502)
EQUITY			
Issued capital	19,869,935	19,869,935	1,327,091
Reserves	299,174	358,666	308,636
Accumulated losses	(21,032,655)	(21,213,985)	(1,688,229)
TOTAL EQUITY	(863,546)	(985,384)	(52,502)

Source: World Reach 30 June 2011 and 2012 annual report

7. Valuation of World Reach Shares

7.1 Value Definition

DMR Corporate's valuation of World Reach shares has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

7.2 Valuation Methodologies

In selecting appropriate valuation methodologies to determine fair market value, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

Each of the above methodologies is described and where possible applied in the balance of this Section 7.

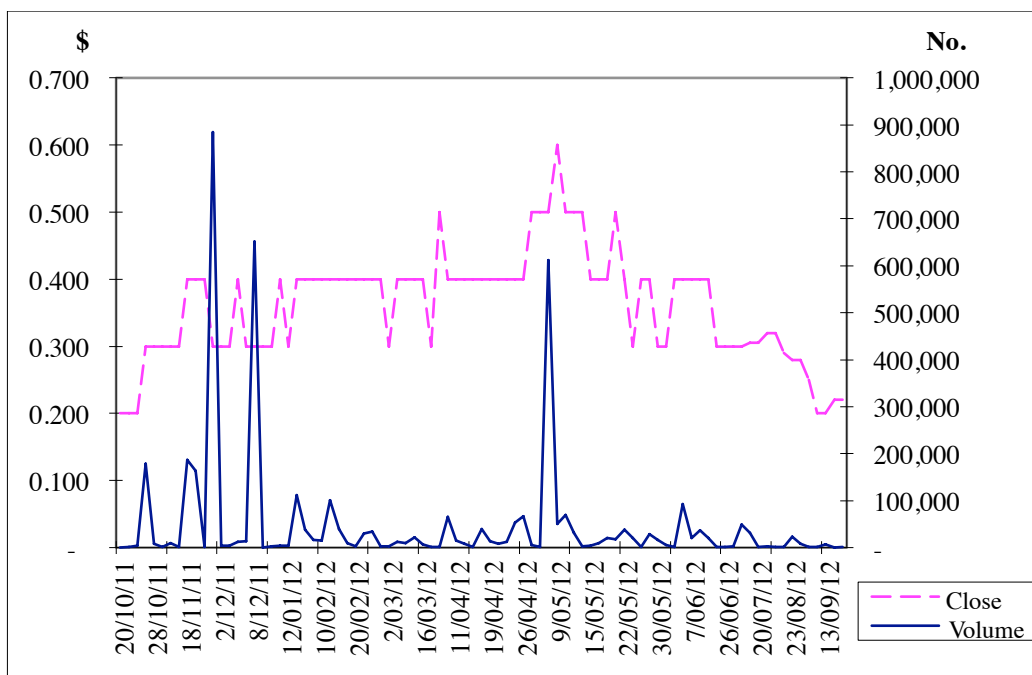
7.3 Share Price History

The share price history valuation methodology values a company based on the past trading in its shares. On 29 June 2012 shareholders approved a 100:1 share consolidation and the shares commenced trading on the ASX on a post consolidation basis as from 19 July 2012. In order to enable a comparison of share prices over a longer period, all of the historical share price and volume information presented below has been converted to a post consolidation basis.

The share price and trading volume history of World Reach shares from 1 October 2011 to 30 September 2012 in tabular form is as follows:

Month	Share Price			Volume	Value
	High	Low	Average		
	\$	\$	\$		\$
2011					
October	0.400	0.200	0.297	193,872	57,490
November	0.400	0.300	0.396	364,198	144,337
December	0.400	0.200	0.301	1,571,882	472,815
2012					
January	0.400	0.300	0.352	7,300	2,570
February	0.400	0.400	0.400	401,615	160,646
March	0.500	0.300	0.395	54,933	21,693
April	0.500	0.400	0.402	288,286	115,914
May	0.700	0.300	0.487	924,246	449,721
June	0.400	0.300	0.394	182,191	71,807
July	0.320	0.300	0.303	84,353	25,537
August	0.290	0.280	0.280	32,500	9,108
September	0.250	0.200	0.211	11,650	2,458
				<u>4,117,025</u>	<u>1,534,096</u>

The following graph sets out the daily trading volumes and closing prices:



The following comments are made in relation to the shares traded between 1 October 2011 and 30 September 2012.

Share Volumes

The total volume of shares traded was 4,117,025 and this equates to approximately 36% of the shares on issue. As the period represented in the above table is approximately one year, this indicates that the stock is relatively liquid, however much of the liquidity occurred in December 2011 and May 2012.

On 8 May 2012 World Reach announced a commitment by Telstra to purchase \$5 million of Beam products and on that day in excess of 612,000 shares were traded. Since that day trading volumes have been subdued. In fact since 1 July 2012 only 128,503 shares have been traded and this represents only 1.1% of the total shares on issue.

Share Prices

The table shows that the price during the period varied from a low of \$0.20 to a high of \$0.70.

As can be seen from the above table, the low share price of \$0.20 occurred in October 2011 and again in September 2012. The high price of \$0.70 was reached in May 2012 and corresponds with the announcement that Telstra is to purchase \$5 million of Beam products.

Set out below is the recent volume weighted average share price (based on closing daily prices) ("VWAP"):

	VWAP \$	Volume	Value Traded \$
30 day VWAP	0.203	9,650	1,958
60 day VWAP	0.262	44,150	11,566
90 day VWAP	0.351	310,694	108,911

After end of trading on 8 June 2012 World Reach announced that it would not meet its earlier profit guidance and would in fact incur a loss for the year. Since that announcement the shares have traded in a range of \$0.20 to \$0.40 per share and the VWAP since that date is \$0.304 per share.

Share Placements

In December 2011 World Reach raised approximately \$390,000 at \$0.28 per share. The 30-day VWAP at that time was \$0.31 per share, meaning that the placement was at a discount of approximately 10% to the prevailing market price.

Summary – Share Price History

We have formed the opinion that the World Reach shares have a market value in a range of \$0.26 to \$0.35 per share, with a preferred value of \$0.30 per share.

7.4 Capitalisation of Future Maintainable Earnings

7.4.1 Introduction to the Methodology

This methodology involves capitalizing the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Other variations to EBIT include ‘Earnings Before Interest, Tax, Depreciation and Amortization’ – EBITDA and ‘Earnings Before Interest, Tax, and Amortization’ – EBITA.

We have concluded that a valuation of World Reach should be based on a capitalisation of its EBITDA as this facilitates the selection of a capitalisation multiple supported by appropriate market evidence.

A valuation based on capitalised EBITDA requires the following key assessments to be made:

- the level of future maintainable earnings; and
- the selection of an appropriate capitalisation rate (or multiple), which reflects the risks facing the business and the achievement of the expected future maintainable earnings.

7.4.2 Assessment of Maintainable Earnings

The financial results for the past 3 completed financial years are set out in Section 6.4. Using this information we have calculated World Reach's EBITDA as:

	Year Ended		
	30/06/10	30/06/11	30/06/12
	\$000's	\$000's	\$000's
Profit before income tax	(451)	(184)	(249)
Depreciation	107	123	94
Amortisation	-	388	812
Foreign exchange loss/(gain)	132	(602)	145
Interest income	(0)	(21)	(33)
Interest expense	263	326	354
EBITDA	51	30	1,123

As can be seen from the above table, World Reach has reported a positive EBITDA in each year, however the actual level of EBITDA is low for a listed company.

World Reach received an advance from a major customer (Inmarsat) approximately three years ago. The advance was used to fund the development of a range of products. The development costs were capitalized and now that the products have been released into the market, World Reach is having to record significant amortization charges. The funds advanced were designated in US\$ and have given rise to significant unrealized foreign exchange gains and losses. These two items (foreign exchange gains and losses and the amortization of product development costs) contribute significantly to the differences between EBITDA and the pre tax results reported by World Reach.

World Reach reported that a product recall by Iridium significantly reduced World Reach's sales in May and June 2012, resulting in a loss of gross profit estimated at \$300,000.

After reviewing World Reach's forecasts for the year ending 30 June 2013, which has been made available to us on a commercial-in-confidence basis, we consider that World Reach's future maintainable EBITDA is in a range of \$1,000,000 to \$1,200,000.

7.4.3 Capitalisation Multiple

The maintainable earnings determined in the preceding paragraph need to be capitalised at an appropriate capitalisation rate or multiple. An appropriate capitalisation rate is usually derived by observing the capitalisation rates at which listed entities trade, which are considered to be comparable to the company being valued.

Whilst there are a number of Australian listed companies in the telecommunications sector, these are not directly comparable with World Reach as the majority of smaller companies in this sector supply Internet based communication services.

World Reach's products are sold internationally. Moreover, as a response to the rise of the Australian dollar, World Reach has now moved the bulk of its manufacturing to China. Whilst we would not usually seek to source comparable multiples for small ASX listed companies by reference to international markets, in the case of World Reach, we have not identified any ASX listed companies that have a similar risk profile and consequently we have reviewed capitalisation multiples at which the following overseas based companies trade, whose business profiles may be compared to World Reach. These are:

Company	Listed	Ticker	Enterprise Value \$Mil	EBITDA \$Mil	EBITDA Multiple
C-Com Satellite Systems Inc.	Toronto	CMI	11.0	4.4	2.5
Centron Telecom Int Holdings Ltd	Hong Kong	1155	92.8	32.3	2.9
DDS Wireless International Inc.	Toronto	DD	20.8	4.9	4.2
Norsat International Inc	Toronto	NII	32.3	4.1	7.9
Orbit/FR Inc.	USA	ORFR	3.5	1.0	3.5
Webtech Wireless Inc.	Toronto	WEW	16.1	1.8	8.9
Average					5.0

Source: Capital IQ

Further details in respect of the above companies are set out in Appendix A.

When measured by revenue each of the above companies is larger than World Reach and larger companies tend to be more valuable in comparison to similar but smaller companies. After considering the above evidence and World Reach's relatively poor financial condition, we concluded that World Reach should be valued at an EBITDA multiple of 4.25 to 4.75.

Based on the above, we have assessed the enterprise value of World Reach as follows:

	Low	High
Estimated future maintainable EBITDA	\$1,000,000	\$1,200,000
Multiple	4.25	4.75
Enterprise value	<u>\$4,250,000</u>	<u>\$5,700,000</u>

7.4.5 Valuation Adjustments

The enterprise value must be increased by the value of surplus assets and reduced by the value of interest bearing debt in order to determine the value of World Reach's equity under this methodology.

Surplus assets are those identified as being “surplus” to the needs of the business and which are not required for the business to generate its income. A review of World Reach’s statement of financial position as at 30 June 2012 did not identify any surplus assets.

World Reach’s statement of financial position as at 30 June 2012 shows that net debt was approximately \$2,200,000 at that date. (World Reach also had an advance of approximately \$1,870,000 from Inmarsat, however as this is interest free and repayable from future sales, we do not consider that this advance should be included as part of net debt).

Based on this methodology the equity value of World Reach is:

	Low \$	High \$
Enterprise value	4,250,000	5,700,000
Net debt	(2,200,000)	(2,200,000)
Equity value	<u>2,050,000</u>	<u>3,500,000</u>

7.4.6 Conclusion

In our opinion, based on the capitalisation of earnings valuation methodology, the equity value of World Reach is in a range of \$2,050,000 to \$3,500,000. World Reach has 11,461,797 shares on issue and based on the capitalisation of maintainable earnings methodology the value per World Reach share is in a range of \$0.18 to \$0.31.

7.5 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As World Reach has not prepared a budget beyond 30 June 2013, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value the World Reach shares.

7.6 Asset Based Methods

This methodology is based on the realisable value of a company’s identifiable net assets. Asset based valuation methodologies include:

(a) Net Assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

(b) Orderly Realisation of Assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

(c) Liquidation of Assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

As can be seen from Section 6.5 above, as at 30 June 2012 World Reach's statement of financial position shows that at that date World Reach had negative net assets of \$52,502. After reviewing the statement of financial position, we have concluded that based on the assets based methods the value of the World Reach shares is nil.

7.7 Comparable Market Transactions

Theoretically this is a sound valuation methodology as it is based on tangible evidence of other similar transactions (this is the methodology generally adopted in valuing real estate). We consider that this methodology is not an appropriate methodology to value the World Reach shares as we have not identified any relevant market evidence that would enable us to derive a value for the World Reach shares.

7.8 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire World Reach is a relevant valuation methodology to be considered. In this instance we are not aware of any alternative offer for World Reach and we can see no reason as to why an offer would be initiated prior to the Proposed Transaction taking place.

7.9 Conclusion

A summary of the valuation methodologies that we considered to be applicable in valuing the World Reach shares is as follows:

VALUATION METHODOLOGY	Low \$ Per Share	High \$ Per Share
Share Price History	0.26	0.35
Earnings based Valuation	0.18	0.31

Having regard to the results of the applicable valuation methodologies, we have concluded that the World Reach shares have a value in a range of \$0.26 to \$0.31 per share, a mid point of \$0.285 per share.

8. Evaluation of the Proposed Transaction

8.1 Approach to the Evaluation

We have considered the following factors when evaluating the Proposed Transaction:

- each Convertible Note can be converted into 125,000 World Reach shares, at \$0.20 per share at any time up to its maturity. (It should be noted that if World Reach were to issue any shares prior to conversion of the Notes at a price below \$0.25 per share, each Note will convert at a 20% discount to the price at which such shares are issued.)

The effect of the Proposed Transaction is to extend the expiry date of the option to acquire World Reach shares at a price not exceeding \$0.20 per share from 1 July 2013 to 1 July 2015.

- the Convertible Notes earn interest at a rate of 8.0% per annum or the prevailing 90-day bank bill rate plus a margin of 3.0%, whichever is higher. Interest is payable monthly in arrears;
- the Convertible Notes are secured by a charge over World Reach's assets;
- if a holder of a Convertible Note has not elected to convert the note into shares by its maturity date, then World Reach is obliged to redeem the Note;

The Proposed Transaction does not alter any of the features of the Convertible Notes other than the expiry date.

Based on the above points we believe that the value of each Convertible Note can best be thought of as comprising of two distinct components, namely:

- (i) the value of the right to convert a "loan" of \$25,000 into 125,000 shares. This right is equivalent to an issue of 125,000 free options exercisable at \$0.20 (issue price of \$25,000 convertible into 125,000 shares) at any time up to the extended maturity date of 1 July 2015; and
- (ii) the value of a loan of \$25,000 for a period of 24 months, which carries interest at 8.00% per annum (whilst a higher interest is payable if the 90-day bank bill rate exceeds 5%, as the rate is currently 3.18% (4 October 2012), we have assumed that the higher rate will not become payable during the life of the Convertible Notes).

The option component of the Convertible Notes can be valued by reference to the value of World Reach shares as determined in Section 7.9 and using an option-pricing model. The value of the options is considered in Section 8.2 below.

The loan component can be assessed by comparing the net present value of the loan based on the effective cost of the loan with the net present value of alternate sources of finance that may be available to World Reach. Our enquiries indicate that the interest cost of 8.0% per annum is less than a market rate of interest. Furthermore, we understand that due to its history of low profitability and poor financial position, World Reach has not been able to obtain funding from conventional sources. Evaluation of the loan component is considered in Section 8.3 below.

8.2 Valuation of the Option Component

8.2.1 Approach to the Option Valuation

The right to convert is effectively an option to acquire World Reach shares. At present the Convertible Note holders have a right to convert up to the current maturity date of 1 July 2013. The Proposed Transaction will extend the conversion period by two years.

There are a number of option pricing models that can be used to value the options embedded within the Convertible Notes. After reviewing the Convertible Note Deed, we have concluded that the options should be valued using the Black-Scholes Option valuation model.

The Black-Scholes Option valuation model determines the value of an option as a function of the following variables:

- 1) the current share price of the underlying shares
- 2) exercise price of the option
- 3) volatility of the share price
- 4) time to expiry
- 5) risk free rate of interest
- 6) expected dividend yield

Each of the above variables is discussed below.

8.2.2 Assumptions Used

The share price of the underlying shares

In Section 7.9 above we valued the World Reach shares in a range of \$0.26 to \$0.31 per share. We have used the mid-point value of \$0.285 in assessing the value of the options.

The exercise price of the options

Each Convertible Note can be converted into ordinary shares at \$0.20 per share.

The volatility of the share price

The volatility of the share price is a measure of uncertainty about the returns provided by the shares. Generally it is possible to predict future volatility of a stock by reference to its historical volatility.

A share with a greater volatility has a greater time value component of the total option value.

The volatility estimate used in option pricing models is typically calculated with reference to the annualized standard deviation of daily share price returns on the underlying security over a specified period.

We source historical volatility information for Australian listed companies from a quarterly research report issued by SIRCA Limited (“SIRCA”), a leading provider of financial data in the Australian market.

The June quarter 2012 SIRCA report estimated the volatility of World Reach shares to be 114.32%. Based on our experience we consider this to be unusually high and we considered the historical volatility of share price returns for companies comparable to World Reach as set out below:

Company	ASX Code	Market Capitalisation (\$mil)	Volatility (%)
Electro Optic Systems	EOS	31.5	72.75
My Net Fone	MNF	31.2	60.97
Eftel	EFT	18.1	78.98
SmartTrans Holdings	SMA	11.3	130.60
World Reach	WRR	3.3	114.32
Queste Communications	QUE	3.0	69.97
Reverse Corp	REF	2.9	57.85
Broad Investments	BRO	1.2	92.84
AVERAGE			84.78

We have concluded that a share price volatility of 85% is appropriate when valuing the World Reach options.

Time to expiry

The right to convert expires on 1 July 2015, or two years after the current maturity of the Convertible Notes.

Risk free rate of interest

We have used a risk free rate of 2.40% in valuing the options. This rate is based on the current Treasury Bond yields with a maturity approximating 1 July 2015.

Expected dividend yield

World Reach does not have a history of paying dividends and we have assumed that no dividends will be paid during the currency of the options.

8.2.3 Assessment of the Value of the Maturity Date Extension to the Convertible Note Holders

Based on the assumptions set out above and using the Black-Scholes option-pricing model, we have assessed the value of each option by comparing the value of their existing option, which expires on 1 July 2012, with the value of an option expiring on 1 July 2015.

Based on the inputs discussed in Section 8.2.2 above we valued the option component of the Convertible Notes as at the proposed date of the meeting assuming that the Proposed Transaction is not approved. This calculation resulted in a value of approximately \$14,300 and this is the remaining option value to the current expiry date of 1 July 2013.

We then prepared an identical calculation but assuming that the Proposed Transaction is approved. This calculation resulted in a value of approximately \$21,600 and this will be the value of the option to the extended expiry date of 1 July 2015. The difference between the two values of \$7,300 is the incremental value that approval of the Proposed Transaction will generate in respect of each Convertible Note.

We have concluded that the existing Convertible Note holders will receive a benefit of approximately \$7,300 per Convertible Note in return for agreeing to extend the maturity date of the Convertible Notes by two years. A benefit of \$7,300 over two years represents an implied annual funding cost in the range of 14.6%.

8.3 Evaluation of the Loan Component

8.3.1 Approach to the Evaluation

In order to assist shareholders in understanding our approach to assessing the value of the net benefit that will accrue to World Reach from an extension of the maturity date of the Convertible Notes, we set out below our reasoning.

Each Convertible Note provides World Reach with a loan of \$25,000. The Convertible Note holders receive monthly interest at the rate of 8.0% per annum. We concluded that the above arrangements, given World Reach's poor financial position, effectively provide funding to World Reach at a discount to normal commercial terms. The present arrangement provides a benefit to World Reach, which equals the difference between the cost of the Convertible Notes and the cost of alternate market, based funding.

8.3.2 Assessment of Alternate Funding Costs

The current Commonwealth Bank overdraft reference rate is 9.5%. The overdraft reference rate is subject to customer margins, depending on the customer's financial position. In our opinion, given World Reach's poor net asset position, it is most unlikely to be able to raise sufficient funding in the normal commercial market to be able to re-finance the Convertible Notes.

We have reviewed the terms of other recent loan note and convertible note funding arrangements reported by a range of small cap ASX listed companies. As each funding arrangement is tailored to the specific circumstances, the terms and pricing of the arrangements is difficult to compare. Nevertheless we found that convertible notes typically carry an interest cost in the range of 10% to 12.5%, are for a term of 2 to 3 years and can be converted at a discount of 10% to 20% to the then prevailing share price. We have concluded that any replacement arrangement would carry an effective funding cost of not less than 15% per annum. It should be noted that usually the convertible note facility is provided by one party who stands to gain control or significant influence over the borrower if conversion takes place. The pricing therefore includes a degree of premium for control.

World Reach may also be able to fund repayment of the Convertible Notes from the proceeds of a capital raising. A review of a number of recent capital raisings by small cap listed companies revealed that placements of new shares were made at discounts ranging from 10% to 30%. The average discount to the current share price is in a range of 20% to 23%.

After reviewing the various potential sources of funding, we have concluded that if World Reach was able to obtain alternate funding this is likely to attract funding costs of between 15% and 20% per annum. The above funding costs exclude legal and other transaction costs that would also be borne by World Reach.

8.3.3 Assessment of the Value of the Net Benefit Accrue to World Reach from an Extension of the Maturity Date of the Convertible Notes

In Section 8.3.2 above we concluded that, if World Reach were able to secure alternate funding, this is likely to attract funding costs of between 15% and 20% per annum. As the existing Convertible Notes carry an interest cost of 8% per annum, extension of the maturity date will provide a net benefit to World Reach of 7% to 12% per annum per Convertible Note. As each Convertible Note has a face value of \$25,000, the reduction in funding costs per Convertible Note will be in a range of \$1,750 to \$3,000 per annum, or \$3,500 to \$6,000 for the two-year deferral of the maturity of the Convertible Notes².

9. Control Premium

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired. Control premiums are normally in a range of 20% to 30%³ above the value of a minority share. The actual control premium paid is transaction specific and depends on a range of factors, such the level of synergies available to the purchaser, the level of competition for the assets and the strategic importance of the assets.

Individual shareholders (and their associates) cannot increase their voting power in a company to above 20% in circumstances that do not fit into one of the exemptions listed in Section 611 of the Act. These exemptions include obtaining approval of other shareholders. Whilst Garrott, who currently holds 18.23% of World Reach's voting power, could exceed the 20% limit in certain circumstances, no approval is being sought for Garrott to move to above the 20% threshold.

Given that no shareholder will be able to move to above 20% of World Reach's voting power as a result of the Proposed Transaction, we do not regard the Proposed Transaction as a control transaction.

10. Assessment as to Fairness

In Section 8.2.3 above we concluded that the Convertible Note holders will receive an increase in the value of the options over World Reach shares in return for agreeing to extend the maturity date of the Convertible Notes by two years. We have valued this increase at approximately \$7,300 per Convertible Note.

In Section 8.3.3 above we estimated that extending the maturity date of the Convertible Notes by two years will result in a reduction in funding costs compared to likely alternative sources of funding in a range of \$3,500 to \$6,000 per Convertible Note.

² It should be noted that, given World Reach's substantial carry forward tax losses, this assessment assumes that World Reach does not obtain any benefit from the tax deductibility of interest.

³ RSM Bird Cameron Control Premium Study – September 2010.

As the increase in the value of the options (approximately \$7,300 per Convertible Note) exceeds the reduction in funding costs compared to likely alternative sources of funding (in a range of \$3,500 to \$6,000 per Convertible Note), we have concluded that **the Proposed Transaction is not fair.**

11. Other Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the shareholders should consider the following factors:

- Whilst in Section 10 above we concluded that the Proposed Transaction is not fair, the assessment of fairness does not take into account the following factors:
 - the legal and other transaction costs that World Reach would incur in obtaining alternate sources of funding.
 - the increased option value of \$7,300 is based on World Reach's current share price of \$0.285 per share. The conversion of all 41 Convertible Notes would result in the issue of 5,125,000 new shares. As explained in Section 7.3 above, the World Reach shares are only moderately liquid and the holders of the Convertible Notes could not dispose of the newly issued shares without significantly depressing World Reach's share price. This is usually referred to as a blockage discount and this has not been taken into account in our assessment of the option value as the size of the discount cannot be quantified at this point in time.
 - as referred to in Section 8.3.2 above, comparable convertible note facilities are usually provided by one party who stands to gain control or significant influence over the borrower if conversion takes place. The pricing of comparable transactions therefore includes a degree of premium for control. As we are unable to quantify the impact of any control premium on pricing, this has not been taken into account in assessing the cost of alternate sources of funding.
- If the Non-Associated Shareholders do not approve the Proposed Transaction management will need to seek alternate funding in case the Convertible Note holders request redemption of the Convertible Notes. This is likely to take up considerable management time and will deflect management from the day to day running of the business.
- World Reach could attempt to raise capital in order to redeem the Convertible Notes. Based on recent capital raisings by small cap ASX listed companies any capital raising is likely to be at a substantial discount to the current share price, thus diluting the interests of the Non-Associated Shareholders. This would also be likely to depress the market value of World Reach shares for some time whilst the new shares are absorbed by the market.

- If the Non-Associated Shareholders do not approve the Proposed Transaction and World Reach cannot obtain funding from alternate sources, the Convertible Note holders would have a right to enforce their security and appoint a receiver to World Reach. As the majority of the Convertible Note holders are also shareholders or associates of existing shareholders of World Reach, on balance we believe that this is not likely to be to their net benefit. Furthermore as the World Reach shares are trading at \$0.285 per share and the Convertible Notes convert at \$0.20 per share, we believe that the Convertible Note holders are more likely to agree to convert than to enforce their security. This opinion however assumes that there is no deterioration in the financial position of World Reach between the present time and the maturity of the Convertible Notes on 1 July 2013. Unless World Reach can secure alternate funding, the consequences of the Convertible Note holders seeking redemption is likely to be the appointment of a receiver and a significant erosion in the value of the Non-Associated Shareholders' interests in World Reach would occur.
- If World Reach was unable to pay the Convertible Note holders the redemption monies, the Convertible Note holders may elect to convert into World Reach shares. If this occurred and they proceeded to sell their shares, then the price of World Reach shares may fall significantly.
- There can be no guarantee that World Reach can secure an alternate source of funding, or that any alternate funding would be on terms that are more favourable than the existing Convertible Notes.
- Approval of the Proposed Transaction will not result in any note holder increasing their voting power to a level that would provide them with significant influence over World Reach.

After reviewing the above significant factors we consider that **the Proposed Transaction is reasonable.**

12. Related Parties - Financial Benefits

Approval of the Proposed Transaction will result in the holder of each Convertible Note receiving:

- an increase in the value of the options over World Reach shares that in Section 8 above we assessed to be approximately \$7,300 per Convertible Note; and
- interest of 8% per annum on the face value of \$25,000 of each Convertible Note, or \$4,000 over the additional two years until the proposed new maturity date of the Convertible Notes.

On this basis the following holders of Convertible Notes, each of whom is deemed to be a related party for the purposes of Chapter 2E of the Act, receiving a benefit of approximately \$11,300 per Convertible Note. The benefit accruing to each related party is:

Noteholder	No of Convertible Notes held	Value of Benefit \$
Payne	1	11,300
Mrs Capocchi	14	158,200
Makormak	2	22,600

13. Financial Services Guide

13.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

13.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

13.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

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

13.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

13.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with World Reach, Killarney, Garrott, Capocchi, Payne, Makormak or any of their associates.

Drafts of this report were provided to and discussed with the Company Secretary of World Reach and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

13.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$19,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

13.7 Compensation Arrangements and Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd



Paul Lom
Director



Derek Ryan
Director

Comparable Companies

C-Com Satellite Systems Inc. (“C-Com”)

C-Com engages in the development and deployment of commercial grade mobile auto-deploying satellite-based technology for the delivery of two-way high-speed Internet, VoIP, and video services into vehicles in Canada and internationally. It offers iNetVu, a proprietary mobile auto-deploying antenna for the delivery of satellite based Internet services into vehicles while stationary, as well as for the transportable platforms. The company’s satellite-based products and services deliver solutions for fixed and mobile applications. It also provides HN7000, HN7700, and DW7000 lines of broadband satellite routers to offer high-speed access for the consumer, small office, home office, and enterprise markets; DW7700, a broad band satellite router designed to provide high-speed access for large enterprise, government, and small/medium enterprise markets; iDirect 3000 Modem, a satellite Internet modem for remote Internet access for small to medium enterprise customers; and iDirect 5000 Modem to support the business applications of enterprise customers. In addition, the company offers product accessories for its iNetVu systems, such as hand-held controllers, beacon receivers, and transportable cases; and system operation help, trouble-shooting, failed parts repair and replacement, and product technical information and documentation services to users and dealers. It serves military/homeland security, law enforcement/mobile command centers, fire-fighting and emergency response, mobile sports and news reporting, oil/gas exploration and service, bookmobiles and mobile training centers, recreation vehicles, emergency back-up and disaster recovery, mobile banking branches, nascar/formula 1 racing teams, and movie productions/satellite news gathering industries, as well as forestry, mining, and construction sectors. The company was founded in 1997 and is headquartered in Ottawa, Canada.

Centron Telecom International Holding Limited (“Centron”)

Centron is an investment holding company that engages in the research, development, manufacture, marketing, and sale of wireless telecommunications coverage system equipment and digital television network coverage equipment; and provision of related engineering services in the People’s Republic of China. The company offers wireless network products, including GSM and CDMA LAN, WCDMA LAN, frequency selection and shift series, optical transceiver modules, filter series, splitters series, duplexer series, dual frequency combiners, bridges, tri-frequency combiners, four-frequency combiners, bridge combiners, enterprise desktops, probes, analyzers, amplifiers, repeaters, different frequency companding systems, carrier pools, repeater network management systems, bi-directional TTA, antenna feeder monitoring systems, microwaves, wireless access points, wireless mesh products, IP-PBX dispatching equipment, service access gateways, service access controllers, mobile broadband information access platforms, and digital television transmission systems. It also provides digital terrestrial television products, which comprise digital television repeaters; and antenna products, which comprise indoor, yagi, directional, decorated, and omni-directional antenna products. In addition, the company engages in the coordination, research, and development of wireless telecommunications coverage system products. Centron was founded in 1989 and is headquartered in Shatin, Hong Kong.

DDS Wireless International Inc. (“DDS”)

DDS provides wireless mobile data solutions for vehicle fleet applications primarily in the United States, Canada, Europe, and internationally. The company engages in the design, development, and deployment of turnkey solutions, including application software, mobile devices, infrastructure products, professional services, and maintenance. It operates in four business units: Taxi, Transit, eFleet, and Digital Wireless. The Taxi business unit provides computerized dispatching and turnkey wireless fleet management solutions for taxi fleets; and TaxiBook, an Internet-based fleet management and dispatch solution. It also offers mobile commerce and Web-based interactive multimedia information, entertainment, and advertising solutions for taxis through a passenger information monitor. The Transit business unit provides mobile devices and wireless data infrastructure; scheduling, dispatching, and client management software; and service-based managed scheduling and dispatching solutions for the transit market. The eFleet business unit offers software, hardware, and data networks that are accessible via Web browser to provide dispatching and management functionality for fleets of commercial vehicles. It integrates computer aided wireless dispatch, GPS fleet tracking, GPS navigation, two-way text messaging, and point-of-sale payment processing into a single hosted system. This business unit’s primary markets are work trucks, waste management trucks, and limousines. The Digital Wireless business unit provides in-vehicle wireless data computers, communications infrastructure products, and related in-vehicle peripheral devices. It markets its products as an OEM directly to customers and third-party solution providers. The company was formerly known as Digital Dispatch Systems Inc. and changed its name to DDS in March 2008. The company was founded in 1978 and is headquartered in Richmond, Canada.

Norsat International Inc. (“Norsat”)

Norsat provides broadband communication solutions that enable the transmission of data, audio, and video in remote and austere environments. Its products and services include microwave components, portable satellite systems, maritime solutions, wireless networks solutions, and equipment financing. The company also provides engineering consulting services to meet customers’ specific needs. Its products and services are used by telecommunications services providers, emergency services and homeland security agencies, military organizations, health care providers, news organizations, and Fortune 1000 companies. Norsat has presence in the United States, the United Kingdom, Sweden, South Korea, Switzerland, Italy, and Germany. The company was formerly known as NII Norsat International, Inc. and changed its name to Norsat in July 1999. Norsat was founded in 1977 and is headquartered in Richmond, Canada.

ORBIT/FR, Inc. (“ORBIT”)

ORBIT, through its subsidiaries, develops, markets, and supports automated microwave test and measurement systems for the wireless communications, satellite, automotive, aerospace/defense, and electromagnetic compatibility industries. It provides microwave test and measurement systems, including antenna measurement systems that test for signal quality, direction, strength, and interference in various stages of product’s life; cellular/PCS base station systems to assess the microwave performance characteristics of cellular/PCS base stations and antennas; satellite systems for satellite communication and broadcast systems to test the satellite performance of the satellite’s antennas; automotive systems for automobile manufacturers and manufacturers of automotive sub-assemblies; radar cross section systems, which transmit microwave signals towards a passive target and measure the energy reflected back; radome systems to measure radome performance; custom microwave test and measurement systems; and multi-probe measurement systems. The company also offers automatic measurement software for microwave test and measurement systems; positioner subsystems comprising positioners, positioner controllers and power control units, planar scanners, and pylons and model towers; and other microwave products, such as radial power combiners, antennas, probes, and other microwave accessories. In addition, it provides anechoic foam, a microwave absorbing material that is an integral component of microwave test and measurement systems. The company sells its products through its direct sales force, distributors, agents, and representatives worldwide. ORBIT was founded in 1985 and is headquartered in Horsham, Pennsylvania.

WebTech Wireless Inc. (“WebTech”)

WebTech develops, manufactures, and delivers GPS automated vehicle tracking (AVL) and telematic solutions to commercial and government fleets worldwide. The company provides InterFleet, an Internet-based GPS/AVL fleet management solution for public sector fleets, such as snowplows, ambulances, and waste management vehicles; NextBus, a software solution that provides predictive arrival-time, passenger counting applications, and stop enunciation programs to urban transit systems and corporate fleets; and Quadrant, a solution for private and public sector to improve the management, risk, and real-time operation of vehicle fleet. It also provides location based services, including navigation, AVL/tracking, Internet, traffic reporting, proximity advertising, geofencing, and vehicle monitoring; Telematics for the Planet, a carbon emission measurement and reporting system; fleet management services, such as mobile computing, digital forms/reporting, invoicing, city search, and data collection; and winter maintenance. In addition, the company offers regulatory compliance services, such as driver logs and other measures required for hours of service regulations, automated reporting in regulatory formats, driver and other alerts, and trip recorder; and connectivity services comprising dispatch, voice/cellular communication, data, and messaging. Further, it provides safety and security services, including monitoring of hazardous material transport, anti-theft, vehicle recovery, air-bag deployment notification, remote door lock/unlock, and remote vehicle diagnostics; and public transit and shuttle fleet customer communication. Additionally, the company offers hardware, installation, support, maintenance, consulting, and training services. It serves emergency services, government, oil and gas, service fleets, transit, transportation, utilities, waste management, and winter fleet industries. The company was founded in 1999 and is headquartered in Burnaby, Canada.

Sources of Information

- the Explanatory Memorandum which this report accompanies;
- audited financial statements of World Reach for the financial years ended 30 June 2011 and 2012;
- World Reach's announcements to the ASX since 1 January 2011;
- forecast profit and loss account of World Reach for the financial year ending 30 June 2013;
- World Reach's share price and trade volumes for the period from 1 October 2011 to 30 September 2012 supplied by Commonwealth Securities Limited;
- World Reach's web site;
- research as to comparable EBITDA multiples sourced from Capital IQ;
- research as to cost of alternate sources of funding sourced from Thomson Reuters; and
- discussions with the Company Secretary of World Reach.

Declarations, Qualifications and Consents**1. Declarations**

This report has been prepared at the request of the Directors of World Reach pursuant to Chapter 2E of the Act, and ASX Listing Rule 10.10 to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom and Mr Derek M Ryan, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of the Institute of Chartered Accountants in Australia and a Registered Company Auditor with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Ryan has had over 40 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.