

STREAM GROUP LIMITED

ACN 010 597 672

PROSPECTUS

An offer for up to 6,174,390 Class A Performance Shares to Third Party Cerno Shareholders.



IMPORTANT INFORMATION

Offer

The Offer contained in this Prospectus is an offer to acquire Class A Performance Shares in the capital of Stream Group Limited.

The Offer is made only to Eligible Third Party Cerno Shareholders.

The Class A Performance Shares are redeemable convertible shares that may convert to ordinary fully paid shares in the capital of Stream Group Limited, subject to achievement of the performance measures detailed in this Prospectus

The Shares issued on conversion of the Class A Performance Shares will be in a class of securities that has been continuously quoted on ASX and thus subject to regular reporting requirements for the 12 months prior to the date of this Prospectus.

In reliance on ASIC declaration number 14-1160 dated 17 November 2014 this Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply. That provision allows the issue of a more concise document in relation to the issue of continuously quoted securities. The ASIC Declaration extends the operation of Section 713 of the Corporations Act to this Offer of Class A Performance Shares which are convertible into continuously quoted securities in the Company.

Lodgement and Quotation

This Prospectus is dated 1 December 2014 and a copy was lodged with the Australian Securities and Investments Commission on that date. This Prospectus will expire, and no securities will be issued on the basis of this Prospectus, 13 months after the date of this Prospectus.

The Class A Performance Shares will not be quoted on the ASX. On conversion of the Class A Performance Shares the Company will apply for quotation of the Shares. The fact that the Shares may be quoted is not to be taken as an indication of the merits of the Company, the Class A Performance Shares or the Shares. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in Stream Group Limited. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your Broker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in this Prospectus.

You should also consider risk factors that could affect the Company's business, financial condition and results of operations.

No person named in this Prospectus, nor any other person guarantees the performance of Stream Group Limited or the repayment of capital or any return on investment made pursuant to this Prospectus.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus may not be distributed to, or relied upon by, persons in the United States of America or who are US Persons.

The Class A Performance Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any State of the United States of America, and may not be offered or sold in the United States of America, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States of America State securities laws. The Offer is not being extended to any investor outside Australia and New Zealand. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation and the submission of an Application.

New Zealand Shareholder Disclosure

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and

the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008.

This Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Shares is not New Zealand dollars. The value of the Shares will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Shares to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the Shares issued on conversion of the Class A Performance Shares are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Defined Terms

Capitalised terms are as defined in the Glossary. Unless otherwise stated or implied, references to time in this Prospectus are to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Disclaimer

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties.

These forward looking statements are subject to various risk factors that could cause Stream Group Limited's actual results to differ materially from the results expressed or anticipated in these statements.

Exposure Period

The Corporations Act prohibits Stream Group Limited from processing Applications in the seven day period after the Prospectus is lodged with ASIC. The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

This Prospectus is available in electronic form at www.streamgroup.com.au/CAPSprospectus.

The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

A paper copy of the Prospectus is available free of charge to any Third Party Cerno Shareholder in Australia by calling Stream Group Limited on +61 7 3552 0229.

Applications for Class A Performance Shares may only be made on the Personalised Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its soft copy form which must be downloaded in its entirety from the Company website. By making an Application, you declare that you were given access to the Prospectus with the Personalised Application Form. The Corporations Act prohibits any person from passing the Personalised Application Form on to another person unless it is attached

to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

Diagrams

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Prospectus.

Privacy

By completing an Personalised Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a holder of securities, provide facilities and services that you request and carry out appropriate administration.

Once you become a holder of securities, the Corporations Act and Australian taxation legislation requires information about you (including your name, address and details of the Shares you hold) to be included in the Stream Group Limited public register. The information must continue to be included in Stream Group Limited public register if you cease to be a holder of securities. If you do not provide all the information requested, your Application Form may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- The Share Registry for ongoing administration of the Shareholder register;

- renters and other companies for the purpose of preparation and distribution of documents and for handling mail;
- Market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about Stream Group Limited's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. Stream Group Limited aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the members register will be accessible by members of the public.

Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Personalised Application Form. If you have not, please email the Company at prospectus@streamgroup.com.au and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both. Alternatively, you may obtain a copy of the Prospectus from the Company's website at www.streamgroup.com.au.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

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INVESTMENT OVERVIEW

KEY DATES

Lodgement of Prospectus with ASIC	1 December 2014
Opening Date ¹	8 December 2014
Closing Date	19 December 2014
Allotment of Class A Performance Shares under Prospectus	2 January 2015

¹The Opening Date may be extended by a maximum of 7 days if ASIC extends the exposure period.

These dates are indicative only and may vary. The Company reserves the right to close the Offer early or extend the Closing Date and accept late Applications at any time prior to the expiry date of this Prospectus without prior notice. The Company also reserves the right to withdraw the Offer at any time after the expiry of the exposure period.

KEY PRO FORMA OFFER DETAILS

Subscription Consideration	Cerno Shares
Number of Class A Performance Shares available under the Offer	6,174,390
Approximate ratio of Class A Performance Shares for each Cerno Share ¹	3.65 CAP Shares:1 Cerno Share

¹Each Eligible Third Party Cerno Shareholder will receive a Personalised Application Form together with this Prospectus which will detail the exact number of CAP Shares being offered for all of the Eligible Third Party Cerno Shareholder's Cerno Shares.

OFFER SUMMARY

Question	Response	More Info
Who is issuing this Prospectus?	Stream Group Limited (ACN 010 597 672). The Company is listed on the ASX under ticker code SGO.	-
What is the Offer?	We are offering to acquire all of the Cerno Shares held by each Third Party Cerno Shareholder with the consideration paid by the Company being in the form of CAP Shares.	Section 1.1 and "About the Class A Performance Shares"
Is there a minimum or maximum Application?	A Third Party Cerno Shareholder who accepts the Offer must accept it in respect to all of their Cerno Shares. There is no minimum or maximum application.	Section 1.3
What is the purpose of the Offer?	The Company currently holds approximately 39% of Cerno Shares. The Offer is for the purpose of acquiring the balance of the Cerno Shares.	Sections 1.2
Is the Offer conditional upon a minimum acceptance?	<p>The Company is not conducting the Offer for the purpose of raising capital.</p> <p>Clause 26 of the constitution of Cerno provides for "Drag Along" rights to Cerno Shareholders. The effect of the Drag Along clause is to require all Cerno Shareholders to sell their Cerno Shares to an entity who seeks to acquire 100% of Cerno once the acquiring entity has acquired 75% of Cerno.</p>	Section 1.7
Is the Offer conditional upon any other events?	<p>The Offer is conditional upon Stream obtaining sufficient numbers of Cerno Shares through the Offer to trigger the "Drag Along" rights under Cerno's constitution.</p> <p>The Offer is conditional upon the Company acquiring all of the Third Party Cerno Shareholders' Debt.</p> <p>The Company has offered to acquire the Third Party Cerno Shareholders' Debt on the terms of the Class B Performance Shares Prospectus.</p>	Section 1.7
Will the CAP Shares be quoted on the ASX?	No.	Section 1.8
Will the Shares issued on conversion of CAP Shares be quoted on the ASX?	Stream will apply to the ASX for quotation of Shares issued on conversion of CAP Shares.	Section 1.8
Is the Offer underwritten?	No.	-
Who can participate in the Offer?	Only Third Party Cerno Shareholders resident in Australia or New Zealand can participate in the Offer.	Section 1.1
How do I apply for CAP	Applications for Shares under the Offer by must be	Section 1.3

Shares?

made using the Personalised Application Form.

The Personalised Application Form includes a share transfer form for your Cerno Shares. If you have your Cerno Share Certificate you must include it with your Personalised Application Form.

Completed Personalised Application Forms must be mailed, faxed, emailed or delivered to the addresses provided on the Personalised Application Form.

How will I know if CAP Shares are issued to me?

A CAP Share Certificate will be sent to you if the CAP Shares are issued. The Company will also release an announcement in the form of an Appendix 3B announcing the issue of the CAP Shares.

Section 1.9

How can further information be obtained?

Please contact Christian Bernecker, Chairman on +61 408 293 222 if you have any questions relating to the Offer.

If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.

ABOUT THE CLASS A PERFORMANCE SHARES

The CAP Shares are a specific class of redeemable converting shares that carry different rights to Stream's ordinary fully paid shares.

CAP Shares include a Performance Milestone that must be reached before the CAP Shares will convert to Shares. The Performance Milestone is Performance Revenue of \$21,500,000.

The CAP Shares convert to Shares to a maximum ratio of 1 for 1 and the Shares issued on conversion will be subject to escrow for 12 months from the date of issue. If the Performance Milestone is not achieved, the CAP Shares will not convert and will be automatically redeemed by the Company at \$0.001 per CAP Share at the expiry date.

The terms of the CAP Shares are contained in Schedule 1. Set out in the table below are explanations of some of the terms of the CAP Shares.

Question	Answer
How is Performance Revenue calculated?	<p>Performance Revenue is the Australian revenue from Cerno and Stream excluding revenue from:</p> <ul style="list-style-type: none">• the RACQ Contract• NIRS Business• Xactware Contract• QuSol Product• Stream Connect Product.
Why is Performance Revenue used?	<p>In the opinion of the Directors, Performance Revenue will correlate closely with the revenue of Cerno alone and avoids the need for the Company to quarantine the Cerno business during the period of the CAP Shares.</p>
What is the Performance Milestone?	<p>The Performance Milestone is \$21,500,000 in any of FY 2015, 2016 or 2017.</p> <p>The Performance Milestone needs to be achieved at least once before the expiry of the CAP Shares before there will be any conversion of the CAP Shares to Shares.</p>
When do the CAP Shares expire?	<p>5.00pm on 2 October 2017.</p> <p>On the expiry date, CAP Shares will be be automatically redeemed for \$0.001 per CAP Share and then cancelled.</p>

How is the conversion ratio calculated?	<p>The conversion calculation is included in Schedule 1.</p> <p>In general terms, a proportion of the amount by which the Performance Revenue exceeds the Performance Milestone is attributed to the Performance Value. The proportion represents the value of the equity held by Third Party Cerno Shareholders on the basis of a 3.5 times EBIT multiple and assuming EBIT is 10% of revenue.</p> <p>The Performance Value is then divided by the Volume Weighted Average Price of Shares at the conversion date to give a total number of Shares available to holders of CAP Shares. This number is then divided by the total number of CAP Shares under the Offer to give the number of Shares into which each CAP Share will convert.</p>
How many opportunities are there for the conversion to occur?	<p>The Company will test the achievement of the Performance Milestone and calculate the Performance Value and calculate the conversion ratio on or before 1 October in each year prior to the expiry date of the CAP Shares.</p>
How is rounding applied to determine the number of Shares?	<p>Rounding will be applied by combining all the CAP Shares held by each holder and rounded up to the nearest whole Share.</p> <p>A CAP Share can convert to a maximum of 1 Share.</p>
Why is BPV deducted from the Performance Value?	<p>In addition to the CAP Shares, the Company will offer to acquire \$2,050,000 of outstanding unsecured loans by current and former Third Party Cerno Shareholders to Cerno through the issue of a combination of Shares and Class B Performance Shares. The BPV carries over from the conversion calculation for the Class B Performance Shares.</p> <p>Consistent with debt ranking ahead of equity, the deduction of BPV effectively provides that the value attributed to the Class B Performance Shares on conversion is deducted from the Performance Value for the conversion calculation for the CAP Shares.</p>
How likely is it that the CAP Shares will convert to Shares?	<p>Whether the CAP Shares convert to Shares will depend upon the financial performance of the business units of Cerno and Stream in Australia that are relevant to the Performance Revenue.</p> <p>The Directors cannot give any forecast or estimate of what the Performance Revenue will be during FY 2015, FY2016 or FY2017,</p>

being the financial periods relevant to the CAP Shares.

As a comparison, Performance Revenue for FY2014 was \$31,225,833, in a year of benign weather conditions in the regions in which Stream and Cerno operate.

At the date of this Prospectus, the Performance Revenue for the three months ending 30 September 2014 is \$4,548,000.

What happens if the Performance Milestone is not achieved before the expiry date of the CAP Shares or the conversion calculation never results in a positive number?

There will be no conversion to Shares and the CAP Shares will be redeemed by the Company through the payment to the holder of the CAP Shares of \$0.001 per CAP Shares.

On redemption the CAP Shares will be cancelled.

Do I have to do anything for the CAP Shares to convert or be redeemed?

No. The conversion or redemption will occur in accordance with the terms of the CAP Shares.

On the issue of Shares they will be allotted to the holder of the CAP Shares and unless advised otherwise by the holder of the CAP Shares prior to the allotment, will be issued to the Issuer Sponsored Sub-Register.

How will I know whether conversion or redemption will occur?

If conversion occurs, the Shares will be issued on the Business Day day after calculation of the Performance Value.

In each annual report, audited annual financial statements and each half year report while any CAP Shares are on issue, the Company will disclose whether the Performance Milestone was met in the period and, in respect to the annual report and audited annual financial statements, the calculation of the Performance Value.

If the Company is not able to complete the calculation prior to the issue of the annual report and audited annual financial statements, the Company will release an announcement to the ASX containing the calculation.

What rights do I have as a holder of CAP Shares?

CAP Shares carry very limited rights and do not carry the same rights as Shares.

As the holder of CAP Shares you will receive notice of meetings of members of the Company and copies of the Annual Report and will be entitled to attend, but not vote at, general meetings of

members of the Company.

You will only be entitled to vote at a meeting of holders of CAP Shares.

If the CAP Shares do convert, what rights will I have as a holder of Shares? The Shares will carry the same rights as the Company's ordinary fully paid shares, subject to the Shares being held under a trading lock for 12 months from the date of issue.

The trading lock means that you will not be entitled to sell the Shares while the trading lock exists.

Additionally, as a term of this Offer, you will not be entitled to enter into any agreement to sell, dispose of, or assign the Shares during the period of 12 months from the date of issue of the Shares.

The rights and liabilities of the Shares are contained in Schedule 2.

1. DETAILS OF THE OFFER

1.1 The Offer

The Company offers a total of 6,174,390 CAP Shares to Eligible Third Party Cerno Shareholders.

The Offer of CAP Shares to each Eligible Third Party Cerno Shareholder will be detailed in the Personalised Application Form.

Consideration for the CAP Shares is limited to Cerno Shares.

1.2 The Purpose of the Offer

The Offer is solely for the purpose of acquiring the balance of Cerno Shares not already held by Stream through its wholly owned subsidiary.

There will be no funds raised by the Offer.

1.3 Personalised Application Form

Third Party Cerno Shareholders who wish to submit an Application must do so in respect to all of their Cerno Shares in the form of the Personalised Application Form.

1.4 Effect of the Offer - Pro Forma Statement of Financial Position

Should the conditions in section 1.7 be achieved, then the Company will ultimately acquire 100% of Cerno. Set out below is an unaudited pro-forma statement of financial position for the Company pre and post acquisition of Cerno as at 30 June 2014. The pro-forma combines the Company and Cerno as at 30 June 2014 taking into account:

- The elimination of intercompany balances;
- The proposed issue of 2,272,727 Shares at \$0.2255 per share for the acquisition of Third Party Shareholder Debt;
- The Recognition of Goodwill on acquisition of \$4,201,847. Goodwill recognised on acquisition will be subject to audit at 30 June 2015 and impairment testing depending on the performance of Cerno up to 30 June 2015; but,
- Does not take into account the drawing down of additional short term funding provided by the Company's primary banking provider post 30 June 2014.

STATEMENT OF FINANCIAL POSITION

	Stream Group 30-Jun-14 \$		Stream Group Pro Forma \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3,304,147	✔	3,679,263
Trade and other receivables	12,545,215	✔	9,035,549
Work in progress	2,741,818	✔	5,224,752
Other assets	324,023	✔	857,360
TOTAL CURRENT ASSETS	✔ 18,915,203	✔	18,796,924
NON-CURRENT ASSETS			
Trade and other receivables	-	✔	615,013
Financial assets and investment accounted for using the equity method	524,374	✔	1,224,374
Financial assets	152,173	✔	152,173
Property, plant and equipment	1,500,902	✔	3,027,509
Deferred tax assets	924,043	✔	924,043
Intangible assets	5,366,623	✔	12,422,332
Other non-current assets	171,383	✔	171,383
TOTAL NON-CURRENT ASSETS	✔ 8,639,498	✔	18,536,826
TOTAL ASSETS	✔ 27,554,701	✔	37,333,750
CURRENT LIABILITIES			
Trade and other payables	11,453,653	✔	13,519,962
Financial liabilities	851,269	✔	3,862,891
Other financial liabilities	301,274	✔	321,714
Current tax liabilities	567,931	✔	567,931
Short-term provisions	771,347	✔	3,546,892
TOTAL CURRENT LIABILITIES	✔ 13,945,474	✔	21,819,391
NON-CURRENT LIABILITIES			
Financial liabilities	3,866,717	✔	4,058,250
Long-term provisions	-	✔	1,201,099
TOTAL NON-CURRENT LIABILITIES	✔ 3,866,717	✔	5,259,349
TOTAL LIABILITIES	✔ 17,812,191	✔	27,078,740
NET ASSETS	✔ 9,742,510	✔	10,255,010
EQUITY			
Share capital	8,373,280	✔	8,885,780
Reserves	169,444	✔	169,444
Accumulated losses	1,199,786	✔	1,199,786
TOTAL EQUITY	✔ 9,742,510	✔	10,255,010

1.5 The effect of the Offer – Capital Structure

The capital structure of the Company following completion of the Offer is summarised in the table below.

Description	Number
Shares on issue at date of Offer	182,480,839
Minimum number of Shares on issue at Closing Date [^]	187,311,043
Maximum number of Shares on issue at Closing Date [^]	188,463,726
Class A Performance Shares	6,174,390
Class B Performance Shares ^{*#}	3,181,818
Additional Shares offered under Class B Performance Shares Prospectus [#]	2,272,727

[^]Subject to the placement of the shortfall under the non-renounceable pro-rata rights issue with record date of 30 October 2014.

^{*}Class B Performance Shares convert to a maximum of 1 Share per Class B Performance Shares.

[#]Eligible Third Party Shareholders should consider the Class B Performance Shares Prospectus for more information.

1.6 Restricted Securities and Escrow Conditions

CAP Shares issued under this Offer will not be Restricted Securities.

Shares that may be issued on conversion of the CAP Shares will be subject to a trading lock for 12 months from the date of issue and holders of the Shares will not be entitled to sell the Shares, or enter into an agreement to sell, transfer or otherwise dispose of the Shares during the period of 12 months from the date of issue of the Shares.

The Company will apply for quotation of the Shares issued on conversion of the CAP Shares. It is at the discretion of the ASX whether the Shares to be issued on conversion of the CAP Shares, will be Restricted Securities.

1.7 Conditional Offer

The Offer is conditional upon:

- the Company obtaining applications from Eligible Third Party Cerno Shareholders holding a total of at least 993,308 Cerno Shares to result, on acceptance by the Company, of the Company holding at least 75% of the Cerno Shares; and,
- the Company acquiring all of the Third Party Cerno Shareholder's Debt under the offer contained in the Class B Performance Shares Prospectus...

The Company may waive either or both of these conditions at its discretion.

If the conditions above are not waived by the Company or satisfied by the expiry date of this Prospectus, the Company will not issue any CAP Shares.

1.8 ASX Quotation

The Company will not apply for the CAP Shares under this Offer to be quoted on ASX.

The Company will apply for quotation of any Shares issued on conversion of the CAP Shares on the date of issue of the Shares. Quotation of Shares will be at the discretion of ASX.

1.9 Chess and Issuer Sponsored Holdings

The Company participates in the Clearing House Electronic Subregister System (CHES). CHES is operated by a wholly owned subsidiary of ASX, in accordance with the ASX Settlement Operating Rules. Under CHES, the Company does not issue certificates to investors for Shares. Instead, holders of Shares will receive a statement of their holding in the Company. If an investor is broker sponsored they will receive a CHES statement.

CAP Shares will not be CHES securities and the Company will issue certificates for the CAP Shares.

1.10 Taxation

Eligible Third Party Cerno Shareholders should obtain their own tax advice before applying under the Offer.

2. RISK FACTORS COMPANY, INDUSTRY AND INVESTMENT

The activities of Stream and its controlled entities are subject to risks, which may impact on the Company's future performance.

You should read this Section and consider the following risk factors, in addition to the other information in this Offer Document and publically available information, in light of your personal circumstances and investment objectives (including financial and taxation issues). You should also seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which you should be aware of in evaluating a further investment in the Company.

The list below is set out under "Company and Industry Risks" and "General Investment Risks."

2.1 Company and Industry Risks

- (a) Performance of Cerno Ltd: Cerno incurred a loss for the year ending 30 June 2014 of \$13.6 million. If the acquisition proceeds and Cerno is not returned to profitability for the 2015 financial year or future years, the income of the Company will be negatively impacted by 100% of Cerno Ltd's losses from the date that Stream takes control of Cerno.
- (b) Benign Weather Conditions: Benign weather conditions in the regions in which Stream operates will limit the revenue for Stream. Catastrophic events such as cyclones, floods and earthquakes, or the lack of them, are unpredictable and the financial impact of the lack of such events can only be managed through cost reduction.
- (c) Within Australia, Stream's current operations are principally in areas where cyclones and floods are the prevalent natural disasters. Stream does not have any significant exposure to claims activity relating to bushfire.
- (d) Ongoing benign weather conditions in the regions where Stream operates will result in reduced earnings for Stream.
- (e) Reliance on Key Personnel: Stream relies upon the industry knowledge and customer and supplier relationships of key personnel within the business. The loss of one or more of these key personnel may adversely effect the operations of the business.

- (f) Dependence on Key Customers: The loss of one or both of RACQ Insurance and Tower Insurance Limited would require a significant restructuring of the business and would have a significant impact on revenue and earnings of the business.
- (g) Until such time as Stream UK, QuSol and Stream Connect are generating material revenue, which is not anticipated to occur in the short term, the loss of one or more of the key customers would have a material impact on cash flow of Stream and may impact the solvency of Stream and the Company.
- (h) The impact to cash flow of the loss of one or both of the key customers may inhibit the ability of Stream to fund the sales and marketing effort for QuSol and Stream Connect.

2.2 Operational Risk

- (a) The claims service business maintains a cost structure with a degree of under-utilisation during the business as usual conditions. The under-utilisation allows for Stream to respond quickly to catastrophic events, such as cyclones and floods where the business is required to quickly deploy claims assessors and manage large volumes of urgent claims. The management of staffing resources is a constant balance of managing cost while allowing for a rapid increase in activity in response to catastrophic events. There is no guarantee that the business will be able to efficiently align its costs with work flows.
- (b) Catastrophic events place additional demands upon staffing and in most cases require a short term headcount increase to supplement the business as usual staffing levels. In addition to increased salary costs there are additional operating costs associated with travel, accommodation and meal allowances for the deployment of staff to assess damage claims. The increase in costs is often proportionally greater than the increase in revenue resulting for catastrophic events.
- (c) The success of the claims services business depends upon the ability of Stream to quickly and efficiently deliver its services to its customers. A cyclone, flood, earthquake or other catastrophic event places significant pressure on the business to deliver its services in the time frame prescribed by the customer.
- (d) There is no guarantee that the business will always be able to deliver its services in the timeframe required by the customer, or at all, particularly in remote areas or regional areas beyond the range of Stream's existing offices.
- (e) Failure to meet the requirements of its customers may result in reduced revenue as a result of termination of contracts, the loss of future purchase orders under existing contracts or loss of reputation resulting in a failure to win contracts in the future.

- (f) Stream uses external contractors to augment its claims services in the areas of loss assessing and building consultancy as and when customer demands exceed the in-house capacity of Stream. Arrangements with these contractors are generally made on a case-by-case basis and there is no guarantee that the contractors will always be available to Stream or available on reasonable commercial terms.
- (g) Stream remains liable to the customer for the services of any external contractor and there is no guarantee that Stream will be able to recover from the contractor any loss arising from the acts or omissions of the contractor.
- (h) The IT development work for Stream Connect and QuSol has largely been completed but there has been no significant market testing conducted. There is no guarantee that Stream's existing suppliers will purchase the Stream Connect or QuSol product on reasonable commercial terms.
- (i) The Stream Connect product will require users from outside the insurance industry to be successful which will require additional investment in sales and marketing for the Stream Connect product.
- (j) The ability of Stream to deliver on its overall strategy to diversify its customer base and service offering relies in part on the performance of Cerno and NIRS.
- (k) The AcClaim and QuSol platforms rely upon third party software vendors, hosting and support and maintenance services. There is no guarantee that the third parties will always be available, available on commercial terms or that they will perform in accordance with their contractual obligations. The failure of those third parties to perform on commercial terms will have negative impacts upon the business of Stream.
- (l) The Company has during its history engaged in multiple acquisitions and divestments. In every transaction there is a risk that liabilities may not be identified or the risk to the Company arising from the liability not adequately mitigated through contractual terms or insurance. In the case of risks mitigated through contractual terms including warranties and indemnities, there are risks associated with enforcing the indemnity or warranty in the event of loss caused to the Company, including legal costs associated with enforcing the indemnity or warranty or the grantor's capacity to satisfy the quantum of the claim.
- (m) In recent times Australia has experienced several industrial action events and there is a risk that industrial action against Stream by its contractors or employees could affect the operation, profitability or Share price of the Company. While the Company will endeavour to maintain good relations with contractors, employees and unions the Directors cannot guarantee that industrial action will not occur.

- (n) The Company faces competition in its claims services division from both other third party providers and insurance companies' in-house claims management teams. There are relatively high barriers to entry to provide claims services arising from the requirement to have sufficient scale and capacity across regions to be awarded a service contract by a large insurer and to have suitable internal systems to be able to manage the claims at a competitive price to the client.
- (o) There are no guarantees that Stream will be able to maintain or build its existing market share in the face of competition, or that it will be able to maintain its current margins in response to competition.
- (p) There are existing competitors for the proposed QuSol product and the Stream Connect services and products. There is no guarantee that these products and services will be accepted by the market, or accepted on reasonable commercial terms.
- (q) There is no guarantee as to future earnings of the Company or that it will be profitable at any time. Any dividends paid by the Company are likely to be unfranked. The amount of dividends (if any) may be adversely affected by changes in currency exchange rates.
- (r) Litigation risks to the Company and Stream include, but are not limited to, customer claims, personal injury claims and employee claims, actions in relation to infringement of intellectual property rights and actions relating to defective products or services. If any claim were to be pursued and be successful it may adversely impact the sales, profits or financial position of the Company.

Stream is not currently a party to any material litigation.

2.3 General Investment Risks

- (a) **Financial Environment:** Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its assets. Factors which contribute to that general economic climate include:
 - (i) Contractions in the world economy or increases in rates of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity);
 - (ii) International currency fluctuations and changes in interest rates;
 - (iii) The demand for and supply of capital and finance;
 - (iv) Changes in government legislation and regulatory policy, including with regard to rates and types of taxation; and
 - (v) Domestic and international economic and political conditions.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by factors such as:

- (vi) general economic outlook;
 - (vii) interest rates and inflation rates;
 - (viii) currency fluctuations;
 - (ix) changes in investor sentiment toward particular market sectors;
 - (x) the demand for, and supply of, capital; and
 - (xi) terrorism or other illegal acts.
- (b) **Government Legislation:** Any material adverse changes in government policies or legislation of Australia or any other country where the Company may acquire or operate economic interests may affect the viability and profitability of the Company.
- (c) **Accounting Standards and Tax Laws:** The Company is exposed to the risk of changes to accounting standards, applicable laws or their interpretation which may have a negative effect on the Company, its investments or returns to Shareholders including the risk of non-compliance with reporting or other legal obligations.
- Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns
- (d) **Dilution:** The Company may in the future be required to raise capital for working capital or for other purposes such as acquisitions. The issue of further capital may result in the dilution of voting power of existing members and depending upon the price at which capital is raised, dilute the value of Shares.

3. ADDITIONAL INFORMATION

3.1 Continuous Disclosure Obligations

Stream Group Limited issued this Prospectus in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a more concise prospectus than would otherwise be required if the securities offered under the Prospectus are continuously quoted securities within the meaning of the Corporations Act or options to acquire continuously quoted securities.

Stream Group Limited relied upon the ASIC Declaration to issue this Prospectus under the special content rules provided for in section 713 of the Corporations Act. The ASIC Declaration extends the operation of section 713 of the Corporations Act to this Offer, to which it would not otherwise apply as the CAP Shares are convertible into continuously quoted securities of Stream.

Stream Group Limited is a disclosing entity as defined under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. The reporting obligations include regular periodic reports such as annual and half-year financial reports together with continuous disclosure obligations. As a disclosing entity and an ASX listed company, the Company is required to notify the ASX immediately of any information of which it is, or becomes, aware which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The information in the Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- The effect of the Offer on Stream; and
- The rights and liabilities attaching to the CAP Shares offered under this Prospectus and the rights and liabilities attaching to the underlying Shares.

The Prospectus is not required to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the Company. Eligible Third Party Cerno Shareholders should read this Prospectus in conjunction with the publicly available information that has been released to the ASX.

As at the date of this Prospectus, no information about the Offer has been excluded from a continuous disclosure notice in accordance with the Listing Rules.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. As an ASX listed company, a detailed list and full copies of all documents released to the ASX are available to the public from the ASX.

The Company will provide a copy of each of the following documents, free of charge, to any person who request a copy before the Closing Date:

- The Stream Group Limited 2014 Annual Report for the financial year ending 30 June 2014: and
- Any continuous disclosure notices given by the Company after the lodgement of the 2014 Annual Report and before the lodgement of this Prospectus. Since the lodgement of the 2014 Annual Report with ASX, the following notices have been released to ASX:

28/11/2014	Top 20 shareholders
28/11/2014	Appendix 3B
26/11/2014	Notice of Under-subscriptions
21/11/2014	Appendix 3B
19/11/2014	Change of Director's Interest Notice
19/11/2014	Change of Director's Interest Release
10/11/2014	AGM presentation
10/11/2014	Company Secretary Resignation
10/11/2014	Results of AGM
05/11/2014	Company Secretary Appointment
04/11/2014	Non-Renounceable Rights Issue Offer Document
27/10/2014	Letters to Shareholders for Non-Renounceable Rights Issue
24/10/2014	Section 708AA Notice for Non-Renounceable Rights Issue
24/10/2014	Appendix 3B- Non-Renounceable Rights Issue
24/10/2014	Non-Renounceable Rights Issue
23/10/2014	Change in substantial holding
23/10/2014	Change in substantial holding
21/10/2014	Becoming a substantial holder from AEF
17/10/2014	s708A Notice for Placement
17/10/2014	Appendix 3B
15/10/2014	Placement and Non-Renounceable Rights Issue
15/10/2014	Investor Presentation
13/10/2014	Trading Halt
09/10/2014	Notice of Annual General Meeting/Proxy Form

Requests should be made to Christian Bernecker
Christian.bernecker@streamgroup.com.au.

3.2 Interests of Directors

Other than set out below or elsewhere in this Prospectus, no Director or proposed Director holds as at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) The formation or promotion of the Company;

- (b) Any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or
- (c) The Offer;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person to a Director or proposed Director to induce him to become, or to qualify as, a Director; or for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

As at the date of this Prospectus, the Directors hold the following relevant interests in Shares:

Name	Number of Shares
Christian Bernecker	5,335,844
Don McKenzie	65,185,556
Jens Neiser	18,181,020
Stuart Marburg	4,238,097
Tony Nicklin	-

3.3 Remuneration of Directors

The Company's Constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed \$200,000 per annum. The Non-Executive Directors are paid an annual Directors' fees inclusive of statutory superannuation of \$35,000 per annum.

In the two years prior to the date of this Prospectus, Jens Neiser has received \$15,000, Christian Bernecker has received \$30,200, Stuart Marburg has received Nil and Tony Nicklin has received Nil.

(a) Employment Agreement for Don McKenzie

Don McKenzie will be employed as Chief Executive Officer and Managing Director of the Company. The terms of his employment are described below:

- (i) Base salary of \$200,000 per annum inclusive of superannuation, reviewed annually at the end of each financial year.
- (ii) Short-term incentive of 10% of the amount that net profit before tax of Stream exceeds \$3 million each year, reviewed annually. There is no long-term incentive.

- (iii) Employment may be terminated without cause by either party by giving six months notice, or earlier by payment in lieu of notice at the election of the Company.
- (iv) Employment may be terminated immediately by the Company for serious misconduct by Don McKenzie.
- (v) Leave and redundancy entitlements are in accordance with applicable laws, with termination benefits limited by Listing Rule 10.19 and Division 2 of Part 2D.2 of the Corporations Act.

(b) **Service arrangement for Christian Bernecker**

Christian Bernecker provides consulting services to the Company in his Executive Chairman role across mergers and acquisitions, strategy, corporate advisory and investor relations. The engagement may be terminated by either party on three months notice.

The annual fee is \$50,000 per annum plus GST with the next review in December 2014.

Christian Bernecker was issued with 3,333,333 Shares under the Company's Employee Share Loan Plan on completion of the acquisition of Stream as a part of his remuneration.

(c) **Underwriting Fees**

The Directors in the table below, through their controlled entities, have received the following fees for acting as underwriters for the Company's non renounceable pro-rata entitlements offer with a record date of 30 October 2014:

Underwriter	Director	Underwriting Fee
SM Tech	Stuart Marburg	\$3,750 plus GST
Big Macs	Don McKenzie	\$1,500 plus GST
Longreach Group	Christian Bernecker	\$6,650 plus GST
Steffen Lehmann	Jens Neiser	\$25,000 plus GST

3.4 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section;
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and

a statement included in this Prospectus with the consent of that party as specified in this section; and

- (c) has given their written consent to being named in this Prospectus and for the inclusion of statement made by them as described below in the form and content in which they are included and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Simpsons Solicitors has given its written consent to being named as the Solicitor to the Offer in this Prospectus.

Advanced Share Registry Limited has given its written consent to being named the Company's Share Registry in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

3.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Shares under this Prospectus; or
- (c) the Offer.

Simpsons Solicitors, the Solicitors for the Offer is expected to receive a total of \$6,000 for legal services related to the preparation of this Prospectus and for services in connection with the Offer. Subsequently, fees will be charged in accordance with normal charge out rates. In the 2 years prior to the date of this Prospectus, Simpsons Solicitors has received \$138,000 as fees for legal services.

3.6 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$8,250 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount (\$)
ASIC fees	2,290
Legal Fees	6,000
TOTAL	8,290

4. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of Stream Group Limited have each authorised the lodgement of this Prospectus with ASIC.



Christian Bernecker
Executive Chairman

5. GLOSSARY AND INTERPRETATION

Application	means an application for CAP Shares by an Eligible Third Party Cerno Shareholder.
ASIC	means the Australian Securities and Investments Commission.
ASIC Declaration	means the ASIC declaration number 14-1160 dated 17 November 2014.
ASX	means ASX Limited ACN 008 624 691 and the market that it operates.
Business Day	means a business day in New South Wales.
BVP	means the lesser of \$717,500 or 35% of the amount by which Performance Revenue exceeds the Performance Milestone.
Cerno	means Cerno Ltd ACN 111 653 386.
Cerno Share	means an ordinary fully paid share in the capital of Cerno.
Cerno Shareholder	means a holder of a Cerno Share recorded on the register of members of Cerno.
CAP Shares	means Class A Performance Shares as described in this Prospectus.
Class B Performance Shares Prospectus	Means the prospectus for the acquisition of the Third Party Cerno Shareholders' debt dated 28 November 2014.
Company or Stream	means Stream Group Limited ACN 010 597 672.
Constitution	means the constitution of the Company.
Corporations Act	means the Corporations Act 2001 (Cwlth)
Director	means a director of the Company.
Eligible Third Party Cerno Shareholder	means a Third Party Cerno Shareholder at the date of this Prospectus with an address on the register of members of Cerno in Australia or New Zealand.
Exposure Period	means 7 days from the date this Prospectus is lodged with ASIC.
Listing Rules	means the official listing rules of the ASX.
NIRS Business	means the business of Melbourne Technology Group Pty Ltd ACN 078 657 637 trading as National Insurance and

	Replacement Services.
Performance Milestone	means \$21,500,000.
Performance Revenue	means the Australian revenue from Cerno and Stream excluding revenue from: <ul style="list-style-type: none"> • the RACQ Contract • NIRS Business • Xactware Contract • QuSol Product • Stream Connect Product.
Performance Value	means either PV ¹ or PV ² , as applicable, as defined in Schedule 1.
Personalised Application Form	means the application form accompanying this Prospectus that contains the name and address of an Eligible Third Party Cerno Shareholder and includes the number of CAP Shares being offered to them.
QuSol Product	means the web based or “software as a service” version of AcClaim, Stream’s in-house workflow management system, developed for supply to insurance clients and downstream suppliers.
RACQ Contract	means Stream’s contract for building management and loss adjusting services to RACQ Insurance Limited ABN 50 009 704 152.
Restricted Securities	means shares subject to escrow conditions as imposed by the ASX in accordance with the Listing Rules.
Shares	mean ordinary fully paid shares in the capital of the Company.
Stream Connect Product	means the e-commerce platform providing a shopping comparison and services site under development by Stream.
Third Party Cerno Shareholder	means a Cerno Shareholder other than Stream Group Australia Pty Ltd.
Third Party Cerno Shareholders’ debt	means \$2,050,000 of outstanding unsecured loans by current and past Third Party Cerno Shareholders to Cerno Ltd.

Trading Days	has the same meaning as in the Listing Rules.
Volume Weighted Average Price	means the volume weighted average price for Stream Group Limited Shares traded on the ASX for the 10 Trading Days up to 30 September in the year of the conversion, as calculated by the Directors.
Xactware Contract	means the distribution agreement for the Xactware products between Xactware Solutions Inc, as supplier, and Stream's wholly owned subsidiary Insurtech Solutions Pty Ltd, as distributor.

SCHEDULE 1

Terms of Class A Performance Shares

Maximum number of Shares in the capital of Stream Group Limited into which a CAP Share may convert. 1 for 1

Performance Milestone and Performance Value CAP Shares have a Performance Milestone that must be achieved before any conversion may occur. The Performance Milestone is the achievement of Performance Revenue of \$21,500,000 in any financial year ending 30 June 2015 (FY15), 2016(FY16) or 2017(FY17)

The Performance Milestone must be achieved at least once in the period prior to the Expiry Date.

For the first financial year in which the Performance Milestone is achieved the Company will calculate the Performance Value for that year (**PV**¹) in accordance with the following formula.

PV¹= (35% of the amount by which the Performance Milestone is exceeded – BPV) x 0.61.

For the financial years subsequent to the financial year in which the Performance Milestone is achieved, the Performance Value for that financial year (**PV**²) shall be calculated as follows:

PV²= (Performance Revenue for the financial year – Performance Revenue for immediately preceding financial year) x 0.2135

Conversion

Subject to the maximum conversion ratio of 1:1 (which applies cumulatively), each CAP Share will convert in accordance with the following formula:

Number of Shares = $(PV^1 \text{ or } PV^2 / VWAP) \div 6,174,390$

Conversion Date	<p>The Company must test achievement of the Performance Milestone on or before 1 October in each year until achieved. Once the Performance Milestone is achieved the Company must then calculate the PV^1 for that year, and PV^2 for each subsequent year, on or before 1 October.</p> <p>The Conversion Date will be the next Business Day following the calculation of PV^1 or PV^2.</p>
Expiry Date	5.00pm on 2 October 2017. On the Expiry Date, CAP Shares will be cancelled and will be automatically redeemed for \$0.001 per CAP Share.
Transferability	Not transferable
Voting Rights	No rights to vote, subject to Corporations Act.
Copies of notices and Reports	Holders of CAP Shares are entitled to receive copies of notices, reports and audited accounts and to attend general meetings.
Dividend Rights	No rights to dividends
Rights on Return of Capital	No rights to capital
Rights to participate in surplus profit or assets of the entity on winding up	No rights to participate in surplus profit or assets of the entity on winding up.
Rights to participate in new issues such as bonus or entitlement issues	No rights to participate in new issues.
Conversion on Change of Control	No conversion on change or control.
Quotation	Not quoted.
Reconstructions	In the event of a reconstruction, consolidation or division of the Company's ordinary fully paid shares, the Class A Performance Shares shall be reconstructed, consolidated or divided in the same proportion as the Company's ordinary fully paid shares in a manner which will not result in any additional benefits being conferred on the holder of the CAP Shares which are not conferred on the holders of ordinary fully paid shares.

Rounding	The conversion calculation for each holder of CAP Shares shall be rounded up to the nearest whole share. The rounding is not applied to each CAP Share.
No Consideration for Shares	There will be no consideration for the issue of the ordinary fully paid shares on conversion of the CAP Shares.
Escrow	Shares issued on conversion of CAP Shares will be subject to escrow for 12 months from the date of issue during which time the Shares may not be sold, disposed of or transferred; and, the holder may not enter into an agreement to sell, dispose of or transfer the Shares.

SCHEDULE 2

Rights Attaching to Shares

The rights, privileges and restrictions attaching to Shares are set out in the Constitution and in certain circumstances regulated by the Corporations Act, the Listing Rules and the general law. A summary of the significant rights are set out below. The list is not exhaustive and does not contain a definitive statement as to the rights and liabilities of Shareholders. To obtain such a statement, investors should seek independent legal advice.

1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid bears to the total amounts paid and payable.

3 Winding-Up

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

thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

4 Shareholder Liability

The Shares are fully paid ordinary shares, they are not subject to calls for additional money and are not liable to forfeiture.

6 Dividends

The Directors may determine to distribute the profits of the Company, subject to the Corporations Act, in equal amounts per Share.

7 Future Issue of Securities

Subject to the Corporations Act and the Listing Rules the Directors may issue, grant options over, issue securities that may convert at the election of the Company or the holder into Shares at the times and on the terms that the Directors think appropriate.

8 Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

9 Variation of Rights

Pursuant to Section 246B of the Corporations Act and the Constitution, the Company may, with the sanction of a special resolution passed at a meeting of shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of the majority of the issued shares of that class, or if authorised by a ordinary resolution passed at a separate meeting of the holders of the shares of that class

10 Directors

The minimum number of Directors is 3 and the maximum is 10. The Directors may set a maximum number of Directors at less than 10 but must not set a maximum number that is less than the number of Directors in office at that time.

At each Annual General Meeting 1/3 of the Directors (excluding the Managing Director) must resign and are eligible for re-election.

11 Listing Rules

While the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act from being done, the act must not be done. If the Listing Rules require the Constitution to contain a provision and the Constitution does not contain that provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution to not contain a provision and the Constitution does contain that provision, the Constitution is deemed to not contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed to not contain that provision to the extent of the inconsistency.