

## EXPLANATORY MEMORANDUM

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### 1. INTRODUCTION

The following information provides a detailed explanation on resolutions 3, 4, 5 and 6 as set out in the Notice of AGM.

### 2. RESOLUTION 3 - CANCELLATION OF ADMISSION ON AIM

#### 2.1 Introduction

The Company seeks IT&e shareholder (“Shareholder”) approval to cancel the admission of its ordinary fully paid shares (“Shares”) to trading on the AIM market (the “**Cancellation**”) of the London Stock Exchange plc (“**AIM**”).

The Ordinary Shares are dual listed on both the Australian Securities Exchange (“**ASX**”) and AIM. The Ordinary Shares were admitted to trading on AIM on 12 December 2006 but the Directors believe, for the reasons set out below, that it is in the Company’s best interests to maintain an admission on only one market, the **ASX**. They are therefore proposing that the Company applies to have its admission to AIM cancelled.

Under the AIM Rules, the proposed cancellation requires the consent of not less than 75% of votes cast by its Shareholders in a general meeting.

#### 2.2 Reasons for the Cancellation

At the time of making the application for admission to AIM, the Directors considered that the admission would assist the Company in raising additional capital in a new market place and in making sales of its products in Europe.

However, the Board now believes that continuing with the admission, is not in the best interests of the Company.

While some capital was raised during the admission process, the Directors believe that it is unlikely that IT&e will be able to raise further capital from AIM investors in the current market conditions.

The Directors believe that the AIM listing has been beneficial in securing European clients, however the Company’s Razor product is now a more mature and recognized product in the European market. As a result the benefits of an AIM listing have reduced.

At the date of this document, there are approximately 3.5 million Shares trading directly on AIM by way of Depositary Interests (“**DI**”), which accounts for 1.3% of the Company’s issued share capital. The remainder of the Company’s issued share

capital is admitted to trading on the ASX. It is possible to move the Shares between AIM and the ASX, to meet investor demand on either market, but this is not commonly undertaken.

The Directors believe that dual listing, which requires the Company to comply and manage two reporting jurisdictions, has proven too much of a burden. Additional time and resources have to be spent on responding to the different reporting requirements of both the AIM Rules and the ASX Listing Rules. The Directors believe that the cost and management time associated in maintaining the Company with a UK presence is not justifiable given the minimal interests held in the Company via AIM.

The costs associated with maintaining the Company's listing on AIM and compliance with the AIM Rules are significant. The Directors believe that the AIM admission no longer returns enough value to the Company to justify the annual costs incurred in maintaining it, and instead the Company should focus its resources on operating in an Australian public company environment so that its Shares gain greater liquidity and better reflect the Company's net asset base.

### **2.3 AIM Rules and Cancellation**

If Shareholders approve the Cancellation at the AGM, the preferred date for the proposed Cancellation is 7.00am UK time on 27 November 2008.

### **2.4 Trading Facility**

Following the Cancellation date, the Shares will continue to trade on the ASX.

#### *How the cancellation will affect UK holders*

The Shares in the Company will cease trading on AIM on or around 27 November 2008 (being the date at least 5 business days following the date of the General Meeting), assuming the resolution is approved. At that time the DI's which were trading on AIM will be cancelled, and the underlying Shares will be transferred to the Australian share register. The Shares will continue to trade on the ASX.

If Shareholders wish to sell their Ordinary Shares on AIM they must do so prior to the cancellation becoming effective.

If UK holders of Ordinary Shares represented by DI's choose to retain their Shares then those Shares will be traded on the ASX. Computershare, as the Company's registrar, will be writing to each DI holder on the UK register to advise them on the process in more detail but if DI holders do nothing with their existing holdings, the transfer to the Australian register will happen automatically.

*How the cancellation will affect Australian holders of Ordinary Shares*

There will be no change for Shareholders who already have Shares traded on the ASX.

## **2.5 Recommendation**

The Directors unanimously recommend Shareholders to vote in favour of the resolution for the reasons noted in this Explanatory Memorandum.

## **3 RESOLUTION 4 – RATIFICATION OF ISSUE OF SECURITIES UNDER PLACEMENT**

### **3.1 Summary of proposal**

The Company has issued the following ordinary fully paid Shares to the following entities on the following dates (“Placement”).

**Table 1**

<b>Date</b>	<b>No of Shares</b>	<b>Issue price per Share</b>	<b>Placee</b>
7 December 2007	16,000,000	\$0.09	Veran Nominees Pty Ltd
4 June 2008	8,750,000	\$0.04	Veran Nominees Pty Ltd
4 June 2008	6,875,000	\$0.04	UXC Limited
4 June 2008	1,875,000	\$0.04	Hunter Hall Investment Management Limited

Funds raised pursuant to the Placement were used for general working capital within the Company’s existing business.

The Board recommends that Shareholders ratify the issue of securities. The Board notes that the closing Share price on the date of this Explanatory Memorandum was 2.2 cents and for the last 12 months the Company’s Shares have traded in the range of 2 cents to 11 cents.

### **3.2 Listing Rule requirements for resolution 4**

#### **(a) ASX Listing Rule 7.4**

Listing Rule 7.4 enables the Company to ratify an issue of Shares made without prior Shareholder approval under Listing Rule 7.1 if:

- (i) the issue of Shares did not breach Listing Rule 7.1; and
- (ii) Shareholders subsequently approve the issue of those Shares by the Company.

In general terms, Listing Rule 7.1 allows the Company to issue up to 15% of its issued capital without the need for approval from Shareholders, with some exceptions. The issue of the Shares set out in Table 1 was not in breach of Listing Rule 7.1.

The Directors seek approval and ratification from Shareholders pursuant to Listing Rule 7.4 for the issue of the Shares set out in Table 1.

#### **(b) ASX Listing Rule 7.5**

ASX Listing Rule 7.5 lists information which must be contained in the Notice of General Meeting and Explanatory Memorandum where Shareholders will consider a resolution pursuant to ASX Listing Rule 7.4. This information is set out below:

- (i) The number of securities allotted:* See table 1.
- (ii) The issue price of the securities:* See table 1.
- (iii) The names of the allottees:* See table 1.
- (iv) The terms of the securities:* The Shares are fully paid ordinary shares in the Company and rank pari passu with other fully paid ordinary shares on issue.
- (v) The use or intended use of the funds raised:* General working capital.
- (vi) A voting exclusion statement:* This information is set out in the Notice of Meeting.

## **4 RESOLUTION 5 - APPROVAL TO ISSUE SHARES TO DIRECTORS**

### **4.1 Summary of proposal**

As announced to the market on 6 June 2008, the Company has borrowed \$20,000 each from the Directors as set out in Table 2. The funds borrowed were used for working capital purposes.

The Company borrowed the funds as generally it is unable to issue securities to Directors without Shareholder approval. Directors wished to demonstrate their

support for the Company and its business strategy, therefore agreed to loan funds convertible into Ordinary Shares once Shareholder approval was obtained.

The conversion price was set at \$0.04 per Share. Loan amounts, and other information, are set out in Table 2. Interest accrued can also be converted at the conversion price, and all Directors have advised that they will convert the loan amount and accrued interest once approval is given. Accordingly, Table 2 shows the loan amount and interest accrued at the date of this meeting.

**Table 2**

<b>Director</b>	<b>Convertible loan and interest amount (\$)</b>	<b>No of Shares to be issued</b>	<b>Current number of Shares held</b>	<b>Current number of Options held</b>
Simon Yencken	21,464.32	536,608	27,706,313	1,400,000
Ellis Bugg	21,464.32	536,608	275,000	500,000
Ralph Pickering	21,464.32	536,608	356,223	-
Jane Yuile	21,464.32	536,608	152,000	-

#### **4.2 Other information**

Shareholders should note that an Share in the Company has traded in the range of between 2 cents to 11 cents during the last 12 months. The share price of the Company's Shares at the date of this Notice was 2.2 cents.

The Board declines to make a recommendation to Shareholders however notes that the issue following conversion preserves the cash resources of the Company as the loans are repaid, and the conversion price is in excess of the share price at the date of this Notice.

If Shareholder approval is not given, the loans remain payable under the terms of each loan agreement between the Company and each Director. Shareholders should note the following terms of those loan agreements.

Repayment date: 5 June 2010

Interest rate: 1% above the ANZ Bank rate for overdrafts in excess of \$100,000 published from time to time in the Australian Financial Review per annum calculated daily

Interest payment: Monthly in arrears

### **4.3 Listing Rule requirements for resolution 5**

#### **(a) Listing Rule 7.4**

Listing Rule 7.1 provides that a company must not issue more equity securities than the number calculated in accordance with a formula contained in that Listing Rule without the approval of its Shareholders. There is an exception however for Shares issued with Shareholder approval under Listing Rule 10.11. The effect of this is that the issue of Shares under resolution 5 will not count towards the 15% limit.

#### **(b) Listing Rule 10.11 and 10.13**

Listing Rule 10.11 prohibits an issue of securities to related parties, including directors, without Shareholder approval. This resolution seeks that approval.

Listing Rule 10.13 requires certain information to be contained in the Notice of General Meeting and Explanatory Memorandum where Shareholders will consider a resolution under Listing Rule 10.11. This information is set out below.

- (i) *The name of the persons:* See table 2.
- (ii) *The maximum number of securities to be issued:* See table 2.
- (iii) *The date by which the securities will be issued:* Within 1 month of the date of this meeting.
- (iv) *The issue price of the securities:* \$0.04 per Share.
- (v) *The terms of the securities:* The Shares are fully paid ordinary shares in the Company and rank pari passu with other fully paid ordinary shares on issue.
- (vi) *The intended use of the funds raised:* Repayment of loans.
- (vii) *A voting exclusion statement:* This has been set out in the Notice of Meeting.

## **5 RESOLUTION 6 - APPROVAL TO ISSUE SHARES TO SENIOR EMPLOYEES**

### **5.1 Summary of proposal**

As announced to the market on 6 June 2008, the Company has also borrowed \$62,500 from senior employees as set out in Table 3. The funds borrowed were used for working capital purposes.

Senior employees wished to demonstrate their support for the Company and its business strategy, therefore agreed to loan funds convertible into Shares at their election.

The conversion price was set at \$0.04 per Share. Loan amounts, and other information, are set out in Table 3. Interest accrued can also be converted at the conversion price. It is not known at this time whether employees will convert loans and interest or not, therefore Table 3 shows the loan amount not including interest. Approval is sought to enable the conversion to occur without counting towards the Company's 15% limit on issuing securities referred to above. If any of the senior employees wish to convert interest IT&e will convert using its 15% allowance.

**Table 3**

<b>Senior employee</b>	<b>Convertible loan amount (\$)</b>	<b>No of Shares to be issued</b>
A. Wood	10,000	250,000
N.Slack-Smith	10,000	250,000
J. Groetch	10,000	250,000
M. Warne	10,000	250,000
R. Bennett	10,000	250,000
J. Mantzios	5,000	125,000
C. Brooke	7,500	187,500

### **5.2 Other information**

Shareholders should note that an Share in the Company has traded in the range of between 2 cents to 11 cents during the last 12 months. The share price of the Company's Shares at the date of this Notice was 2.2 cents.

The Board recommends that Shareholders vote in favour of this resolution and notes that the issue of Shares following conversion preserves the cash resources of the

Company as the loans are repaid, and the conversion price is in excess of the share price at the date of this Notice.

The issue of Shares to senior employees also further aligns their interest with those of Shareholders.

If Shareholder approval is not given, the Company can convert the loans using its ability to issue up to 15% of Shares without Shareholder approval. The loans remain payable under the terms of each loan agreement between the Company and each senior employee until conversion. Shareholders should note the following terms of those loan agreements.

Repayment date: 5 June 2010

Interest rate: 1% above the ANZ Bank rate for overdrafts in excess of \$100,000 published from time to time in the Australian Financial Review per annum calculated daily

Interest payment: Monthly in arrears

### **5.3 Listing Rule requirements for resolution 6**

#### **(a) Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not issue more equity securities than the number calculated in accordance with a formula contained in that Listing Rule without the approval of its Shareholders. This resolution seeks approval to issue Shares so that the issue does not count towards that limit.

#### **(b) Listing Rule 7.3**

Listing Rule 7.3 requires certain information to be contained in the Notice of General Meeting and Explanatory Memorandum where Shareholders will consider a resolution under Listing Rule 7.1. This information is set out below in relation to the proposed allotment of shares:

- (i) *The maximum number of securities to be issued:* See table 3.
- (ii) *The date by which the securities will be issued:* The loan must be converted by 4 June 2010.
- (iii) *The issue price of the securities:* \$0.04 per Share
- (iv) *The names of the allottees (if known) or the bases upon which the allottees will be determined:* See table 3.
- (v) *The terms of the securities:* The Shares are fully paid ordinary shares in the Company and rank pari passu with other fully paid ordinary shares on issue.
- (vi) *The intended use of the funds raised:* Repayment of loans.

- (vii) *The dates of allotment or a statement that allotment will occur progressively:*  
The Company will allot the securities on an election to convert by the senior employee. This must occur on or before 5 June 2010.
- (viii) *A voting exclusion statement:* This has been set out in the Notice of Meeting.