Market Announcement

NSX Limited

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Canberra
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Newcastle
Level 2, 117 Scott Street, Newcastle NSW, 2300.
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P: +61 2 4929 6377
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www.bsx.com.au
www.bsxtaximarket.com.au
www.nlx.com.au
www.nsxa.com.au
www.waterexchange.com.au
ABN 33 089 447 058

Notice of Meeting and Independent Expert's Report NZX Proposal

Independent Expert Reports NZX Proposal is "Fair and Reasonable"

19 May 2009

NSX Limited (ASX: NSX) today released the attached Notice of an Extraordinary General Meeting at which shareholders will be asked to vote on the proposal that would result in NZX Limited (NZX) holding a strategic controlling stake in the company on a 50.1% fully diluted basis.

The Meeting is to be held in Melbourne on Friday, June 19, 2009.

The Notice of Meeting includes an Independent Expert's Report which states that: "In the opinion of PwC Securities, the proposal, in the absence of a more favourable proposal, is fair and reasonable to NSX's non-associated shareholders."

The report said that "PwC Securities has formed this opinion by comparing the value of NSX prior to the implementation of the proposal on a controlling interest basis to the value of the consideration offered by NZX for a controlling interest in NSX."

"PwC Securities assesses the value of a NSX share on a controlling basis to be between 7.0 cents and 8.3 cents. The consideration being paid by NZX under the Proposal is 15.0 cents per share." the report said.

"PwC Securities has assessed the fair value of NSX on a controlling basis utilising a net assets valuation methodology applicable in cases where a company has a history of loss making, is likely to continue making losses in the immediate future, but remains a going concern."

The PwC Securities Report also said: "Existing NSX shareholders have the opportunity to share in any improvement in operating performance and enhanced growth prospects of the Company as a result of the Proposal which would otherwise not be available to NSX without significant investment."

Shareholders will receive the Notice of Meeting including the Independent Expert's Report in the mail shortly and should carefully read both documents in their entirety.

The NSX proposal was announced to the market on 8 May 2009. The proposed transaction would provide a capital injection of approximately $11.78 million for NSX and create a strategic trans-Tasman relationship.

Under the proposal:

- NSX will issue 78,510,802 shares to NZX, being 50.1% of NSX total issued capital (including partly paid shares and options) on a fully diluted basis;

- NZX will pay AUD 15c for the issued shares, being a total consideration of approximately AUD $11.78m.

- NZX will appoint a majority of directors to the board of NSX.

In the absence of a superior proposal, a majority of the Directors recommend that NSX shareholders vote in favour of the placement and each of those majority Directors intends to vote any shares they hold in favour of the placement at the extraordinary general meeting, unless this would involve a breach of their fiduciary or statutory duties or would be unlawful on any other basis.

ends

Inquiries:
Robert Bladier
Managing Director
NSX
+61 3 9001 0305

About NSX

NSX Limited holds two Australian market licences - it operates both the National Stock Exchange of Australia (www.nsxa.com.au) and the Bendigo Stock Exchange (www.bsx.com.au). As an independent market operator, NSX now has more than 100 securities representing more than $1 billion of capitalisation across its two exchanges. NSX also specialises in the development of markets for the trading of alternative assets. Part of this operation has been the establishment of a $1.5 billion market for the trading of taxi licences (www.bsxtaximarket.com.au) in conjunction with the State Government of Victoria. NSX also operates The Waterexchange Limited (www.waterexchange.com.au), Australia's largest independent water market.

About NZX

NZX Limited is an infrastructure, information and service provider right across the market spectrum. NZX Capital Markets (NZSX, NZAX and NZDX) form a diverse offering for companies wishing to raise growth capital and investors looking for secure and liquid investment opportunities. NZX's expansion has been through the acquisition of businesses and strategic investments that are aligned with core business purpose.

Companies in the group include NZX Data. The NZX Data arm also includes a set of agricultural businesses, NZX Agrifax , Dairy Week and ProFarmer Australia, managed fund rating and research business FundSource, Company Research Centre which offers packaged data solutions for comprehensive New Zealand listed company research, and NewsRoom, a breaking newswire and archive service.

Subsidiaries include Smartshares which manages five passive funds. Smartshares also manages funds for wholesale clients and runs three SmartKiwi funds. Its TZ1 Market will offer a regulated marketplace for trading, clearing, settling, retiring and accounting for authenticated compliance and voluntary carbon credits.

NZX strategic investments include Link Market Services, Appello and Bond Exchange of South Africa (BESA)

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www.waterexchange.com.au
www.neregistry.com.au
www.nlx.com.au

Incorporating
NSX Limited
ABN: 33 089 447 058
National Stock Exchange of Australia Limited
ABN: 11 000 902 063
Bendigo Stock Exchange Limited
ABN: 41 087 708 898
BSX Services Pty Ltd (t/a) BSX Taxi Markets
ABN 57 084 885 683
The Waterexchange Pty Ltd
ABN 19 084 332 132

NOTICE OF MEETING AND EXPLANATORY NOTES

19 JUNE 2009, 12.00 pm

Stewart and Ross Room, at the offices of Blake Dawson, Level 26, 181 William Street, Melbourne Victoria 3000

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

You should read the whole of this document before you decide whether and how to vote on the resolutions in the Notice of Meeting. If you are in doubt as to what you should do, please consult your financial or other professional advisers.

IMPORTANT NOTICES

These Explanatory Notes are intended to provide Shareholders with information to assess the merits of the proposed Resolutions contained in the accompanying Notice of Meeting and are to be read in conjunction with the Notice of Meeting.

Read this document

These Explanatory Notes, the Notice of Meeting and the Independent Expert's Report are important. You should read each document in its entirety before deciding how to vote on the Resolutions. If you have any doubt regarding what you should do, you should consult your investment, financial or other professional adviser.

Responsibility statement

These Explanatory Notes (excluding the Independent Expert's Report and the NZX Information (as defined below)) have been prepared by the Company.

The Company and its related bodies corporate do not assume responsibility for the accuracy or completeness of the Independent Expert's Report or the NZX Information (as defined below).

The Independent Expert, PricewaterhouseCoopers Securities Limited, prepared the Independent Expert's Report for the benefit of Shareholders and is responsible for that report. The Independent Expert's Report considers whether the Transaction is fair and reasonable to the Company's non-associated Shareholders in accordance with Section 611 of the Corporations Act and the ASX Listing Rules.

The Independent Expert's Report is included in **Annexure A** to these Explanatory Notes.

The information about NZX and its intentions in Section 2 and 3 have been provided by NZX (**NZX Information**) and is the responsibility of NZX.

Forward looking statements

Certain statements in these Explanatory Notes may constitute 'forward looking statements' for the purposes of applicable securities law. You should be aware that there are a number of risks, (known and unknown), uncertainties and assumptions and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements, expressed or implied, by such statements. Factors that could cause or contribute to such differences include the general trading and economic conditions affecting the Company or its subsidiaries. The past performance of the Company is not necessarily representative of future performance.

None of the Company, its subsidiaries or their respective directors, officers and advisers, or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in these Explanatory Notes will actually occur. Shareholders are cautioned not to place undue reliance on these forward looking statements.

All subsequent written and oral forward looking statements attributable to the Company or its subsidiaries or any person acting on their behalf are qualified by the above cautionary statement.

Defined terms

Terms used in these Explanatory Notes and the Notice of Meeting are defined in the Glossary at the end of these Explanatory Notes.

Date

These Explanatory Notes are dated 18 May 2009.

CHAIRMAN'S LETTER

NSX Limited
ABN 33 089 447 058 (**Company**)
18 May 2009

Dear Shareholder,

This Notice of Meeting and Explanatory Notes relates to a proposal which would result in NZX Limited (**NZX**) holding a strategic controlling stake of 50.1% in the Company on a fully diluted basis.

Over the last few months, the Company has been undertaking a review for the purpose of determining potential parties with whom it could form an international strategic relationship, as the Directors were of the view that a strategic partner and an injection of capital were necessary for the future viability of the Company.

On 8 May 2009, the Company announced that it had entered into an Implementation Agreement with NZX under which the Company proposes to issue to NZX 78,510,802 Shares at a subscription price of 15 cents per Share, being 50.1% of the Company's issued capital on a fully diluted basis. NZX also proposes to have majority representation on the Board.

The proposal is conditional on shareholder approval, the appointment of three NZX nominees to the Board comprising Mr Mark Weldon (the Chief Executive of NZX), Mr Geoffrey Brown and Ms Rachael Newsome, amendment of the Constitution to remove "unacceptable control" provisions which currently impose voting restrictions above 15%, NZX board approval and regulatory approval. In addition, NZX may withdraw from the proposal or revise the subscription price if prior to the shareholder meeting to consider the proposal, ASIC provides any report, notice or communication that in NZX's sole opinion has a negative impact on the Company's standing with ASIC.

The proposal will create a strategic Trans-Tasman relationship and provide a cash injection of approximately $11.78 million for the Company.

This is an exciting opportunity and will be a company transforming event. The proposal is a very good fit for the Company and NZX is a highly credible partner with significant capacity and experience to enhance the value of the Company and, given its track record and market experience, is well positioned to improve the revenue and outlook for the Company.

The Directors by majority recommend that, in the absence of a Superior Proposal, Shareholders vote to approve the proposal and the related matters set out in Resolutions 1 to 5. The reasons for this recommendation are contained in the Explanatory Notes. Shareholders should also read the accompanying report of the Independent Expert, PricewaterhouseCoopers Securities Limited, who have concluded that the Transaction, in the absence of a more favourable proposal, is fair and reasonable to the Company's non-associated Shareholders. The Independent Expert's Report is set out in **Annexure A** of the Explanatory Notes.

I strongly urge you to read the Explanatory Notes, including the Independent Expert's Report, in full and vote at the meeting. I intend to vote all proxies over which I have discretion in favour of the resolutions relating to the proposal.

If you are unable to attend the meeting on **Friday 19 June 2009**, we ask that you complete and send your proxy form to the Company which must reach us by **12.00 pm** (Melbourne time) on **Wednesday, 17 June 2009**.

Yours sincerely

Michael Costello
Chairman,
NSX Limited

NSX Limited
ABN 33 089 447 058 (**Company**)

NOTICE OF MEETING

NOTICE IS GIVEN that an Extraordinary General Meeting of Shareholders of the Company will be held in the Stewart and Ross Room, at the offices of Blake Dawson, Level 26, 181 William Street, Melbourne Victoria 3000 on **19 June 2009** at **12.00 pm** (Melbourne time).

BUSINESS

Resolution 1 – Approval of the issue of Shares to NZX Limited under the Transaction

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

1. "Subject to Resolutions 2 to 5 being approved, that for the purposes of item 7 of section 611 of the Corporations Act and for all other purposes, the issue by the Company of 78,510,802 Shares to NZX Limited at 15 cents per Share be approved."

Voting exclusion statement

The Company will disregard any votes cast in relation to Resolution 1 by:

- NZX Limited, Company Number 1266120; and
- an associate of NZX Limited Company Number 1266120.

The Company, however, need not disregard a vote if:

- 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
- 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.

Resolutions 2 to 4 – Election of NZX nominees as directors in relation to the Transaction

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

2. "Subject to Resolutions 1, 3, 4 and 5 being approved, that Mark Rhys Weldon be elected as a director of the Company with effect from Completion."

3. "Subject to Resolutions 1, 2, 4 and 5 being approved, that Geoffrey Bruce David Brown be elected as a director of the Company with effect from Completion."

4. "Subject to Resolutions 1, 2, 3 and 5 being approved, that Rachael Frances Newsome be elected as a director of the Company with effect from Completion."

Resolution 5 – Amendment of the Constitution to remove "unacceptable control" provisions

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

5. "That, subject to Resolutions 1 to 4 being approved, the Constitution be amended with effect from Completion by:

   (a) deleting Articles 9.1(b)(i), 9.1(b)(iv) and 9.3(a);

   (b) amending the title of Article 9 by deleting the following: "control or";

   (c) amending sub-section (ii) of the definition of 'Prescribed Percentage' to read as follows:

Prescribed Percentage means 15%; and

(d) amending Article 11.21 by deleting the following: "9.1(b)(iv) or".

EXPLANATORY NOTES

The accompanying Explanatory Notes form part of this Notice of Meeting and should be read in conjunction with it. Unless the context otherwise requires, terms which are defined in the Explanatory Notes have the same meaning when used in this Notice of Meeting.

POLL

On a poll, Shareholders have one vote for every fully paid ordinary share held. On a show of hands, every person present and qualified to vote has one vote and if one proxy has been appointed, that proxy will have one vote on a show of hands. If a Shareholder appoints more than one proxy, neither proxy may vote on a show of hands, but both proxies will be entitled to vote on a poll.

REPRESENTATIVES

A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at meetings of Shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

RECORD DATE

The Board has determined that, for the purposes of the meeting, Shares will be taken to be held by the persons who are registered as a Shareholders as at **7.00 pm (Melbourne time) on Wednesday 17 June 2009**. Accordingly Share transfers registered after that time will be disregarded in determining entitlement to attend and vote at the meeting.

PROXIES

A proxy form accompanies this Notice of Meeting.

You can appoint not more than two proxies to vote on your behalf. You can direct the proxy (or proxies) how to vote. If you appoint more than one proxy, each proxy must be appointed to represent a specified proportion of your voting rights. A proxy does not need to be a Shareholder.

If the proxy form is signed under a power of attorney, you must also lodge the power of attorney with the Company not less than 48 hours before the meeting, unless you have previously sent the power of attorney to the Company.

To appoint a proxy (or proxies) you must complete the attached proxy form and lodge it, not less than 48 hours before the meeting (ie. by **12.00 pm (Melbourne time) on Wednesday 17 June 2009**) at the following address or fax number:

Address: Registries Limited
GPO BOX 3993
Sydney NSW 2001

Fax no: 1300 653 459

By Order of the Board
18 May 2009

Scott Evans

Scott Evans
Company Secretary

Contents

EXPLANATORY NOTES

These Explanatory Notes have been prepared for the Shareholders to provide information about the items of business to be considered at the Extraordinary General Meeting to be held on **Friday 19 June 2009 at 12.00 pm** (Melbourne time).

These Explanatory Notes and the Independent Expert's Report in **Annexure A** are important documents and should be read carefully by all Shareholders.

1. RESOLUTIONS RELATING TO THE TRANSACTION

1.1 Background to the Transaction

Over the last few months, the Company has been undertaking a review for the purpose of determining potential parties with whom it could form an international strategic relationship, as the Directors were of the view that a strategic partner and an injection of capital were necessary for the future viability of the Company.

On 8 May 2009, the Company announced that it has entered into an Implementation Agreement with NZX under which the Company proposes to issue to NZX 78,510,802 Shares at a subscription price of 15 cents per Share (a total of $11,776,620.30), being 50.1% of the Company's issued capital (including partly paid shares and options) on a fully diluted basis immediately after Completion (**Transaction**). This will give NZX a strategic controlling stake in the Company.

The Transaction is conditional on:

(a) approval by Shareholders of the Company of each of Resolutions 1 to 5 (see Sections 1.2, 1.3 and 1.4);

(b) the NZX board approving the Transaction; and

(c) Regulatory Approval being obtained without conditions or on conditions which in the reasonable opinion of NZX are not adverse to the ongoing operations of the business of the Company.

Resolutions 1 to 4 are ordinary resolutions. Resolution 5 is a special resolution. Resolutions 1 to 5 are inter-conditional; that is, the passing of each Resolution is conditional on the passing of each of the other Resolutions.

The NZX Board condition has been satisfied.

The Regulatory Approval condition has been satisfied.

The Implementation Agreement contains other standard terms and conditions and also the following provisions:

(a) an undertaking by the Company to pay to NZX a break fee of $117,000 if certain conditions arise. The break fee is discussed further in Section 2.3(b) and in Section 6.2.

(b) NZX may withdraw from the Transaction or revise the subscription price if prior to the meeting to consider the Transaction ASIC provides whether publicly, to the Company or to NZX, any report, notice or communication that in NZX's sole opinion has a negative impact on the Company's standing with ASIC (**ASIC Adverse Report**), as discussed in Section 2.3(c) and Section 6.3. If NZX does exercise its discretion to revise the subscription price the Company will need to consider its recommendation to Shareholders and the Independent Expert will need to consider its conclusion. If this occurs, the date of this meeting may be delayed and Shareholders will be given additional time to consider the revised proposal.

(c) the Implementation Agreement may be terminated by NZX prior to this meeting in certain circumstances which are discussed in Section 2.3(d) and Section 6.4.

A summary of the key terms of the Implementation Agreement is set out in Section 6.

The Directors by majority consider that the Transaction achieves the primary outcomes identified from the strategic review, namely the need to implement capital management initiatives by providing the Company with the capital flexibility to maintain its current operations and position itself for future growth.

1.2 Resolution 1 - The issue of Shares to NZX under the Transaction

Under the Implementation Agreement, Shareholder approval is required to allow NZX to acquire a relevant interest in the 78,510,802 Shares to be issued to it under the Transaction, which would give it a voting power of more than 20%. See Section 5 for further details on why Shareholder approval is required. See Section 6 for a summary of the key terms of the Implementation Agreement.

If Resolutions 1 to 5 are passed and Completion occurs, NZX will have a relevant interest in 78,510,802 ordinary shares comprising 50.1% of the Company's issued capital (including partly paid shares and options) on a fully diluted basis immediately after Completion.

1.3 Resolutions 2 to 4 – Election of NZX nominees as Directors in relation to the Transaction

As part of the Transaction, NZX proposes to have majority representation on the Board by appointing at least three Directors to the Board, or such number as is required to give NZX a majority of Directors.

Subject to Shareholders approving Resolutions 1 and 5, NZX nominees Mark Rhys Weldon, Geoffrey Bruce David Brown and Rachael Frances Newsome are seeking Shareholder approval to be elected as Directors to the Board with effect from Completion. The qualifications and associations of the proposed directors are set out in Section 3.3.

1.4 Resolution 5 - Amendment of the Constitution to remove "unacceptable control" provisions

Subject to Shareholders approving Resolutions 1 to 4, the Constitution is to be amended as part of the Transaction to remove the "unacceptable control" provisions in Article 9 and related references with effect from Completion. This will remove from the Constitution the current 15% voting power restriction and the related power to require disposal of Shares which give a person more than 15% voting power. These amendments will allow NZX to own and vote all of the Shares to be issued to it under the Transaction. See Section 5 for further details on why Shareholder approval is required. The existing Constitution is available on the Company's website www.nsxa.com.au.

1.5 Independent Expert's Report

The Company has appointed PricewaterhouseCoopers Securities Limited to prepare the Independent Expert's Report on the Transaction which is included at **Annexure A** to the Explanatory Notes. The Independent Expert's Report contains a detailed assessment of the Transaction and sets out information to enable non-associated Shareholders to assess the merits of, and decide whether to approve, the Transaction.

The Independent Expert has concluded that the Transaction, in the absence of a more favourable proposal, is fair and reasonable to the Company's non-associated Shareholders.

Non-associated Shareholders should carefully read the Independent Expert's Report in its entirety to understand the scope of the report, the methodology of assessment, the sources and bases of information and the assumptions made.

1.6 Directors' recommendation

The Board comprises five Directors. None of the Directors has any interest in the Transaction.

The Directors approved the proposal to put Resolutions 1 to 5 to Shareholders and these Explanatory Notes.

Majority Board Statement

The Directors (other than Mr Peadon) recommend that, in the absence of a Superior Proposal, Shareholders vote in favour of Resolutions 1 to 5 and each of those Directors (other than Mr Peadon) intends to vote the shares they control in favour of Resolutions 1 to 5.

After carefully considering all the aspects of the Transaction and the Independent Expert's Report, the Directors (other than Mr Peadon) are of the view that the Transaction is in the best interests of the Company. In making this recommendation to you, the Directors (other than Mr Peadon) have considered:

(a) the advantages of the Transaction being implemented, together with other factors relevant to a Shareholder's decision whether to vote for or against Resolutions 1 to 5 as summarised in Section 2;

(b) the risks associated with the Transaction, as summarised in Section 2; and

(c) the opinion of the Independent Expert, as contained in the Independent Expert's Report set out in **Annexure A** to these Explanatory Notes.

In summary, the Directors (other than Mr Peadon) consider that the rationale for undertaking the Transaction outweighs the risks of the Transaction.

It is important for Shareholders to note that the decision to proceed with the Transaction is subject to each of Resolutions 1 to 5 being passed.

Dissenting Director Statement

Mr Peadon recommends that Shareholders vote against Resolutions 1 to 5 and intends to vote the shares he controls against Resolutions 1 to 5 for the following reasons:

The majority of the Board has recommended a takeover by NZX, that sees the halving of the value for existing shareholders, whilst giving complete corporate control to NZX.

The substantial negotiations with NZX were entered into immediately after the serving of a requisition on the Company to remove the current Board. Negotiations with NZX have continued with undue haste since that time. No options and/or negotiations with any other party have been explored since the receipt of the requisition to establish the true value of the Company.

If the deal proposed by NZX has merit, it will still be available to shareholders after the requisition meeting has been held or else the Transaction was never in the best interest of shareholders. The requisition is to remove the Board, not the shareholders. In Mr Peadon's opinion, the transaction with NZX is to remove the interests of the existing shareholders.

For all of the reasons above, Mr Peadon has come to the conclusion that the best interests of the current shareholders are not being served.

Majority Board additional comment in response to Mr Peadon's Dissenting Director Statement

The Directors (other than Mr Peadon) provided this additional comment as an addendum and in response to Mr Peadon's Dissenting Director Statement:

The Directors (other than Mr Peadon) refute the implications of Mr Peadon's statement and wish to confirm their view that the Transaction is in the best interest of shareholders. These Directors (other than Mr Peadon) stress that their actions have in no way been motivated by self interest and highlight the fact that each has offered to stand aside from being a Director of the Company at the conclusion of the Extraordinary General Meeting to consider the Transaction.

The Directors (other than Mr Peadon) believe the proposed Transaction will recapitalise the Company and bring to it a clear strategic pathway to success, both of which are essential. The value to be derived from this will accrue to all shareholders, not only NZX, and can only be measured in the fullness of time. However, the Directors (other than Mr Peadon) bring shareholders' attention to the Independent Expert's Report set out in **Annexure A**, which places a fair value on the Company today significantly less than the value ascribed by the Transaction. This difference in value determined by the Independent Expert means that upon Completion of the Transaction there will be an increase in value to shareholders and not a dilution of value as is suggested by Mr Peadon.

2. ADVANTAGES AND RISKS OF THE TRANSACTION

2.1 Rationale for the Transaction

Over the last few months, the Company has been undertaking a review for the purpose of determining potential parties with whom it could form an international strategic relationship, as the Directors were of the view that a strategic partner and an injection of capital were necessary for the future viability of the Company.

The Transaction will create a strategic Trans-Tasman relationship and provide a cash injection of approximately $11.78 million for the Company.

The Independent Expert has concluded that the Transaction, in the absence of a more favourable proposal, is fair and reasonable to the Company's non-associated Shareholders. A copy of the Independent Expert's Report is included in **Annexure A** to these Explanatory Notes. You are encouraged to read the Independent Expert's Report in full.

2.2 Advantages

(a) **Strong strategic investor**

The Company will have a strong strategic investor in NZX, which has demonstrated its ability to grow and expand its core exchange business since demutualising in 2002 and becoming a listed company in 2003. Since that date, with a series of regulatory, markets and pricing initiatives, as well as strategic linked acquisitions, NZX has been able to grow revenues by 132% and earnings by 246% in the six year period to December 2008.

NZX has a strong balance sheet and provides stability at a time of uncertain market conditions. It is expected that, with NZX, synergies will drive efficiencies and improve margins for the Company.

(b) **Cash injection**

The Company requires capital flexibility to maintain its current operations and position itself for future growth. The Company is currently constrained in its operations by its limited financial flexibility. The Company will have approximately

$11.78 million of cash injected into its business which will allow the Company to recapitalise the Company and provide the financial flexibility required to maintain current operations and position itself for future growth.

(c) **Sharing in the upside**

The Shares will be issued to NZX under the Transaction, the subscription money for those Shares of approximately $11.78 million will be retained by the Company and NZX will bring value as a controlling shareholder. While existing shareholders will be diluted, they will share in the upside on a pro-rata basis, an opportunity they would not have if the proposal had been structured by way of a takeover.

Shareholders will benefit from the new opportunities which may be exploited by the Company as a result of the capital injection, the Company's stronger financial position and partnering with NZX.

The Company understands that NZX expects to implement a number of strategic initiatives to materially grow the Company's business and that NZX believes that a five-part strategy can be implemented to materially grow the value of the Company to its shareholders. That five-part strategy is outlined in Section 3.4(a).

(d) **Partnering with NZX**

The Transaction not only will provide the Company with capital to invest in the business but also a partner in a great position to assist to maximise that investment and develop the Company's potential.

NZX can apply its strategic and operational know-how to add significant value to the Company and create more competition in Australian capital markets.

NZX is well positioned to improve the earnings performance of the Company. Based on its significant experience and track record NZX is also well positioned to help develop the infrastructure and service offerings of the Company and to provide low costs of introduction of rule sets and product initiatives for new markets.

See also Section 3.4 for a discussion of NZX's future intentions in relation to the Company.

(e) **Joint initiatives and new products**

The Transaction will create opportunities for the Company to launch new products and to pursue joint initiatives with NZX. It will also enable the Company to grow its market share of listings and to be adequately resourced to pursue new market opportunities.

NZX has a proven reputation for developing and operating efficient markets and markets of high integrity.

(f) **Efficiencies and cost savings**

The Transaction will lead to greater efficiencies and cost savings in operations. Stock exchanges require a relatively high fixed cost base and likely synergies will enable greater revenues to be derived without a proportionate increase in costs and enable some existing costs to potentially be removed from the business.

Synergies are expected because of overlapping products and markets and the ability, with regulatory approval, to transfer rule sets. However, this does not guarantee that increased revenues will result.

(g) **Regulatory benefits**

The Company believes that NZX is well positioned to improve the Company's regulatory standing and outcomes given its existing regulatory roles and functions. NZX would be able to assist in improving and strengthening the Company's regulatory and compliance functions.

(h) **Timing**

New business development for stock exchanges typically has a long lead time so significant new revenues may not be quickly achieved. However, the proposed capital injection will provide funds believed sufficient for time to achieve appropriate returns from the business.

2.3 Risks and other factors relevant in the decision to vote for Resolutions 1 to 5

(a) **Dilution of non-associated shareholder interest**

If the Transaction is approved and Completion occurs, the number of Shares held by you will not change, but your ordinary shareholding percentage will be diluted. However, the Company expects that the recapitalisation of the Company through the proceeds of the Transaction will lead to an increase in the value of the Shares held by you.

(b) **Break fee**

The Company must pay NZX a Break Fee of $117,000 if:

(i) before Completion:

(A) a Competing Transaction is announced or open for acceptance; and

(B) under that Competing Transaction a person acquires an interest in all or a substantial part of the assets of the Company or a relevant interest in more than 50% of the voting shares of the Company; and

(C) in the case of a Competing Transaction that is a takeover bid made under Chapter 6 of the Corporations Act, the Competing Transaction becomes free from any defeating conditions either before or after the end of the offer period under the Competing Transaction; or

(ii) the directors by majority do not recommend the Transaction or withdraw or adversely modify an earlier recommendation or approve, recommend or make an announcement in support of a Competing Transaction or any other transaction that may reduce the likelihood of success of the Transaction; or

(iii) NZX withdraws from the Implementation Agreement and the Transaction due to an ASIC Adverse Report which is described in Section 2.3(c); or

(iv) before Completion, a Prescribed Event occurs.

The Break Fee is also discussed in the summary of the key terms of the Implementation Agreement in Section 6.2.

(c) **ASIC Adverse Report**

If, before the date of the meeting at which the Resolutions are considered, ASIC provides an ASIC Adverse Report, NZX may, in its sole discretion:

(i) withdraw from the Implementation Agreement and the Transaction. The break fee described in Section 2.3(b) is payable if NZX exercises this right; or

(ii) revise the subscription price of 15 cents per Share. The Break Fee described in Section 2.3(b) is not payable if NZX exercises this right, even if the Directors by majority withdraw or adversely modify an earlier recommendation as a result of that subscription price revision.

If NZX exercises its discretion pursuant to (ii) above, the Company will need to consider its recommendation to Shareholders and the Independent Expert will need to consider its conclusion. If this occurs, the date of this meeting may be delayed and shareholders will be given additional time to consider the revised proposal.

The ASIC Adverse Report is also discussed in the summary of the key terms of the Implementation Agreement in Section 6.3.

(d) **Termination rights**

NZX may terminate the Implementation Agreement, and therefore the Transaction, at any time prior to this meeting, if, in NZX's sole discretion:

(i) it considers that continuing with the Implementation Agreement has or is reasonably likely to have a Material Adverse Effect on the Company or NZX. The break fee described in Section 2.3(b) would not be payable if NZX exercises this right of termination; or

(ii) any of the events described in Sections 2.3(b)(i), 2.3(b)(ii), or 2.3(b)(iv) occur. The break fee described in Section 2.3(b) would be payable if NZX exercises this right of termination.

The termination rights of NZX are also described in the summary of the key terms of the Implementation Agreement in Section 6.4.

(e) **NZX implementation of its five-part strategy**

There are risks in NZX being able to implement its proposed five part strategy to materially grow the value of the Company to its shareholders as discussed in Section 3.4(a). These include regulatory risks in NZX not being able to obtain any required approvals from ASIC for changes to the business of the Company including changes to NSX's rules, delays in obtaining any required approvals, and operational reasons which may impact on the ability of NZX to implement changes to the business of the Company. The Company is confident that NZX will partner with the Company to implement the five part strategy and to work with the Company to deal with these risks.

(f) **Potential for medium to long term improvements to the financial position of the Company as a result of the Transaction**

Whilst the Company understands that NZX will review and seek to reduce the cost base of the Company in the short term within six months after Completion, as discussed in Section 3.4, there may be limitations on the medium or long term improvements to the financial position of the Company due to the nature of the business of the Company. However, the Company is confident that NZX will continue to support the Company as a strategic partner and to work with the Company to grow its revenue through the five part strategy discussed in Section 3.4, which will achieve medium to long term improvements to the financial position of the Company.

(g) **Likelihood of cost savings and synergies being made as a result of the Transaction**

There are operational and technological risks relating to the compatibility of the Company's systems with NZX's systems which may delay or reduce the likelihood of cost savings and synergies being made as a result of the Transaction. However, the Company is confident that these risks will be identified and managed by NZX in its review of the Company's operations which NZX proposes to carry out within six months after Completion.

2.4 Risks and other factors relevant in the decision to vote against Resolutions 1 to 5

(a) **Lack of available capital**

If the Transaction is not approved, the Company will continue to be capital constrained in its operations by its limited financial flexibility. The Company requires capital flexibility to maintain its current operations and position itself for future growth.

ASIC has indicated to the Company that if the Transaction does not proceed, it would need to better understand the Company's future plans.

(b) **Asset sales in the current market**

If the Transaction is not approved, the Company is likely to need to sell assets in order to fund its current operations. This would not be ideal in the current market where asset prices are weak and full value may not be realised.

Based on its continuing operational review, the Company is of the view that, in the absence of a substantial capital injection from a third party or raising capital from shareholders, it is likely there would need to be a sale of a number of the Company's assets which would mean that the business would be scaled back significantly and this would have implications for shareholder value.

(c) **Raising capital from shareholders**

In the absence of a capital injection from a third party, as an alternative to asset sales, the Company would need to raise substantial capital from shareholders to maintain its current operations and position itself for future growth.

Any additional capital sourced from shareholders to strengthen the business in the current economic and capital raising environment would have to be sought at a discount to the current market price.

3. OVERVIEW OF NZX LIMITED

3.1 Overview of NZX Limited

NZX is an infrastructure, information and service provider right across the market spectrum.

(a) **NZX's core business segments**

The NZX Markets Business comprises the NZX Capital Markets and NZX Data.

(i) **The NZX Capital Markets**

The NZX Capital Markets (NZSX, NZAX and NZDX) form a diverse offering for companies wishing to raise growth capital and investors looking for secure and liquid investment opportunities.

(ii) **NZX Data**

NZX Data provides real-time, delayed, end of day and historical data to customers generated by trading activity on NZX's markets and is available directly from NZX or through licensed Data Distributors. The diverse NZX Data arm also includes a set of agricultural businesses, NZX Agrifax, Dairy Week and ProFarmer Australia, managed fund rating and research business FundSource, Company Research Centre which offers packaged data solutions for comprehensive New Zealand listed company research, and NewsRoom, a breaking newswire and archive service.

(b) **NZX Subsidiaries**

NZX has two wholly-owned subsidiaries: Smartshares and TZI Market & Registry.

(i) **Smartshares**

Smartshares manages five passive funds that track the NZX 50 Portfolio Index, NZX 10 Index, NZX MidCap Index, Australian S&P/ASX MidCap 50 Index and the S&P/ASX 20 Index. Smartshares also manages funds for wholesale clients and runs three SmartKiwi funds with conservative, balanced and growth investment options for KiwiSaver investors.

(ii) **TZI Market & Registry**

TZ1 Market is positioned to offer a regulated marketplace for trading, clearing, settling, retiring and accounting for authenticated compliance and voluntary environmental credits. The TZ1 Registry supports transacting in high quality voluntary credits and through a credible, externally audited retirement facility, enables companies and individuals to transfer credits and retire them permanently where required. TZ1 Registry is currently in the due diligence stage of a sale for NZ $66 million to Markit, a global financial information services company headquartered in the UK.

(c) **Strategic Investments**

NZX has four strategic investments:

(i) **Link Market Services**

Link Market Services is a 50:50 joint venture company between NZX and Link Market Services Australia (owned by Pacific Equity Partners). Link provides a full range of registry services for both listed and unlisted issuers in New Zealand.

(ii) **AXE ECN**

NZX, Citigroup, CommSec, Goldman Sachs JBWere, Macquarie Bank and Merrill Lynch are signatories to a shareholders' agreement, incorporating a company to launch a new Australian ECN (Electronic Communications Network). The introduction of competition in other jurisdictions has led to improved liquidity, lowered costs and competitive responses from the incumbent exchanges. After lodging a complete application for an Australian Market licence in Q1 2007, AXE ECN, along with Chi-X, has been waiting for the Australian government to process this application.

(iii) **Appello Services**

Appello is a start-up fund management services business which provides a set of fully electronic administrative and compliance services for New Zealand and Australian fund managers. Appello was established in response to the increasingly complex technology needs of fund managers (including those created by the New Zealand portfolio investment entity tax regime).

(iv) **Bond Exchange of South Africa**

In October 2008, NZX made a NZ $5.58 million investment in the Bond Exchange of South Africa (**BESA**). NZX became the largest BESA shareholder, with 22% of the total issued capital and two seats on the BESA board. Six weeks after NZX made this investment, BESA received an unsolicited takeover offer from the Johannesburg Stock Exchange (**JSE**). JSE subsequently revised its initial offer to Rand 125 per share, representing a 71% premium to the price at which NZX acquired the BESA shares. The offer is now only subject to review by the competition authorities in South Africa.

(d) **Directors**

The directors of NZX are as follows:

- Andrew William Harmos (Chairman)
- Nigel Henry Murray Williams (Director)
- Neil Paviour-Smith (Director)
- Henry William Van Der Heyden (Director)
- Christopher John David Moller (Director)
- Mark Rhys Weldon (Chief Executive)

Further background on the directors of NZX is available in the 2008 NZX Annual Report. A copy is available for download from http://www.nzx.com/about_nzx/investor_relations.

(e) **NZX's current strategies**

Strategically, NZX is focused on strengthening the core NZX markets business, cementing a broader integrated base from which to grow and proactively reshaping the NZX business. NZX's expansion has been through the acquisition of businesses and strategic investments that are aligned with its core business purpose.

3.2 NZX Limited's interest in the Company

NZX does not currently own any Shares in the Company. If Shareholders approve Resolutions 1 to 5 relating to the Transaction, NZX's interests and voting power in the Company will be as follows:

	Interest in Company's Shares	**Total issued capital (including partly paid shares and options) on a fully diluted basis**	**Voting power**
Current Holding	0	78,197,386	0%
If Resolutions 1 to 5 are approved	78,510,802	156,708,188	50.1%
Post Transaction	78,510,802	156,708,188	50.1%

3.3 Identity, associations and qualifications of proposed Directors

Each of:

- Mark Rhys Weldon;
- Geoffrey Bruce David Brown; and
- Rachael Frances Newsome,

are seeking approval to be elected to the Board with effect from Completion.

(a) **Mark Rhys Weldon**

Mark Weldon is the Chief Executive of NZX. Mark graduated from Auckland University with a Masters degree in Economics (First Class Honours), a Bachelor of Commerce and a Bachelor of Arts. Mark then studied at the Columbia University School of Law in New York, graduating in 1997 with a Juris Doctorate and a Diploma in International Law. Mark joined leading New York law firm Skadden, Arps, Slate, Meagher & Flom as an attorney. Mark went on to work at the New York office of McKinsey & Company, where he specialised in stock exchanges, asset management and wholesale banking.

(b) **Geoffrey Bruce David Brown**

Geoff Brown is one of New Zealand's most experienced capital markets professionals. With over 20 years in stockbroking in New Zealand, the US and the UK, Geoff brings to NZX unrivalled expertise in equities market development, retail & institutional investment strategy and trading.

Heading a key group within NZX, Geoff's group is charged with developing and growing NZX's product set which includes listed products, data products and fund products which are managed by Smartshares. The group is also responsible for managing relationships with NZX participants.

Geoff spent some of his early years working in London as a research analyst, before returning to New Zealand to join Jarden & Co as an institutional equities advisor. He joined Fay Richwhite in 1986 to help establish the equities division of the firm. After six years, Geoff joined Ord Minnett (now called JP Morgan) as an institutional dealer. Geoff has served in several capacities with NZX during his career, including Chairman of the Auckland Regional Exchange, a New Zealand Stock Exchange (**NZSE**) Board Member and a Member of the NZSE Complaints Committee.

(c) **Rachael Frances Newsome**

As Corporate Counsel at NZX, Rachael Newsome manages organisation-wide risk for the NZX Group, including core business, subsidiaries and strategic investments. Rachael also leads and advises on acquisition and strategic investment projects at NZX. Rachael manages the negotiation of licensing agreements and intellectual property for NZX and regularly engages with government departments on legislative changes.

Rachael began her career as a Barrister and Solicitor at Bell Gully providing commercial advice to public sector organisations and private clients and gaining a wide range of experience in litigation and dispute resolution. During her time at Belly Gully Rachael completed secondments as the NZ Racing Board and PHARMAC. Rachael then joined the legal team at Barclays Capital in London where she specialised in index licensing, marketing, information technology and litigation.

3.4 Future intentions

NZX has indicated that its intentions outlined in this Section are based on the facts and information regarding the Company and the general business environment that are known to it as at the date of these Explanatory Notes. Any future decisions will, of course, be reached by NZX based on all material information and circumstances at the relevant time and after obtaining any required approvals from ASIC for changes to the business of the Company. Accordingly, if circumstances change or new information becomes available in the future, NZX's intentions could change accordingly. NZX intends to focus over the first six months on strengthening the financial position of the Company, in particular through cost reduction, as noted in Section 3.4(a)(i) below. This phase would be followed by a focus on improving the Company's ability to generate revenue, including focusing on Sections 3.4(a)(iii) to 3.4(a)(v) below.

(a) General intentions

NZX believes that a five part strategy can be implemented to materially grow the value of the Company to its shareholders. The five strategies are as follows:

(i) *Cost reduction:* NZX is confident that it can supply operations and services to the Company at a cost below its current level, providing a reduced fixed cost base with improved quality. There is a review of operations planned to be completed within six months of Completion and potential efficiency gains should be identified within this period.

(ii) *Trans-Tasman small cap market:* NZX would immediately work with the Company to implement a single rule set for small cap issuers across New Zealand and Australia, connecting issuers in both countries to a larger overall capital pool, and giving brokers additional product, under the single prospectus regime, to sell to their clients. This will require regulatory approval but should be able to be implemented within the first year of Completion.

(iii) *NZX large-cap dual listing:* NZX would seek to implement rules at the Company that created a secondary listing category. This would allow NZX large-cap issuers to be listed on a registered Australian exchange. It is not expected that this will require significant rule changes and it is thought this initiative should be implemented within twelve months of Completion.

(iv) *Debt market:* NZX intends to work with the Company to bring its rules and marketing approach to bond issues to one of the Company market licences, and dedicate it as a specialist debt market. NSX already provides for the listing of debt securities, and NZX has a proven set of rules that have helped foster the successful debt market in New Zealand and, as appropriate, these can both be utilised to create the new rules. These rule changes would require regulatory approval and, subject to that being obtained, a marketing program should be implemented within twelve months of Completion. Some changes may need to be made to NSX's trading system to allow for the trading of the debt instruments, but the extent and nature of such changes would be determined by the Board once the exact shape of the specialist debt market is determined.

(v) *Regulatory improvement:* NZX would seek to extend its sophisticated surveillance and supervisory capabilities to the Company's markets, adding to market integrity and levels of investor and issuer confidence.

These strategies would require further investigation, and would in the case of Sections 3.4(a)(ii), 3.4(a)(iii) and 3.4(a)(iv) above, require rule changes to be approved by ASIC. There is a risk that NZX may not be able to obtain any such required approvals from ASIC.

However, NSX's current Listing Rules already provide for secondary listings of overseas companies and for listing debt securities. Therefore, while NSX and NZX will be fully consultative, it is not anticipated that major barriers exist to implementation of the strategy.

Drawing on NZX's depth of experience and the resources available through the capital injection will assist NSX to promptly implement and deliver the strategy.

(b) **Strengthen the Company's financial position**

It is NZX's intention to strengthen the financial position of the Company by:

(i) making a capital injection of approximately $11.78 million through the Transaction; and

(ii) reviewing and reducing, where possible, the cost base of the Company.

(c) **Business, fixed assets and employees**

NZX has conducted a preliminary review of the Company's operations. If the proposal is approved, NZX would, as a matter of priority and in any event within the first six months following Completion, conduct a more thorough review of assets and operations. Accordingly, it has not reached a definitive view regarding its intentions for the Company's business, employees or fixed assets. NZX is looking to develop a strong strategic plan to assist the Company achieve its growth potential. The outcome of this review would enable NZX to understand better which operations or assets are core or non-core and then how to best deal with those assets. A potential outcome of the review may be the sale of non-core assets, and cost reductions, such as reducing staff numbers.

(d) **Injection of capital**

NZX has no current intention to propose the injection of further capital into the Company and intends to maintain a 50.1% stake in the Company on a fully diluted basis.

(e) **Financial and dividend policies**

The future financial and dividend policy of the Company will be determined by the Board. Following completion of the Transaction, NZX will have majority representation on the Board. The future financial policy of the Company is likely to be influenced by NZX's proposed focus on strengthening the Company's financial position, including through cost reductions, considering the Companies ability to generate revenue and conducting a thorough review of the Company's operations, as set out in section 3.4 above. NSX does not pay dividends and has never done so. Subject to the need to complete a thorough review of the Company, NZX would not consider making dividend payments unless the Company returned to making a profit.

4. EFFECT OF THE TRANSACTION ON THE COMPANY

The financial information in this Section consists of:

- the historical balance sheet of the Company based on the management unaudited financial accounts for the Company as at 31 March 2009; and
- the pro-forma historical balance sheet of the Company based on the management unaudited financial accounts for the Company at 31 March2009 representing the historical balance sheet adjusted for the pro-forma effects of the Transaction.

The financial information is provided to shareholders for illustrative purposes to show the effect of the Transaction on the Company’s consolidated financial position.

4.1 Introduction and basis of preparation and presentation of financial information

The accounting policies used to prepare the financial information are consistent with those set out in the Annual Report. The Annual Report can be viewed on the Company's website (www.nsxa.com.au).

The financial information is presented in an abbreviated form and is prepared in accordance with the recognition and measurement principles of the Australian equivalents to International Financial Reporting Standards (**AIFRS**). It does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

The financial information should be read in conjunction with the Annual Report and the matters disclosed and described therein.

4.2 Historical and pro-forma balance sheet

The pro-forma balance sheet has been prepared for illustrative purposes to show the effect of the Transaction on the Company’s 31 March 2009 historical management unaudited financial accounts. Details of the Transaction are included in Section 1. The pro-forma adjustments assume that the Transaction receives all necessary approvals from Shareholders and regulatory authorities and is fully implemented in accordance with the intent of the Company and NZX as set out in these Explanatory Notes. This information is not represented as being indicative of the Company’s views on its future financial condition.

	31-Mar-09	Pro forma adjustment	31-Mar-09
	Unaudited	Share Issue	Adjusted
	$	$	$
ASSETS			
Current assets			
Cash & cash equivalents	1,459,096	11,776,620	13,235,716
Trade and other receivables	34,406		34,406
Financial assets	3,578,348		3,578,348
Other current assets	566,038		566,038
Total current assets	**5,637,888**		**17,414,508**
Non-current assets			
Property, plant and equipment	331,953		331,953
Intangible assets	71,485		71,485
Other non-current assets	11,000		11,000
Total non-current assets	**414,438**		**414,438**
TOTAL ASSETS	**6,052,326**		**17,828,946**
LIABILITIES			
Current liabilities			
Trade and other payables	160,842		160,842
Financial liabilities	-		-
Short-term provisions	360,425		360,425
Total current liabilities	**521,267**		**521,267**
Non-current liabilities			
Other long term provisions	-		-
Total non-current liabilities	**-**		**-**
TOTAL LIABILITIES	**521,267**		**521,267**
NET ASSETS	**$5,531,059**		**$17,307,679**
EQUITY			
Issued capital	39,472,373	11,776,620	51,248,993
Retained Earnings (Accumulated losses)	(33,941,314)		(33,941,314)
TOTAL EQUITY	**$5,531,059**		**$17,307,679**

4.3 Notes and explanations of pro-forma adjustments to the historical management unaudited financial accounts for March 2009

The adjustment relates to the issue of 78,510,802 ordinary shares at 15 cents per Share for a total consideration of $11,776,620 (rounded).

4.4 Effect on the Company's capital structure

	Total issued capital (including partly paid shares and options) on a fully diluted basis	**Notes**
Total issued capital (including partly paid shares and options) on a fully diluted basis prior to the Transaction	78,197,386	(a)
Shares to be issued to NZX if Resolutions 1 to 5 are approved	78,510,802	(b)
Total issued capital (including partly paid shares and options) on a fully diluted basis following Completion	156,708,188	(a)

Notes:

(a) This includes 74,460,003 Shares, 1,500,000 partly paid shares to 1 cent, 99 cents unpaid and 1,500,000 50 cent options expiring 20 December 2009, 413,971 50 cent options expiring 15 October 2016 and 323,412 50 cent options expiring 15 October 2017.

(b) Issue of Shares to NZX at 15 cents per Share.

5. REASONS WHY SHAREHOLDER APPROVAL IS REQUIRED FOR THE RESOLUTIONS RELATING TO THE TRANSACTION

5.1 Introduction

The Transaction can only proceed if the Resolutions approving the issue of 78,510,802 Shares to NZX, the appointment of three NZX nominees to the Board, the amendment to the Constitution to remove the "unacceptable control" provisions and the other conditions (NZX board approval and regulatory approval) of the Transaction are satisfied.

5.2 Resolution 1 - The issue of Shares to NZX under the Transaction

This Resolution is an approval for the purposes of item 7 of section 611 of the Corporations Act and Exception 16 to ASX Listing Rule 7.1.

After Completion, NZX will hold 50.1% of the Company's issued capital (including partly paid shares and options) on a fully diluted basis and the Company's issued capital will have doubled. The Transaction has the effect that NZX will have voting power in the Company beyond 20%. This means that the Transaction needs to fall within a relevant exemption from the prohibition in section 606 of the Corporations Act against exceeding the 20% limit. One such exemption is where Shareholder approval is obtained. Item 7 of section 611 of the Corporations Act explains the requirements needed to be satisfied to fall within the exemption as follows:

"Approval by resolution of target

An acquisition approved previously by a resolution passed at a general meeting of the company in which the acquisition is made, if:

(a) no votes are cast in favour of the resolution by:

(i) the person proposing to make the acquisition and their associates; or

(ii) the persons (if any) from whom the acquisition is to be made and their associates; and

(b) the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution, including:

(i) the identity of the person proposing to make the acquisition and their associates; and

(ii) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition; and

(iii) the voting power that person would have as a result of the acquisition; and

(iv) the maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition; and

(v) the voting power that each of that person's associates would have as a result of the acquisition."

ASIC Regulatory Guide 74 also sets out other information which ASIC expects to be provided in order for Shareholders to make a fully informed decision. A copy of this policy statement can be found at www.asic.gov.au.

ASX Listing Rule 7.1 prohibits a listed entity from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities, unless one of the exceptions to Listing Rule 7.1 applies or shareholder approval is obtained. Exception 16 of ASX Listing Rule 7.1 is an issue of securities approved for the purposes of item 7 of section 611 of the Corporations Act.

5.3 Resolutions 2 to 4 – Election of NZX nominees as Directors in relation to the Transaction

Shareholder approval for the election of Mark Rhys Weldon, Geoffrey Bruce David Brown and Rachael Frances Newsome as Directors with effect from Completion is sought so that they hold office as elected Directors rather than casual vacancy appointments.

5.4 Resolution 5 – Amendment of the Constitution to remove the "unacceptable control" provisions

Article 9 of the Constitution applies for so long as the Company is the holding company of National Stock Exchange of Australia Limited. Under Article 9.1(b)(i), an "unacceptable control" situation exists if the voting power of any one person in the Company is more than the "Prescribed Percentage". A person's voting power is the total of the relevant interests in Shares held by a person and its associates. "Prescribed Percentage" is defined as the lower of:

(a) 15%; or

(b) any percentage limitation on voting power in the Company, imposed by or determined pursuant to Part 7.4 of the Corporations Act. For the avoidance of doubt this includes, in the case of a person, a higher percentage approved pursuant to the Corporations Act in respect of that person.

Article 9.1(b)(iv) currently provides that while a person's voting power is more than the Prescribed Percentage, each Share that constitutes the excess is a "default share". Article 11.21 then provides that default shares cannot be voted. In addition, under Article 9.3(a) the Directors may require disposal of default shares.

Therefore, when read with Article 11.21, Article 9 places a 15% limit on the voting power in the Company which a person may exercise unless ASIC approves a higher percentage voting power under Pt 7.4 of the Corporations Act*.*

However, Pt 7.4 of the Corporations Act only applies to those bodies specified in the *Corporations Regulations 2001* (Cth) (**Regulations**). The Regulations do not prescribe the Company as a regulated body under Pt 7.4 of the Corporations Act. Thus, there is no power under the Corporations Act by which ASIC can approve a higher percentage voting power or approve an acquisition of more than 15% voting power in the Company.

Given that under the Constitution there is no mechanism for any person to exercise more than 15% voting power in the Company, the "unacceptable control" provisions can only be removed by deleting them from the Constitution. The amendment will take effect from Completion.

Section 136(2) of the Corporations Act provides that a company may modify its constitution by special resolution.

5.5 What majority of votes is required for the Resolutions 1 to 5 to be approved?

Resolutions 1, 2, 3 and 4 require an ordinary resolution which is a simple majority of those Shareholders present and entitled to vote either in person or by proxy at the meeting, either on a show of hands or on a poll if one is called in accordance with applicable requirements.

Resolution 5 requires a special resolution which is a majority of at least 75% of Shareholders present and entitled to vote either in person or by proxy at the meeting, either on a show of hands or on a poll if one is called in accordance with applicable requirements.

Resolutions 1 to 5 are inter-conditional; that is, each of these resolutions must be passed in order for any of the resolutions to be passed.

5.6 Who can vote on Resolutions 1 to 5 to approve the Transaction?

Resolution 1

Subject to the Constitution, all Shareholders can vote other than NZX and its associates. Associates of NZX will include any person:

(a) who is a director or secretary of NZX;

(b) who is a related body corporate of NZX or a director or secretary of such a body;

(c) with whom NZX has an agreement, arrangement or understanding (whether or not formal, in writing or enforceable):

    (i) because of which one of those persons has or will have power to exercise, control or substantially influence the exercise of voting power attached to shares in the Company for the purpose of controlling or influencing the composition of the board or the conduct of its affairs; or

(ii) under which one of those persons will or may acquire or be required by the other to acquire shares in the Company in which the other has a relevant interest; or

(iii) under which one of those persons may be required to dispose of shares in the Company at the other's direction; or

(d) who is acting in concert with NZX or proposing to become associated with NZX.

You are likely to know whether you are an associate of NZX, but if you have any queries about whether you can vote, please contact the Company Secretary on +61 3 9001 0300.

Resolutions 2, 3, 4 and 5

Subject to the Constitution, all Shareholders can vote.

5.7 Are there any other contracts or arrangements that are connected with the Transaction?

As far as the Directors are aware:

(a) there is no other contract or proposed contract between the Company and NZX or any of their respective associates which is conditional upon, or directly or indirectly dependent on, Shareholders' agreement to the Transaction; and

(b) there is no proposal whereby any property will be transferred between the Company and NZX or any person associated with any of them.

5.8 When will the Transaction be completed?

The Implementation Agreement requires Completion under the Transaction to take place on the Subscription Date, being 10 Business Days after the day of satisfaction of the conditions to the Transaction or any other date which is agreed in writing by the parties before that date. The conditions to the Transaction are referred to in Section 1.1. A summary of the key terms of the Implementation Agreement is set out in Section 6.

5.9 What happens if Shareholders do not approve Resolutions 1 to 5?

The Implementation Agreement provides that if Resolutions 1 to 5 and the other conditions referred to in Section 1.1 are not satisfied on or before the Subscription Date, the Implementation Agreement is terminated (subject to the survival of certain clauses in the Implementation Agreement). A summary of the key terms of the Implementation Agreement is set out in Section 6.

5.10 Additional Information

The Directors are not aware of any information material to the making of a decision concerning the Transaction that has not been set out in this document.

6. IMPLEMENTATION AGREEMENT

The Company and NZX have entered into the Implementation Agreement in relation to the Transaction, being a proposed subscription by NZX for 78,510,802 ordinary shares in the Company, being 50.1% of the Company's total issued capital (including all issued partly paid shares and options) on a fully diluted basis (**Subscription**) at 15 cents per Share (**Subscription Price**).

The Implementation Agreement sets out the obligations of the Company and NZX in relation to the Subscription. A summary of the key terms of the Implementation Agreement is set out below.

6.1 Conditions Precedent

The obligations of the parties under the Implementation Agreement do not become binding until the following conditions precedent are satisfied:

(a) **Shareholder approval**: the Company's Shareholders approve the following inter-conditional resolutions:

(i) to approve the issue of the Shares to NZX;

(ii) to approve the appointment of each of Mark Rhys Weldon, Geoffrey Bruce David Brown and Rachael Frances Newsome to the board of the Company; and

(iii) to approve the amendment of the Company constitution to delete the unacceptable control situation provisions of the the Company constitution, including Articles 9.1(b)(i), 9.1(b)(iv) and 9.3(a) sub-section (ii) of the definition of "Prescribed Percentage", and related references,

at the extraordinary general meeting to consider the Subscription. Resolutions (a)(i) and (a)(ii) are ordinary resolutions that must be passed by at least 50% of the votes cast by members entitled to vote on those resolution. Resolution (a)(iii) is a special resolution that must be passed by at least 75% of the votes cast by members entitled to vote on that resolution.

(b) **NZX board approval**: the NZX board approves the Subscription.

(c) **Regulatory approval**: ASIC's review of the notice of meeting pursuant to ASIC Regulatory Guide 74 is obtained without conditions, or any conditions imposed by ASIC are in the reasonable opinion of NZX not adverse to the ongoing operations of the business of the Company.

6.2 Break Fee

The Company has agreed to pay a Break Fee to NZX, equal to A$117,000 if:

(a) before the Subscription Date:

(i) a Competing Transaction is announced or open for acceptance; and

(ii) under that Competing Transaction a person acquires an interest in all or a substantial part of the assets of the Company or a relevant interest in more than 50% of the voting shares of the Company; and

(iii) in the case of a Competing Transaction that is a takeover bid made under Chapter 6 of the Corporation Act, the Competing Transaction becomes free from any defeating conditions either before or after the end of the offer period under the Competing Transaction; or

(b) the directors by majority do not recommend the Subscription or withdraw or adversely modify an earlier recommendation or approve, recommend or make an announcement in support of a Competing Transaction; or

(c) NZX withdraws from the Implementation Agreement and the Subscription due to an ASIC Adverse Report (see Section 6.3 below); or

(d) before the Subscription Date, a Prescribed Event occurs.

The Company must within three Business Days after receiving a written demand from NZX pay to NZX, without set-off or withholding, the Break Fee. The demand may only be made after the occurrence of an event referred to in paragraphs (a) to (d) above. The Company can only ever be liable to pay the Break Fee once. The Break Fee is not payable to the extent that it constitutes unacceptable circumstances as declared by the Takeovers Panel; or is held to be unenforceable by NZX against the Company as determined by a court, after all proper avenues of appeal and review, whether judicial or otherwise, have been exhausted; or payment would involve a breach of the directors' fiduciary or statutory duties.

6.3 ASIC Adverse Report

If before the date of the extraordinary general meeting at which the resolutions referred to in Section 6.1(a) are considered, ASIC provides, whether publicly or to the Company or NZX, any report, notice or communication that in NZX's sole opinion has a negative impact on the Company's standing with ASIC, NZX may, in its sole discretion withdraw from Implementation Agreement and the Subscription or revise the Subscription Price of 15 cents per Share.

If NZX exercises its right to withdraw from the Implementation Agreement and the Subscription, the Break Fee is payable by the Company to NZX in accordance with Section 6.2.

If NZX exercises its right to revise the subscription price and the directors by majority do not recommend the Subscription or withdraw or adversely modify an earlier recommendation, the Break Fee is not payable by the Company to NZX.

6.4 Termination Rights

NZX may terminate the Implementation Agreement at any time prior to the extraordinary general meeting at which the resolutions referred to in 6.1(a) above are considered if, in NZX's sole discretion:

(a) it considers that continuing with the agreement contained in the Implementation Agreement has or is reasonably likely to have a Material Adverse Effect (as defined below) on the Company or NZX. For the avoidance of doubt, if NZX exercises its rights under this clause, no Break Fee would be payable; or

(b) any event referred to in Sections 6.2(a), (b) or (d) above occurs.

6.5 Representations And Warranties

The Implementation Agreement contains standard mutual representations and warranties as to incorporation, power and authority as well as the following representations and warranties given by the Company:

(a) (**disclosure**) the Company has complied with its obligations under ASX Listing Rule 3.1 and there is no information to which ASX Listing Rules 3.1.1, 3.1.2 or 3.1.3 apply;

(b) (**market licences**) the market licences held by the Company (including through any subsidiaries, holding companies, related bodies corporate, or group companies) are free from any and all claims and encumbrances;

(c) (**contingent liabilities**) the Company has no contingent liabilities, nor is it aware of any circumstances that might give rise to any claim or litigation or similar; and

(d) (**good standing**) the Company is in good standing with Government Agencies (including ASIC) and has no outstanding unresolved matters with any Government Agency.

The representations and warranties by the Company are limited by any matter fairly disclosed in or identifiable from due diligence information provided by the Company to NZX.

The Company makes no representation or warranty in relation to the achievability of any economic, fiscal or other interpretations or evaluation by NZX; the achievability of future matters, including future or forecast costs, prices, revenues or profits; or the accuracy or completeness of the due diligence information provided to NZX.

The liability of the Company for all claims made or brought by NZX for breach of any representation or warranty, except for paragraph (a) above, is limited to an amount equal to the Subscription Amount of $11,776,620.30.

6.6 Board composition

Subject to Completion, the Company must seek the resignation of such number of Directors so that following the appointment of the new Directors in accordance with Section 6.1(a), the NZX has majority representation on the board of the Company.

7. CONSENTS AND DISCLAIMERS

The following persons have given and have not, before the date of issue of these Explanatory Notes, withdrawn their consent to be named in these Explanatory Notes in the form and context in which they are named.

NZX has given and has not, before the date of issue of these Explanatory Notes, withdrawn its consent to the inclusion of information about NZX and its intentions in Sections 2 and 3 and the references to that information in the form and context in which it is included in these Explanatory Notes.

PricewaterhouseCoopers Securities Limited has given and has not, before the date of issue of these Explanatory Notes, withdrawn its consent to the inclusion of the Independent Expert's Report and the references to that report in the form and context in which it is included in these Explanatory Notes.

Each person referred to in this Section 7:

(a) does not make, or purport to make, any statement in these Explanatory Notes other than those statements referred to above as consented to by that person; and

(b) to the maximum extent permitted by law, expressly disclaims and not taken responsibility for any part of these Explanatory Notes other than as described in this Section with that person's consent.

8. GLOSSARY

$ and cents means an amount in Australian currency.

Annual Report means the Company's Annual Financial Report, Directors' Report and Auditor's Report for the financial year ended 30 June 2008.

ASIC means the Australian Securities and Investments Commission.

ASIC Adverse Report means if, before the date of the meeting at which the Resolutions are considered, ASIC provides, whether publicly or to the Company or NZX, any report, notice or communication that in NZX's sole discretion has a negative impact on the Company's standing with ASIC.

ASX means ASX Limited ACN 008 624 691.

Board means the board of directors of the Company.

Break Fee means $117,000.

Business Days means:

(a) for determining when a notice, consent or other communication is given, a day that is not a Saturday, Sunday or public holiday in the place to which the notice, consent or other communication is sent; and

(b) for any other purpose, a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne.

Company means NSX Limited ABN 33 089 447 058.

Competing Transaction means:

(a) a transaction which, if completed, would mean a person would, directly or indirectly:

  (i) acquire all or a substantial part of the assets or business of the Company and/or its related bodies corporate;

  (ii) acquire a relevant interest (as defined in the Corporations Act) in or become the holder of 20% or more of the relevant company's share capital or of the share capital of any of its subsidiaries; or

  (iii) acquire control (as defined in the Corporations Act) of the Company;

(b) a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, purchase of main undertaking or other business combination involving the Company and/or its related bodies corporate; or

(c) a transaction involving the formation of a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement in respect of, the Company and/or its related bodies corporate.

Completion means the completion of the Transaction.

Constitution means the constitution of the Company at the date of this document.

Corporations Act means *Corporations Act 2001* (Cth).

Directors means the directors of the Company.

Explanatory Notes means these Explanatory Notes dated 18 May 2009.

Government Agency means:

(a) a government or government department or other body;

(b) a government, semi-governmental or judicial person; or

(c) a person (whether autonomous or not) who is charged with the administration of a law.

Implementation Agreement means the agreement between the Company and NZX dated 8 May 2009 pursuant to which it was agreed that the Company would issue 78,510,802 Shares to NZX and NZX would subscribe for 78,510,802 Shares.

Independent Expert means PricewaterhouseCoopers Securities Limited.

Independent Expert's Report means that report of the Independent Expert, a copy of which is included in **Annexure A** to these Explanatory Notes.

Notice of Meeting means the Notice of Extraordinary General Meeting accompanying these Explanatory Notes.

Material Adverse Effect means, in respect of the Company or NZX, a material adverse effect in the reasonable opinion of NZX on:

(a) the Company's or NZX's business, property or financial condition; or

(b) the Company's or NZX's ability to perform its obligations under the Implementation Agreement.

NZX means NZX Limited, Company Number 1266120.

Prescribed Event means, in relation to the Company:

(a) the Company converts all or any of its shares into a larger or smaller number of shares;

(b) the Company resolves to reduce its share capital in any way;

(c) the Company:

  (i) enters into a buy-back agreement; or

  (ii) resolves to approve the terms of a buy-back agreement;

(d) the Company issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option, excluding:

  (i) any issue or grant contemplated by the Implementation Agreement; and

  (ii) any shares issued by the Company as a result of the exercise of existing options on issue;

(e) the Company issues, or agrees to issue, securities or other instruments convertible into shares.

Regulatory Approval means ASIC's review of the Notice of Meeting pursuant to ASIC Regulatory Guide 74.

relevant interest has the meaning given to that term under sections 608 and 609 of the Corporations Act.

Resolution means a resolution in the Notice of Meeting which requires Shareholder approval.

Share means a fully paid ordinary share in the Company.

Shareholder means any person registered as holding a Share as at 7.00 pm on Wednesday 17 June 2009.

Subscription Date means the latest of:

(a) 10 Business Days after the day of satisfaction (or waiver) of the conditions precedent set out in Section 1.1 of the Explanatory Notes; and

(b) any other date, which is agreed in writing by the Company and NZX before the date in (a).

Superior Proposal means a bona fide Competing Transaction which the Board, acting in good faith, and after taking advice from its legal and financial advisors, determines is:

(a) reasonably capable of being completed taking into account all aspects of the Competing Transaction; and

(b) superior to NZX's proposal taking into account all terms and conditions of the Competing Transaction.

Transaction means the proposed issue by the Company of 78,510,802 ordinary shares in the Company, being 50.1% of the Company's issued capital (including partly paid shares and options) on a fully diluted basis immediately after Completion, at 15 cents per Share (a total of $11,776,620.30), conditional, among other things, on the approval of Shareholders in the Company in accordance with the Corporations Act.

voting power has the meaning given to that term under section 610 of the Corporations Act.

VWAP means volume weighted average price.

Annexure A

INDEPENDENT EXPERT'S REPORT

PRICEWATERHOUSECOOPERS

Independent Expert's Report

NSX Limited

18 May 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services Licence No 244572

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
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MELBOURNE VIC 3001
Website:www.pwc.com/au
Telephone 61 3 8603 1000
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The Directors
NSX Limited
Level 3
45 Exhibition Street
Melbourne VIC 3000

18 May 2009

Dear Sirs,

Independent Expert's Report in relation to the proposed issue of NSX Limited shares to NZX Limited.

You have requested PricewaterhouseCoopers Securities Limited (PwC Securities) to prepare an independent expert report commenting on the proposal for NSX Limited (NSX or the Company) to issue 78,510,802 shares at 15 cents per share to NZX Limited (NZX) (the Proposal).

If implemented, the Proposal will result in NZX holding a 50.1% controlling shareholding on a fully diluted basis (i.e. including partly paid shares and options) for consideration of approximately $11.78 million. NSX will issue 78,510,802 shares to NZX and NZX will pay 15 cents per share for the issued shares. NSX will remain an Australian Securities Exchange (ASX) listed company, with the remaining 49.9% of the Company held by existing NSX shareholders and option holders (if exercised). Existing NSX shareholders interest will fall to 49.2%. NZX's shareholding may increase to 50.8% if none of the outstanding options are exercised.

In the opinion of PwC Securities, the Proposal, in the in the absence of a more favourable proposal, is fair and reasonable to NSX's non-associated shareholders.

PwC Securities has formed its opinion by considering the fairness of the Proposal and the advantages and disadvantages accruing to NSX non-associated shareholders.

Set out below are the matters associated with the Proposal that PwC Securities has considered in forming its opinion and which are detailed in the attached report.

PwC Securities' opinion should be read in conjunction with the remainder of this letter and the attached detailed Independent Expert Report (IER) which sets out PwC Securities' scope and findings.

PRICEWATERHOUSECOOPERS

Basis of Evaluation

PwC Securities has been asked to consider whether the Proposal is fair and reasonable to NSX's non-associated shareholders in compliance with ASIC Regulatory Guides 111 and 74, and Item 7 of the table in Section 611 of the Corporations Act.

Regulatory Guide 111 provides that in considering a transaction where a company issues securities in exchange for cash and, as a consequence, the allottee acquires over 20% of the company, the transaction should be analysed as if it were a takeover bid. In considering a takeover bid the words fair and reasonable are treated as two distinct criteria.

An offer is fair if the value of the offer price or consideration is equal to or greater than the value of the security which is the subject of the offer. The comparison is to be made assuming 100% ownership of the target, irrespective of whether the consideration is scrip or cash.

An offer is reasonable if it is fair. It might also be 'reasonable' if, despite not being 'fair', the expert believes there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

PwC Securities considers that the Proposal is fair to NSX's non-associated shareholders.

PwC Securities has formed this opinion by comparing the value of NSX prior to the implementation of the Proposal on a controlling interest basis to the value of the consideration offered by NZX for a controlling interest in NSX.

PwC Securities assessed the value of a NSX share on a controlling basis to be between 7.0 cents and 8.3 cents. The consideration being paid by NZX under the Proposal is 15.0 cents per share. Accordingly, in the opinion of PwC Securities, the Proposal is fair.

In arriving at this conclusion, regard has been given to the fact that NSX shares last traded (18 May 2009 on volume of 103,000 shares) at 24 cents and that this exceeds PwC Securities' assessed value of between 7.0 cents and 8.3 cents per share on a 100% ownership basis. PwC Securities has assessed the fair value of NSX on a controlling basis utilising a net assets valuation methodology applicable in cases where a company has a history of loss making, is likely to continue making losses in the immediate future but remains a going concern. This assessment of value excludes any additional premium above that of control. PwC Securities considers that the trading of NSX shares on the ASX is illiquid and that the current NSX share price does not reflect the fair value of NSX. To the extent that NSX's current share price incorporates a premium (other than a control premium), PwC Securities does not consider it appropriate to incorporate such a premium in its assessment of the underlying fair value of NSX on a 100% ownership basis. Incorporating such premiums would result in overstating the fair value of NSX.

Is the Proposal reasonable for NSX non-associated shareholders?

PwC Securities has concluded that the Proposal is fair. Accordingly the Proposal is reasonable.

NSX is loss making. Continuation of current business operations without change is likely to reduce cash to a point where NSX may no longer operate as a going concern (without a capital raising). Management have estimated a cash burn rate of $230,000 per month moving forward. Based on cash and financial asset balances as at 31 March 2009 of approximately $5.0 million, NSX has approximately fourteen months of operating capital remaining, after deducting $1.7 million of cash that is required to be held under ASIC AML capital conditions. NSX management have identified possible cost savings if NSX remains standalone (i.e. which do not compromise the integrity of business operations). Proposed reductions in discretionary spending of $730,000 per annum or approximately $60,000 per month have been estimated. Based on an adjusted cash burn rate of $170,000 per month NSX has approximately 19 months of operating capital remaining. The estimated cost savings of $60,000 per month would not result in positive earnings or cash flows for the Company.

Management has also given high level consideration to a "hibernation" approach, whereby business activities are limited to care and maintenance of existing operations. However, management do not consider this to be a sustainable alternative in the longer term and no detailed planning has been undertaken.

PwC Securities has considered the following advantages and disadvantages that will accrue to existing NSX shareholders if the Proposal is approved.

Strategic benefits

NSX operates a business within the stock exchange and share registry services sector in Australia. The Proposal provides an opportunity for NSX to partner with NZX to develop NSX's revenue base through expansion of existing operations and development of new revenue streams. The Proposal provides NSX access to NZX management expertise, technology, regulatory systems and operational processes and support services, to assist reduce NSX's operating cost base. Existing NSX shareholders have the opportunity to share in any improvement in operating performance and enhanced growth prospects of the Company as a result of the Proposal which would not otherwise be available to NSX without significant investment.

Access to operating funds

The Proposal will provide an additional $11.78 million in funds to recapitalise and secure the immediate and medium term financial position of the Company. It will provide the Company additional time to improve the revenue base and operating cost structure of the business.

In the absence of a recapitalisation or a significant improvement in the performance of the Company, it is likely that the business will not have sufficient working capital to continue beyond some time in the financial year ending 30 June 2011.

In the absence of improved operating performance (either through improved revenue or more efficient cost structure, or combination of both), recapitalising the Company will not be sufficient to ensure its future viability, without a significant restructuring and reduction in its business activities.

Access to capital

The ability of NSX to raise capital (other than from a strategic investor) is limited and would pose a significant challenge given its historic financial performance and the limited prospects for financial turnaround given the current economic environment and largely fixed operating cost structure. The global financial crisis and subsequent reduction in capital market liquidity has seen traditional funding sources contract and associated capital funding costs escalate significantly.

Net tangible assets per share

PwC Securities has calculated the net tangible assets (NTA) per share for NSX (pre and post the placement of shares).

The analysis shows that NTA backing for NSX shareholders will increase from 7.0 cents per share to approximately 11.0 cents per share if the Proposal is implemented.

	NSX Pre - placement	NSX Post - placement
NTA ('000)	5,460.8	5,460.8
Cash injection[1]	-	11,776.6
Number of shares (millions)	78.2	156.7
NTA per share (cents)	**7.0**	**11.0**

Source: NSX management and management accounts (YTD 31 March 2009).
1. Cash received from NZX for 78.5 million shares at 15 cents each.
Any small value differences are due to rounding

Earnings per share

PwC Securities has calculated the basic earnings per share (EPS) on a fully diluted basis for NSX (pre and post the implementation of the Proposal). In undertaking this calculation, no cash has been assumed from a call on the partly paid shares as they are only callable at the option of the holder or on liquidation. For the purpose of this calculation, the earnings utilised for NSX represent an assumed annualised level of earnings based on NSX's unaudited Net Profit After Tax (NPAT) for the nine months ended 31 March 2009. Interest on the cash injection and proceeds from the exercise of the 2,237,383 options has been calculated at a rate of 3.14%, being the 30 day bank bill rate at 22 April 2009. Due to the loss making position of the Company, no tax has been deducted from the interest adjustment.

The basic EPS calculated includes the impact of a $10.9 million goodwill impairment. An adjusted EPS has also been calculated excluding the 'one-off' goodwill impairment and is set out below.

	NSX Pre - placement	NSX Post - placement	NSX Pre - placement	NSX Post - placement
	Including Impairment		Excluding Impairment	
Cash injection[1]	-	11,776.6	-	11,776.6
Proceeds from options[2]	1,118.7	1,118.7	1,118.7	1,118.7
NPAT (9 months annualised) ('000)[3]	**(13,925.5)**	**(13,925.5)**	**(3,050.2)**	**(3,050.2)**
Interest earned on cash injection	-	369.8	-	369.8
Interest earned on proceeds from options	35.1	35.1	35.1	35.1
NPAT ('000)	**(13,890.4)**	**(13,520.6)**	**(3,015.1)**	**(2,645.3)**
Number of shares (millions)	78.2	156.7	78.2	156.7
EPS per share (cents)	**(17.8)**	**(8.6)**	**(3.9)**	**(1.7)**

Source: NSX management and management accounts (YTD 31 March 2009).
1. Cash received from NZX for 78.5 million shares at 15 cents each.
2. Exercise of 2,237,383 million options at an exercise price of 50 cents each
3. Annualised to reflect a full year of performace from the nine months ended 31 March 2009.
Any small value differences are due to rounding

The analysis shows that if the Proposal is implemented EPS for NSX shareholders should improve from negative 17.8 cents to negative 8.6 cents per share if the goodwill impairment is incorporated, or from negative 3.9 cents to negative 1.7 cents per share if the goodwill impairment is excluded. Whilst representing significant improvements in EPS, financial losses and cash burn are expected to continue in the absence of other operational improvements.

Control passing from existing shareholders to NZX

If the Proposal is implemented, control will pass from existing NSX shareholders to NZX. The interests of existing shareholders and option holders (if exercised) will reduce from 100% to approximately 49.9% with NZX holding the remaining 50.1% of NSX (on a fully diluted basis). Existing shareholders' ownership will fall to 49.2%. NZX's shareholding may increase to 50.8% if none of the outstanding options are exercised.

Future takeover premium

If the Proposal is implemented it is likely that the prospects for existing NSX shareholders to participate in the benefit of a control transaction (takeover or similar transaction) will be significantly reduced. Any later proposed takeover (subject to minimum acceptance conditions) or scheme could not proceed without the support of NZX. Therefore the prospect of NSX's existing shareholders benefiting from a takeover premium will be significantly reduced if the Proposal is implemented.

Liquidity of NSX shares

NZX will hold a 50.1% interest in NSX. Assuming that NZX does not trade its shares, then the Proposal, if approved, is unlikely to increase the underlying liquidity of NZX shares.

Other alternatives

It is understood that NSX management have held high level discussions with other potentially interested strategic parties in recent times, however no alternatives to the Proposal have advanced.

Independent financial advice

The ultimate decision on whether to approve the Proposal should be based on each NSX shareholder's assessment of the Proposal and their own circumstances. PwC Securities recommends that if shareholders are in doubt about their decision in respect of the Proposal they should seek independent professional advice. PwC Securities recommends that NSX shareholders read the entire report before deciding whether or not to approve the Proposal.

The qualifications, declarations, disclaimers and consents contained in Appendix C form an integral part of and should be read with this report.

Yours faithfully

Nigel Smythe
Authorised Representative
PricewaterhouseCoopers Securities Limited

Mark Reading
Authorised Representative
PricewaterhouseCoopers Securities Limited

PRICEWATERHOUSECOOPERS

Contents

1. Introduction and Purpose of PwC Securities Report

1.1. Outline of the Proposal

On 8 May 2009, NSX announced it had entered into an Implementation Agreement (IA) whereby NZX would take a strategic controlling shareholding in NSX.

If implemented, the Proposal will result in NZX holding a 50.1% controlling shareholding on a fully diluted basis (i.e. including partly paid shares and options) for consideration of approximately $11.78 million. NSX will issue 78,510,802 shares to NZX and NZX will pay 15 cents per share for the issued shares. NSX will remain an Australian Securities Exchange (ASX) listed company, with the remaining 49.9% of the Company held by existing NSX security holders. Existing NSX shareholders interest will fall to 49.2%. NZX's shareholding will increase to 50.8% if none of the outstanding options are exercised.

NSX currently has 78,197,386 issued shares. This includes fully paid ordinary shares, partly paid ordinary shares and options with varying maturities. If no further shares are issued between now and the implementation of the Proposal, NSX will issue 78,510,802 new shares to NZX. Composition of NSX shares outstanding as at the date of this report and details of outstanding options have been set out in the tables below.

Shares outstanding	
Fully paid ordinary shares	74,460,003
Partially paid ordinary shares[1]	1,500,000
Options	2,237,383
Total	78,197,386

1. $1.00 shares partially paid to 1 cent callable at the option of the holder or on liquidation

Unissued ordinary shares under option			
Grant Date	Date of Expiry	Exercise Price ($)	Number under Option
28/08/2004	28/08/2008	0.35	180,000
12/11/2004	20/12/2009	0.50	105,000
20/12/2004	20/12/2009	0.50	1,395,000
15/10/2006	15/10/2016	0.50	413,971
15/10/2007	15/10/2017	0.50	323,412
Total			**2,417,383**

Source: NSX Ltd Annual Report 2008

The Proposal requires approval by a majority of NSX shareholders at an extraordinary general meeting, expected to take place in June 2009. If the Proposal is implemented NZX will be able to appoint a majority of directors to the board of NSX.

The IA outlines instances where NSX will be required to pay a break fee. Broadly NSX will be required to pay a break fee of $117,000 if:

- A competing transaction gains an interest of more than 50% in the voting shares of NSX and becomes free from any defeating conditions, or
- The directors do not recommend the Proposal (unless in response to a change in the subscription price) or recommend a competing transaction, or
- If NZX withdraws from the Proposal in the event ASIC provides an adverse report, as described in the IA, or
- Prior to the subscription date a prescribed event (as defined in the Explanatory Notes) occurs.

1.2. Purpose of Report

NSX has appointed PwC Securities to prepare an IER assessing whether the Proposal is fair and reasonable for NSX's non-associated shareholders. This report has been prepared to accompany the Explanatory Notes (EN) to be distributed to NSX's shareholders in May 2009.

ASX listing rule 7.1 requires an entity issuing new equity securities, which represent 15% or more of the ordinary securities outstanding for the twelve months prior to the issue date, to be approved by ordinary shareholders. The limit of 15% set out in ASX listing rule 7.1 may be reduced by equity securities already issued or agreed to be issued in the twelve months prior to the issue date which are not covered by exceptions set out in rule 7.2 of the ASX listing rules.

Section 606 of the Corporations Law prohibits the acquisition of a relevant interest in the issued voting shares of a company from 20% or below to more than 20%. An exception to this general prohibition is allowed under Section 611 (7) where the acquisition is approved by a resolution passed at a general meeting of the company and no votes are cast in favour of the resolution by the acquirer or their associates, and the members of the company were given all information known to the person proposing to make the acquisition or their associates, or known to the company, that was material to the decision on how to vote on the resolution.

Since the Proposal will result in the issue of more than 15% and more than 20% of the issued voting shares of NSX, the Proposal requires the approval of NSX shareholders under both ASX listing rule 7.1 and section 611 of the Corporations Law.

Strictly speaking, there is no statutory requirement to provide an independent experts report on the Proposal. In relation to transactions captured by Section 611, ASIC Regulatory Guideline 74 "Acquisitions agreed to by shareholders" (RG 74) states that in voting on such a proposal the shareholders of a company should be provided with an analysis of whether the proposal is fair and reasonable to the non-associated shareholders. RG 74 recognises that the commissioning of an independent expert's report is one way the directors of a company may satisfy their obligations in this regard.

Notwithstanding this, the IA states that NSX has an obligation to "commission the preparation of the Independent Expert's Report" where the independent expert "is not an Associate of the Company, stating whether or not in his or her opinion, the placement of shares by the Company is fair and reasonable to the Company's non-associated shareholders, and setting out his or her reasons for that opinion".

In order to assist NSX shareholders, PwC Securities has been requested to prepare this report on a basis consistent with the legislative requirements and other ASIC guidance relevant to expert's reports considering a transaction under Section 611 (7).

1.3. Limitations and Reliance on Information

In preparing this report, PwC Securities has had regard to public and non-public information. A listing of this information is detailed in Appendix B. PwC Securities has used and relied on the information set out in Appendix B and representations made to it by and on behalf of NSX.

PwC Securities has conducted such checks, enquiries and analyses on the information provided which it regards as appropriate for the purposes of this report; however such information and representations are not always capable of external verification or validation. Based on this evaluation, PwC Securities believes that the information used in forming the opinions in this report is reliable, complete and not misleading and is not aware of any reason to believe that material facts have been withheld. Preparation of this report does not in any way imply that PwC Securities has audited the financial statements or other records of NSX. It has been assumed that the accounting information provided was prepared in accordance with generally accepted accounting principles.

PwC Securities' assessment has been made as at the date of this IER. Economic conditions, market factors and performance changes may result in the IER becoming outdated. PwC Securities reserves the right, but is under no obligation to review its assessments, and, if it considers it necessary to issue an addendum to this IER in the light of any relevant material information which subsequently becomes known to PwC Securities prior to the vote to be held in June 2009.

This IER has been prepared solely for the purpose of assisting NSX shareholders in considering whether to approve the Proposal. This IER has not been prepared to provide information to other parties considering the purchase or sale of any securities in NSX or NZX. Accordingly, PwC Securities does not assume any responsibility or liability for any losses suffered as a result of the use of this IER contrary to the provisions of this paragraph.

1.4. Fair and Reasonable – Factors Considered

Fairness

ASIC Regulatory Guideline 111 Content of expert reports (RG 111) sets out the criteria for assessing if a takeover offer is fair and if the offer is reasonable.

An offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the security the subject of the offer. The comparison is to be made assuming 100% ownership of the target, irrespective of whether the consideration is scrip or cash.

In considering whether the Proposal is fair to NSX non-associated shareholders, PwC Securities has had regard to the value of NSX shares assessed on a controlling basis relative to the value of the consideration offered by NZX for a controlling interest in NSX.

Reasonableness

An offer is ‘reasonable’ if it is ‘fair’. It might also be ‘reasonable’ if, despite not being ‘fair’, the expert believes there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In considering whether the Proposal is reasonable to NSX non-associated shareholders PwC Securities has had regard to the other advantages and disadvantages for NSX non-associated shareholders, if the Proposal proceeds compared to if the Proposal does not proceed.

1.5. NSX Shareholders should seek Personal Advice

An individual NSX shareholder’s decision in relation to the Proposal may be influenced by his or her particular circumstances. In undertaking the assessment, PwC Securities has considered the Proposal for NSX non-associated shareholders as a whole. PwC Securities has not considered the effect of the Proposal on the particular circumstances of individual NSX shareholders nor has it considered their individual objectives, financial situation or needs. Individual NSX shareholders will have varying financial and tax circumstances and it is not practical or possible to consider the implications of the Proposal on individual NSX shareholders as their respective financial circumstances are not known to PwC Securities. Due to particular circumstances, individual NSX shareholders may place different emphasis on various aspects of the Proposal from the one adopted in this IER. Accordingly, individual NSX shareholders may reach different conclusions as to whether they should approve the Proposal. Individual NSX shareholders should seek their own financial advice.

2. Profile of NSX and Industry Overview

2.1. Overview of business activities

NSX is an Australian public company which listed on the ASX in June 2005, and operates the following primary businesses in both the financial and non-financial markets.

- National Stock Exchange of Australia (NSXA)
- Bendigo Stock Exchange (BSX)
- BSX Taxi Market (BSX TM)
- Waterexchange

National Stock Exchange of Australia

Bendigo Stock Exchange

Source: NSX Limited

2.2. Business segments

Stock Exchanges

NSX provides a low cost alternative to the ASX for companies looking to raise capital from the wider market and to publicly list securities.

NSXA and BSX are physically located in Melbourne and Newcastle.

The NSXA is a Stock Exchange set up and managed specifically to cater for the listing, capital raising and related stock exchange services of Small to Medium Enterprises (SME). NSXA operates an integrated platform for electronic trading and settlement. The market is not certificated (i.e. share holders do not receive share certificates) and settlement is achieved via the use of the ASTC CHESS platform.

BSX provides a listing platform for community enterprises and has listed over 50 franchised community banks. BSX operates an electronic trading platform and settlement is through brokers via certificate transfers.

Both NSXA and the BSX are the traditional businesses of NSX and contribute the greatest proportion of the company's total revenue. The main drivers of revenue for BSX and NSXA are application and annual listing fees charged to companies who wish to list on either the NSXA or BSX stock exchanges. For both markets the fees charged are dependent on the market capitalisation of the listed entity at the time of listing and subsequently as at 30 June each year. The annual fee varies from year to year dependent upon the changes in market capitalisation of the listed company. NSXA also charges fees for the quotation of securities to issuers and charges participant brokers a trading fee of $5 per buy or sell. BSX charges application, annual fees and additional fees for the quotation of securities on a market capitalisation basis. Fees for Bendigo community banks are fixed at $4,000 per annum for banks under market capitalisation of $750,000 and $5,000 per annum for banks over this market capitalisation. NSXA charges administration fees for companies that transition to another market, but BSX does not.

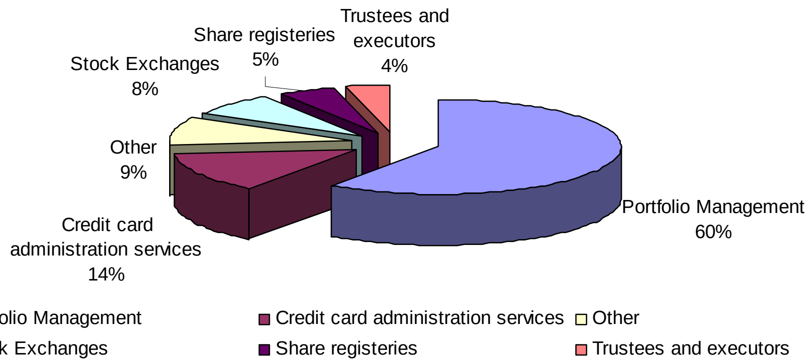
The ability for the NSXA and BSX to conduct their operations is reliant on the capability and reliability of the trading systems which are licensed from the NASDAQ OMX group. This system integrates both the NSXA and the BSX on the one trading platform.

NSXA and BSX operate in the Stock Exchange and Share Registry Services Industry in Australia which provides a wide variety of finance and investment services, including:

- Portfolio management
- Credit card administration services
- Stock exchanges
- Share registries
- Trustees and executors.

Industry research analysts, IBISWorld, estimate that total revenue for the Stock Exchange and Share Registry Services Industry in Australia will be $7.6 billion for the year ending 30 June 2009, an expected decline of 11.2% from the previous year. The following chart outlines revenue by key segments.

FY09 breakdown of revenue by operator activity



Source: IBISWorld Stock Exchange & Share Registry Services in Australia, February 2009

The stock exchange segment within the industry is dominated by the ASX, which offers the following services:

- Primary market: providing a market for raising of new capital from investors
- Secondary market: providing a market for the trading of this capital between investors
- Providing a market for the exchange of options contracts
- Providing detailed information about listed securities along with information about the market in general
- Providing a market regulatory function.

The regulatory barriers to becoming a national stock exchange are considered to be relatively low. In order to obtain an Australian Market Licence (AML), ASIC guidelines require that an entrant must be of good standing and appropriate, must be commercially suitable and apt and have adequate financial resources. In order to operate successfully in the market place adequate trading platforms and technology is required. For established international exchanges, these threshold tests are relatively low.

There are five stock exchange AML's issued in Australia. Both the ASX and NSX each have two AML's. The fifth AML has been issued to Australia Pacific Exchange Limited (APEL).

As at 30 June 2008, ASX had 2,226 listed entities with a total domestic market capitalisation of $1,288 billion. This can be compared to the historical trading statistics of the NSXA and BSX stock exchanges set out below.

NSXA and BSX Trading Statistics	30-Jun-06	30-Jun-07	30-Jun-08
Listed securities (No)	104	111	123
Market capitalisation ($m)	812	1,174	1,238
Volume Traded ('000 shares)	51,143	85,548	53,872
Value Traded ($'000)	15,174	42,369	27,789
Number of Trades (No)	1,514	1,833	1,470
Average Volume Per Trade ('000 shares)	33.8	46.7	36.6
Average Value Per Trade ($'000)	10.0	23.1	18.9
Average Price Per Share	$0.30	$0.50	$0.52

Source: NSX FY08 Annual Report
Any small value differences are due to rounding

Taxi Market

The Taxi Market is based on the legislative requirement that transactions involving metropolitan taxi cab licences be either processed through, or notified to a market.

On 28 March 2006 the Victorian State Government appointed BSX to provide a centralised, orderly and transparent trading system for the sale and lease of Victorian Taxi Licences. The appointment was for five years. The primary function of the Taxi Market is to provide a centralised platform for the sale (transfer) and lease (assignment) of Victorian taxi licenses.

The primary source of revenue is the contracted service fee of $25,000 per month paid to NSX by the government for operating the exchange. The service fee is indexed by the Consumer Price Index (CPI) annually in April. As at 31 December 2008 the service fee was $26,558 per month excluding GST.

The concept of the BSX TM system has now been transposed to a national platform, the National Licence Exchange, operating from Victoria, however the system has yet to be launched nationally.

Historical trading statistics of BSX TM is set out below.

BSX Taxi Trading Statistics	30-Jun-07	30-Jun-08
Licences Traded (No)	121	105
Licences Traded ($mil)	46.5	49.0
Assignments Traded (No)	1,270	1,083
Assignments Traded ($mil)	82.2	69.0
Total Trades (No.)	1,391	1,187
Total Trades ($mil)	128.7	118.0
Average Value Per Licence ($mil)	0.384	0.426
Average Value Per Assignment ($mil)	0.065	0.063
Average Value Per Trade ($mil)	0.093	0.099
Accredited Taxi Brokers	19	19

Source: NSX FY08 Annual Report
Any small value differences are due to rounding

Whilst there has been a decline in the number of total trades (both transfer and assignment) from 30 June 2007 to 30 June 2008, the number of accredited taxi brokers has remained constant.

Waterexchange

Waterexchange was acquired by NSX on 19 October 2007 for $10.8 million (25 million shares were issued at 43 cents each). The business primarily involves the trading of water entitlements. Due to the expected continued poor financial performance of the business, goodwill recorded on acquisition of $10.5 million was subsequently written down to nil in the half year ended 31 December 2008. Revenue is generated through the imposition of a transaction fee that is levied directly on brokers that have a licence to operate on the Waterexchange. This value equates to $136 per trade (excluding GST). Any future growth of the business is likely to be dependent on growth in the number of trades through both existing and new product offerings.

The number of Waterexchange trades driving the 30 June 2008 financial year performance grew 31%. Five new brokers qualified to trade on the exchange during the year and a new permanent auction platform was built and is ready for implementation in the 2009 financial year.

Waterexchange Trading Statistics	30-Jun-07	30-Jun-08
Listed brokers (No)	N/A	27
Volume Traded (ML '000)	N/A	344.1
Volume Traded (No)	4,327.0	5,685.0
Value Traded ($'000)	N/A	204,150
Average Value per mega-litre ($)	N/A	593.2

Source: NSX FY08 Annual Report
N/A = not available / applicable
Any small value differences are due to rounding

The volume of trades in any season depends on a number of factors including:

- Scarcity: as with any other resource, the volume of trade will depend to some degree on the scarcity (availability) of the resource, which can vary absolutely and also across a season
- Rainfall: naturally occurring rainfall can be a substitute for water delivered through an irrigation system
- Commodity demand: traded irrigation water is a major input into the production of agricultural goods. Consequently its demand is derived from the demand for the commodities which it is used to produce

- Price of other factor inputs: along with water, agricultural producers use other inputs. Where these inputs represent material costs for producers, the prices associated with them will influence the demand for water
- Efficiency in use: efficiency in use and in particular technological change will also impact on the volume of water traded.

The volume of water traded in any one season will be dependent on all of the above factors, some of which (such as rainfall) are subject to high levels of uncertainty and beyond the control of management. This uncertainty coupled with the complex interrelationships that may exist between the factors themselves make any forecasting of volumes problematic.

Government can also mandate allocations of water to irrigators and influence the ability of irrigators to utilise the water in their allocations. This has implications on the level and volume of water entitlement trading.

Environmental Services

The Australian Government is establishing a Carbon Pollution Reduction Scheme (CPRS) as part of an effective framework for meeting the climate change challenge. The first auction of carbon permits, and the commencement of the compliance year under the Scheme, is expected to take place in 2010.

NSX operates an early stage business in the Environmental Services segment with the intent of offering carbon trading registry services. However, with government policies yet to be finalised in respect of the CPRS, this business segment remains a future, yet to be developed opportunity.

There are a number of key risks and uncertainties that require consideration in relation to this Scheme:

- Draft CPRS legislation, issued by the Department of Climate Change, is anticipated to be introduced to parliament at the end of May 2009
- Following the legislation, regulations will be introduced setting out details as to the nature of the carbon registry, emissions reduction targets and auction platform amongst other elements critical to the operation of the scheme. It is therefore not possible to assess the ability of a secondary market to interact with the primary government run auction process for Australian Emission Units (AEU) at this time, until the regulations are forthcoming
- In addition, the passage of the CPRS legislation through both houses of parliament is not assured and it is anticipated that amendments will be made to the draft CPRS bill. Such amendments could range from:
    - The levels of compensation available to emission intensive trade exposed businesses
    - The severity of the carbon reduction targets
    - The timing of the commencement of the scheme.
- In addition, a high level of competition is anticipated from potential alternative exchanges within the carbon market which may also offer registry services. It is understood that Australian Climate Exchange, EnVex and the ASX have developed, or are in the process of developing exchanges and products to compete in the carbon market.

Given the uncertainty, in the view of PwC Securities it is unlikely that this business will generate any significant revenue in the near term.

2.3. Financial Performance

NSX's consolidated unaudited financial performance for the half year ended 31 December 2008 and comparative audited results for each of the years ended 30 June 2008, 2007 and 2006 are presented below, together with the unaudited year to date performance as at 31 March 2009, sourced from NSX's management accounts.

$'000	30-Jun-06 Audited	30-Jun-07 Audited	30-Jun-08 Audited	31-Dec-08 Unaudited	31-Mar-09 Unaudited
Revenue					
Listing and application fees	681.1	735.4	896.0	422.4	612.4
Taxi licence market income	300.0	302.2	311.2	159.3	239.0
Waterexchange commissions	-	-	475.5	279.3	491.3
Other revenue	105.0	4.8	4.6	5.8	20.0
Interest - other persons	564.7	642.0	627.4	242.2	290.7
Total Revenue	**1,650.7**	**1,684.5**	**2,314.6**	**1,109.0**	**1,653.4**
Expenses					
Employee benefits expense	(1,017.0)	(988.7)	(1,966.8)	(956.9)	(1,347.7)
Consultancy expenses	(265.3)	(175.8)	(662.1)	(571.7)	(709.7)
Compliance expenses	(43.5)	(49.6)	(74.4)	(37.7)	(47.5)
Legal expenses	(51.2)	(14.4)	(163.2)	(212.1)	(307.3)
Market trading expenses	(509.6)	(520.2)	(640.5)	(312.9)	(377.4)
Marketing and promotion expenses	(14.6)	(97.3)	(190.2)	(158.0)	(216.6)
Service fee expense[1]	-	-	(7.5)	-	(35.1)
Rental expenses	(43.3)	(77.3)	(186.6)	(148.8)	(286.5)
Administration expenses	(192.0)	(263.2)	(337.8)	(167.3)	(356.1)
Other expenses	(210.0)	(166.2)	(293.5)	(179.2)	(153.8)
EBITDA	**(695.7)**	**(668.0)**	**(2,208.0)**	**(1,635.8)**	**(2,184.3)**
Depreciation, amortisation and impairments	(58.3)	(154.8)	(166.2)	(69.8)	(103.4)
EBIT	**(754.0)**	**(822.7)**	**(2,374.2)**	**(1,705.5)**	**(2,287.7)**
Finance costs	(0.1)	(0.0)	(0.1)	-	-
Impairment of goodwill[2]	-	(2,474.0)	-	(10,875.3)	(10,875.3)
Loss before income tax	**(754.1)**	**(3,296.7)**	**(2,374.3)**	**(12,580.8)**	**(13,162.9)**
Income tax expense	-	-	-	-	-
Loss attributable to members	**(754.1)**	**(3,296.7)**	**(2,374.3)**	**(12,580.8)**	**(13,162.9)**

Source: Management, NSX Limited Annual and Half Year Reports

1. Service fee expense = Listing and Corporate Costs (YTD March 2009)

2.The Impairment of Goodwill for YTD 31 March 2008 was not recognised in the Management Accounts but is applicable for the March 2009 YTD figures

Any small value differences are due to rounding

As outlined above, NSX has a history of losses, primarily due to the high fixed cost base relative to the variable revenue base generated by the business. The last period in which NSX generated a profit was for the year ended 30 June 2000 with a profit after tax of $8,039 reported, after receipt of $425,000 in government grants.

A high level breakdown of the key income statement and balance sheet items for each of the operating segments (stock exchanges, taxi markets, water exchanges and environmental services) is set out in Appendix D. This breakdown indicates that each of the segments have generated losses prior to income tax over the review period.

Total revenue to 30 June 2008 has grown by approximately 37% from 30 June 2007, primarily attributable to the acquisition of the Waterexchange business and increased listing income.

Operating expenses (i.e. excluding depreciation, amortisation and impairments) have increased significantly to 30 June 2008 from 30 June 2007, reflecting the:

- Integration of staff from the Waterexchange operations
- Increased development expenditure on projects associated with the Taxi Market, Waterexchange, environmental services and NSX Limited corporate websites
- Increased legal expenses relating to the Waterexchange business.

The unaudited half year results to 31 December 2008 include a significant impairment of goodwill of approximately $10.9 million. NSX have indicated that the following factors impacted the impairment:

- Water trading varies in line with seasonal conditions but can also be affected by government allocations and policy. Since 30 June 2008 Australia has received various conditions of extremes in weather in many states which can have an impact on trading levels
- The financial market crisis has resulted in reduced capital availability. In particular, many smaller companies that are looking for capital have, potentially, scaled back plans for listing
- Changes in political agendas, some in response to the financial crisis, have postponed adoption of carbon trading protocols and delayed the introduction of emissions trading in Australia.

A high level analysis has been undertaken to assess the incremental level of activity required to support a break even position, at a net profit after tax level, for each of the NSX business divisions with the exception of the Environment Services division. The Environmental Services division has been excluded from this analysis as it remains an early stage business yet to be commercialised as set out in the section 2.2 ‘Business segments’ of this report.

The analysis indicates:

- The Stock Exchange division, which includes NSX and BSX, is likely to require an increase in listings of over 300 to breakeven on an ongoing basis with no new application fees. An increase in listings of over 100 is required to breakeven if once off application fees are included in the analysis
- Waterexchange is likely to require just below a 50% increase in the number of trades on the exchange to break even
- The Taxi Market division is likely to require an increase in the monthly service fee of approximately $16,500 (from 30 June 2008 levels) to breakeven, however increases in the service fee are limited to CPI indexed annually for the life of the contract, which expires in March 2011.

In undertaking this analysis PwC Securities has:

- Utilised the information presented in the 30 June 2008 Statutory Accounts as a baseline
- Excluded any net interest adjustment to segment net profit after tax required to reconcile the segment net profit after tax to group net profit after tax
- Only considered primary revenue streams attributable to each of the business divisions above
- Made simplifying assumptions in respect of the size of an average market participant
- Assumed no increase in the cost base of the divisions (relative to 30 June 2008).

2.4. Financial Position

NSX's unaudited financial position as at the half year ended 31 December 2008 and comparative audited results for the three years ended 30 June 2008, 2007 and 2006 and unaudited management financials as at 31 March 2009 are presented below.

$ '000	30-Jun-06 Audited	30-Jun-07 Audited	30-Jun-08 Audited	31-Dec-08 Unaudited	31-Mar-09 Unaudited
ASSETS					
Current Assets					
Cash and cash equivalents	779.7	576.5	1,746.3	1,350.5	1,459.1
Trade and other receivables	76.6	88.3	233.0	247.3	34.4
Financial assets	10,315.0	9,500.0	6,055.0	4,578.3	3,578.3
Other current assets[1]	25.9	35.1	556.4	668.3	566.0
Total Current Assets	**11,197.2**	**10,200.0**	**8,590.8**	**6,844.5**	**5,637.9**
Non-current Assets					
Property, plant and equipment	160.7	187.5	194.7	240.3	332.0
Intangible assets	2,885.3	411.3	10,939.8	72.4	71.5
Other non-current assets	-	-	-	-	12.2
Total Non-current Assets	**3,046.0**	**598.8**	**11,134.5**	**312.8**	**415.7**
TOTAL ASSETS	**14,243.2**	**10,798.8**	**19,725.3**	**7,157.2**	**6,053.6**
LIABILITIES					
Current Liabilities					
Trade and other payables	432.5	288.0	788.4	727.6	160.8
Financial liabilities / Short term liabilities	3.8	-	-	-	-
Short-term provisions	54.7	55.3	81.5	136.8	360.4
Total Current Liabilities	**491.0**	**343.3**	**869.9**	**864.4**	**521.3**
Non-current Liabilities					
Other long-term provisions	-	-	24.1	42.5	-
Total Non-current liabilities	**-**	**-**	**24.1**	**42.5**	**-**
TOTAL LIABILITIES	**491.0**	**343.3**	**894.0**	**906.9**	**521.3**
NET ASSETS	**13,752.2**	**10,455.5**	**18,831.2**	**6,250.4**	**5,532.3**

Source: Management, NSX Limited Annual and Half year reports
1. A balancing account relating to the Waterexchange Trust Account has been incorporated with Other current assets
Any small value differences are due to rounding

The increase in net assets between 30 June 2007 and 30 June 2008 resulted from 25 million shares being issued at 43 cents per share in consideration for the acquisition of Waterexchange for $10.8 million, acquired in October 2007. Intangible assets at 30 June 2008 increased by $10.5 million reflecting goodwill on this acquisition, which was subsequently written down to nil at 31 December 2008. The remaining intangible assets relating to website development costs in connection with the development of the new website for trading taxi licences nationally and formation costs.

Financial assets comprise commercial bills and term deposits. Cash and cash equivalents increased by $1.2 million to 30 June 2008 following the conversion of financial assets to fund working capital requirements. As part of the NSXA and BSX financial markets licence, NSX is required to hold a minimum of $800,000 for NSXA and $1.0 million for BSX (total of $1.8 million, however a minimum of

$100,000 is sourced from the NSXA Fidelity Fund) as part of their investor compensation arrangements. The cash available for operating purposes (including financial assets) has steadily declined over time.

Other current assets represent prepayments and the balance of the Waterexchange Trust Account.

Property, Plant & Equipment comprises the NSXA trading engine (and associated set-up costs), technology, equipment and office fit-outs.

Whilst not recognised on the balance sheet, NSX also holds two Australian financial markets licences utilised by NSXA and BSX, as previously described.

2.5. Cash Flow Statement

NSX's unaudited cash flow statement as at the half year ended 31 December 2008 and comparative audited results for the two years ended 30 June 2008, are presented below.

$ '000	30-Jun-07 Audited	30-Jun-08 Audited	31-Dec-08 Unaudited
Cash from operating activities			
Receipts from customers	1,195.5	1,837.6	1,204.9
Payments to suppliers and employees	(2,670.3)	(4,350.2)	(3,196.2)
Interest received	642.0	627.4	242.2
Interest paid	-	(0.1)	-
Net cash provided by (used in) operating activities	**(832.8)**	**(1,885.3)**	**(1,749.1)**
Cash flows from investing activities			
Proceeds from sale of plant and equipment	-	-	-
Payment of subsidiary, net of cash aquired	-	(174.6)	-
Acquisition of property, plant and equipment	(181.5)	(151.8)	(112.6)
Acquisition of intangible assets	-	(63.6)	(10.7)
Net cash provided by (used in) investing activities	**(181.5)**	**(390.0)**	**(123.3)**
Cash flows from financing activities			
Proceeds from issue of shares	-	-	-
Proceeds from borrowings	-	-	-
Repayment of borrowings	(3.8)	-	-
Net cash provided by (used in) financing activities	**(3.8)**	**0.0**	**0.0**
Net increase (decreases) in cash held	**(1,018.1)**	**(2,275.3)**	**(1,872.4)**
Cash at beginning of financial year	11,094.7	10,076.5	7,801.3
Cash at end of financial period	**10,076.5**	**7,801.3**	**5,928.9**

Source: Management, NSX Limited Annual and Half year reports
Minor adjustments have been made to the management accounts to ensure consistency with the statutory accounts
Any small value differences are due to rounding

As previously stated, there has been a progressive decline in the cash from 30 June 2007. For the twelve months ended 30 June 2007, 2008 and the six months ended 31 December 2008, the implied cash burn per month has steadily increased approximating $85,000, $190,000 and $312,000 per month for each respective period. The implied cash burn per month for the six months ended 31 December 2008 is impacted by one-off abnormal events, resulting in the escalation from the twelve months ended 30 June 2007. Management have estimated a cash burn rate of approximately $230,000 per month moving forward (prior to any cost savings).

2.6. Capital Structure and Share Price History

Currently the top 20 shareholders have a combined holding of approximately 73% of NSX's issued capital. A summary of the relative shareholdings prior to the implementation of the Proposal is set out below:

	Shareholder	Balance	% of Total Issued Capital
1	IRRICO AUSTRALIA PTY LTD	10,500,000	14.1%
2	VITRON WERKBUND SUD AUSTRALASIA PTY LTD	9,750,000	13.1%
3	GPG NOMINEES PTY LTD	5,667,138	7.6%
4	BENDIGO BANK LIMITED	5,585,640	7.5%
5	ANZ NOMINEES LIMITED <CASH INCOME A/C>	5,409,153	7.3%
6	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	4,200,812	5.6%
7	FINANCIAL & ENERGY EXCHANGE LTD	1,410,128	1.9%
8	MR JOHN STEVEN LUNDGREN	1,134,000	1.5%
9	MR PAUL ERNEST SEYMOUR	1,100,001	1.5%
10	JEMAYA PTY LTD <THE FEATHERBY FAMILY A/C>	1,100,000	1.5%
11	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <	1,085,000	1.5%
12	JACK HART & ASSOCIATES PTY LIMITED <PROVIDENT FUND A/C>	1,000,000	1.3%
13	ACCOUNTING PC TRAINING PTY LIMITED	1,000,000	1.3%
14	PECHELBA PTY LTD <PECHELBA A/C>	925,000	1.2%
15	BRUCE GUNNING ENTERPRISES PTY LTD	925,000	1.2%
16	REAM INVESTMENTS PTY LIMITED <THE RMD A/C>	900,000	1.2%
17	RATTOON HOLDINGS LTD	800,000	1.1%
18	GPG NOMINEES PTY LIMITED	771,770	1.0%
19	FADMOOR PTY LTD <JOHN RUBINO SUPER FUND A/C>	691,940	0.9%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	670,000	0.9%
	Total	**54,625,582**	**73.4%**

Source: NSX Ltd as at 29 April 2009

In respect of the top 20 NSX shareholders NSX management have advised PwC Securities of the following:

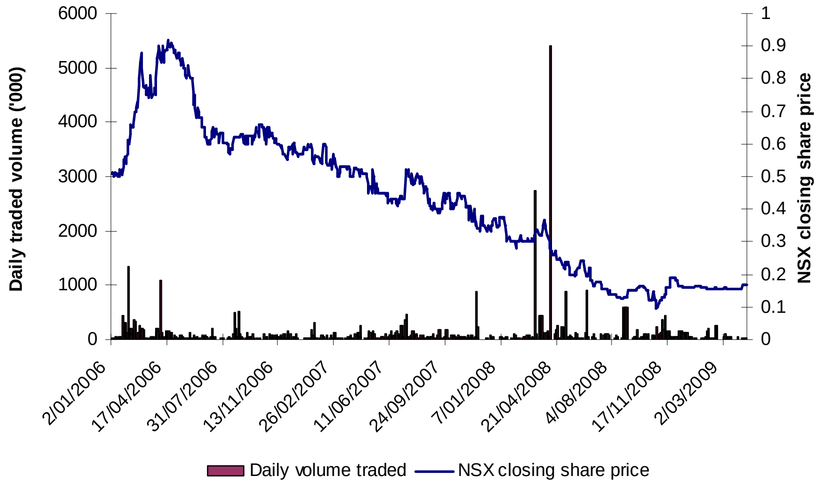
- Vitron Werkbund Sud Australasia Pty Ltd is a company associated with Brian Price and Financial & Energy Exchange is a company in which Brian Price is a major shareholder

- GPG Nominees Pty Ltd and GPG Nominees Pty Limited are investors in Rattoon Holdings Ltd, which is also a top 20 shareholder in NSX.

Share price history

The following diagram presents historic details of the NSX share price and trading volume since 1 January 2006. NSX's share price has steadily declined from a peak in April 2006 of 92 cents to the last trade at 24 cents on 18 May 2009. It is understood that the spike in the volume traded in April 2008 relates to the sale of NSX shares resulting from bank margin calls and the fall out from the Opus Prime collapse.

NSX trading history



Source Bloomberg

The NSX register is relatively tightly held and its shares are not consistently traded on a daily basis. An analysis of the volume weighted average share price (VWAP) of NSX and associated trade volumes and liquidity (measured by traded volume as a percentage of shares outstanding) over the preceding twelve months (from 28 April 2009) is set out below.

	Share Price				
VWAP analysis	High	Low	VWAP	Traded Volume (millions)	Liquidity
1 Day	-	-			-
1 Week	0.180	0.180	0.180	0.003	0.0%
1 Month	0.180	0.150	0.170	0.025	0.0%
3 Months	0.180	0.150	0.157	1.116	1.5%
6 Months	0.190	0.095	0.149	3.371	4.5%
12 Months	0.250	0.095	0.166	9.447	12.7%

Source: Bloomberg (as at 28 April 2009)
Note: VWAP analysed based on calander period

PwC Securities has also considered the trading liquidity exhibited by other companies listed on the ASX. Companies considered represented rankings 1, 50, 100, 150 and 200 according to market capitalisation as at 22 April 2009, on the basis that share trading volumes associated with companies in the ASX 200 are more likely to display characteristics of liquidity and be a more appropriate comparator group in considering liquidity than much smaller companies with market capitalisations similar to NSX which may also be illiquid. The range of liquidity represents the low and high levels of liquidity from the sample of companies selected.

	Traded Volume (in millions)	Liquidity
1 Day	0.3 - 12.7	0.2% - 0.5%
1 Week	1.3 - 80.9	0.7% - 4.2%
1 Month	6.4 - 501.9	3.4% - 31.2%
3 Months	22.6 - 1338.2	12.9% - 83.2%
6 Months	37.0 - 2290.0	34.2% - 142.4%
12 Months	91.8 - 4093.8	77.0% - 248.4%

Source: Bloomberg (as at 28 April 2009)
Note: VWAP analysed based on calander period

In instances when the trading of a company's shares is illiquid, caution must be exercised in using the share price as an indicator of the underlying fair value of the company. In such circumstances, share prices may either be above or below the underlying fair value of the company.

NSX's shares have demonstrated a significantly lower level of liquidity over the periods considered relative to the comparator sample and display strong characteristics of illiquidity indicating the share price is not a reliable indicator of fair value. Accordingly, PwC Securities has assessed the fair value of NSX on a controlling basis utilising an appropriate valuation methodology given the financial circumstances of the Company. A net assets valuation methodology has been applied as this approach appropriately recognises the Company's history of loss making, expectations for continued losses in the immediate future whilst remaining a going concern. This assessment of value excludes any additional premium above that of control. To the extent that NSX's current share price incorporates a premium (other than a control premium), PwC Securities does not consider it appropriate to incorporate such a premium in its assessment of the underlying fair value of NSX on a 100% ownership basis. Incorporating such premiums would result in overstating the fair value of NSX.

3. Valuation Methodologies

3.1. Introduction

There is no single generally accepted approach to determining value and the approach adopted depends upon the specific circumstances. PwC Securities has considered common market practices and the valuation methodologies and guidance provided by RG 111. The approaches PwC Securities has considered are discussed below.

3.2. Discounted Cash Flow (DCF) Approach

DCF approaches are premised directly on the principle that the value of a company is dependant upon the future economic benefits it can generate.

This method indicates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows.

This approach is typical for companies with:

- High levels of growth
- Reasonably accurate forecast cash flows (preferably a minimum of 5 years)
- Earnings or cash flows that are expected to fluctuate from year to year
- Irregular capital expenditure requirements.

3.3. Market Based Approaches

Market based approaches estimate the value of a company through reference to the market value of comparable companies and trading in the company's own shares. There are a number of variants including:

Capitalisation of Earnings

This method is commonly used for the valuation of relatively mature businesses. It involves the application of an earnings multiple (derived from an analysis of comparable companies and/or transactions) to an assessment of the future earnings of a business. The earnings must be maintainable by the business and must not include one-off gains or losses. Hence, this method is generally not appropriate for a business with fluctuating earnings. The method is appropriate for businesses with indefinite lives where stable earnings or trends in earnings are evident.

Dividend Based Valuations

Dividend based valuations involve the capitalisation of the future maintainable dividend payments of the company. The capitalisation rate reflects the investor's required rate of return. This method is appropriate for companies with:

- Stable growth rates and profits
- High payout ratios that are an approximation of free cash flows to equity
- Stable leverage.

ASX Market Price Valuation

ASX Market Price Valuation is generally considered an indication of value of minority interest share parcels if:

- The shares are actively traded
- The market is assumed to be efficient.

This valuation approach can be used at the prevailing spot rate at the valuation date or VWAP across a given period up to the valuation date, such as 30, 60 or 90 trading days.

3.4. Asset Based Approach

This method analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. The value of the assets can be determined in the context of:

- Orderly realisation: this method estimates the value by determining the net assets of the underlying business including any allowances or costs involved in carrying out the sale. This method is not a valuation under a forced liquidation where the value could be materially different from their market value
- Liquidation: this is based on the premise of a forced sale in terms of liquidation. In this case, the price the assets could be sold at (and hence value) is typically materially lower than their market value, or
- Going concern: this method estimates the value of the net assets on a replacement cost basis, but does not consider realisation costs.

This approach is typically used for asset rich companies, dormant companies or loss making companies that do not have good prospects of returning to profitability. The net assets basis is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

4. Valuation of NSX

4.1. Approach adopted

An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a discounted cash flow methodology is appropriate. It can also be applied where:

- The valuation based on earnings methodology results in a lower value than the sale value of the component parts
- The business is no longer a going concern and an orderly realisation of assets and distribution of the proceeds is proposed
- The recorded asset values appropriately reflect the underlying value of the business.

PwC Securities has adopted an asset based methodology as the primary valuation approach for NSX. In adopting this approach PwC Securities has considered:

- The historic performance of NSX which has incurred losses since 30 June 2001 and more recently incurred losses of \$0.75 million, \$3.3 million, \$2.4 million and \$12.6 million for the three years ended 30 June 2008 and the half year to 31 December 2008 respectively
- The significant improvement required in the performance of the businesses to breakeven
- Management's cost reduction analysis indicating NSX would be likely to remain in a loss making position after achieving management's estimate of reasonable cost savings without impacting the ability to operate the business
- The lack of long term financial projections
- The fact that an asset approach typically attributes minimal value to intangible assets
- The appropriateness of the application of a discounted cash flow or capitalisation of earnings approach, given the lack of long term financial projections and a history of losses.

Essentially, this approach has been adopted given:

- The historic financial losses incurred by the business which are anticipated to continue if the business operates as is
- Limited opportunity on a standalone, basis for the business to grow revenues or reduce costs sufficiently to break even or generate positive earnings
- The lack of a detailed management plan outlining how business activities could be fundamentally restructured (likely reduced) to significantly improve financial performance.

4.2. Determination of asset and liability values

In assessing the net asset value of NSX, PwC Securities has principally had regard to the 31 March 2009 unaudited management balance sheet as set out in Section 2.4 of this report. PwC Securities has also considered the audited balance sheet as at 30 June 2008 and the unaudited balance sheet at 31 December 2008 to ensure that the 31 March 2009 balance sheet is broadly consistent.

After reviewing the nature of the assets and liabilities held, no adjustments have been made to the tangible asset balances as at 31 March 2009. PwC Securities considers it unlikely that the individual tangible assets recorded would realise amounts significantly different to their book values. The most significant of NSX's tangible assets are cash and financial assets for which book value and realisable value should be equivalent. For the purposes of this report and again having regard to the nature and recorded value of the asset, PwC Securities has assumed that the intangible asset of approximately $71,500, representing costs associated with the development of a new website for trading taxi licences nationally, has negligible realisable market value.

The fair value adjustments to the 31 March 2009 balance sheet considered by PwC Securities are summarised below:

$ '000	31-Mar-09 Unaudited	Fair Value Adjustments	Market Value
ASSETS			
Current Assets			
Cash and cash equivalents	1,459.1	-	1,459.1
Trade and other receivables	34.4	-	34.4
Financial assets	3,578.3	-	3,578.3
Other current assets	566.0	-	566.0
Total Current Assets	**5,637.9**		**5,637.9**
Non-current Assets			
Property, plant and equipment	332.0	-	332.0
Intangible assets	71.5	(71.5)	-
Other non-current assets	12.2		12.2
Total Non-current Assets	**415.7**	**(71.5)**	**344.2**
TOTAL ASSETS	**6,053.6**	**(71.5)**	**5,982.1**
LIABILITIES			
Current Liabilities			
Trade and other payables	160.8	-	160.8
Financial liabilities	-	-	-
Short-term provisions	360.4	-	360.4
Total Current Liabilities	**521.3**	**-**	**521.3**
Non-current Liabilities			
Other long-term provisions	-	-	-
Total Non-current liabilities	**-**	**-**	**-**
TOTAL LIABILITIES	**521.3**	**-**	**521.3**
NET ASSETS	**5,532.3**	**(71.5)**	**5,460.8**

Source: Management, NSX Limited Annual and Half year reports

1. A balancing account relating to the Waterexchange Trust Account has been incorporated with Other current assets

Any small value differences are due to rounding

Australian Market Licences

As previously discussed, NSX holds two AML's, which is a regulatory requirement, to operate the BSX and NSXA exchanges, however the 31 March 2009 balance sheet does not recognise any value associated with these licences. In considering any value associated with the licences PwC Securities has had regard to the AML application process, including:

- A nominal ASIC application fee of between $1,300 and $1,400 levied upon licence applications
- Additional costs which are generally incurred in completing the ASIC application process
- The ASIC approval process which generally takes in excess of nine months
- The discretionary ministerial approval which is required in order to obtain a licence
- The fiduciary duty which exists to maintain cash reserves. There is a potential opportunity cost associated with having cash reserves tied up in low yielding accounts to satisfy fiduciary duties
- The requirement to be a fit and proper person and satisfy probity requirements
- The general requirement to be commercially suitable and apt by having appropriate financial, technological and human resources.

Having regard to the application requirements and associated timeframes, PwC Securities considers it unlikely that an entity would pay a significant premium to acquire an AML, on the basis that a buyer would still need to satisfy the requirements of any normal applicant. In the view of PwC Securities any value that resides with an AML primarily represents the opportunity cost associated with the time lag between the grant date of an AML from the application date, relative to the ability to conduct business from the date of an acquisition of an AML. That is, the licences may hold value to a strategic buyer looking to acquire the licences to short circuit the licence application process.

In addition, PwC Securities has also had regard to any recent transactions associated with stock exchange AML's. On 3 October 2008, Austock Group Limited sold a 49.3% interest in APEL for $314,000. The audited net asset position of APEL at 30 June 2008 was $818,875, which incorporated an intangible asset of $296,678 in respect of its AML (written down from $500,000 in the year ended 30 June 2008). The summary of significant accounting policies in the 2008 APEL annual report indicates that the intangible asset related to expenditure incurred in obtaining the AML. APEL incurred trading losses in the two years ended 30 June 2008. PwC Securities has estimated the net asset position of APEL at 30 September 2008 to be approximately $675,000 after assuming three months of cash burn at a rate consistent with that achieved in the year ended 30 June 2008.

Assuming a net asset position of $675,000, a 49.3% interest equates to approximately $332,775 relative to the $314,000 received by Austock Group Limited. In the opinion of PwC Securities this transaction and analysis assists to confirm that there is limited current value associated with an AML.

Based on these factors, PwC Securities considers that whilst it is likely that the licences have value, the value is low relative to the underlying net asset position of NSX at 31 March 2009. A value range of nil to $500,000 has been attributed to each of the AML's. The range of values reflect the lack of return being generated by NSX from its existing stock exchange operations and the AML's potential strategic value. To certain purchasers, the AML's potentially have value in excess of $500,000 each. PwC Securities has not attempted to quantify this value as we consider it is not appropriate to incorporate it within the fair value of the NSX equity given the purpose of this report.

Environmental services trading platform

PwC Securities has not attributed any value to the environmental services trading platform. In considering this, regard has been given to:

- Uncertainty regarding CPRS legislation, supporting regulations and the size and nature of the carbon market
- The level of development of the environmental services trading platform
- The high level of competition anticipated from alternative exchanges within the carbon market. It is understood that Australian Climate Exchange, EnVex and the ASX have developed, or are in the process of developing exchanges and products to compete in the carbon market.

Summary Value of NSX

PwC Securities has assessed the equity value of NSX (on a stand-alone controlling basis) to be in the range of between 7.0 cents and 8.3 cents per share, calculated as follows:

	Low $ '000	High $ '000
NTA	5,461	5,461
Value of AML's	-	1,000
Value of environmental trading platform	-	-
Total shares on issue (fully diluted) ('000)	78,197	78,197
NTA per share (cents)	**7.0**	**8.3**

Any small value differences are due to rounding

4.3. Evaluation of fairness

Based on PwC Securities assessment, the consideration of 15 cents per share payable by NZX is above the high end of the assessed value range of a NSX share on a controlling basis. Accordingly, in PwC Securities opinion the Proposal is to NSX non-associated shareholders.

4.4. Valuation Cross Checks

Comparison with Trading Market Price

PwC Securities has attempted to compare the value ranges of between 7.0 cents and 8.3 cents per share, determined using the net asset methodology, with the last trade of NSX shares at 24 cents on volume of 103,000 shares on 18 May 2009. PwC Securities has assessed the fair value of NSX on a controlling basis utilising a net assets valuation methodology applicable in cases where a company has a history of loss making, is likely to continue making losses in the immediate future but remains a going concern. This assessment of value excludes any additional premium above that of control. Consequently, PwC Securities considers that the trading of NSX shares on the ASX is illiquid and that the current NSX share price does not reflect the fair value of NSX. To the extent that NSX's current share price incorporates a premium (other than a control premium), PwC Securities does not consider it appropriate to incorporate such a premium in its assessment of the underlying fair value of NSX on a 100% ownership basis. Incorporating such premiums would result in overstating the fair value of NSX.

NSX shareholders may be able to realise a value in excess of the value determined by PwC Securities of between 7.0 cents and 8.3 cents per share. However, given the level of traded volume in NSX shares, it is unlikely that significant volumes could be traded at the current share price, in the absence of a potential takeover or similar other transaction.

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5. Evaluation of the Proposal

Is the Proposal reasonable for NSX non-associated shareholders?

PwC Securities has concluded that the Proposal is fair. Accordingly the Proposal is reasonable.

NSX is loss making. Continuation of current business operations without change is likely to reduce cash to a point where NSX may no longer operate as a going concern (without a capital raising). Management have estimated a cash burn rate of $230,000 per month moving forward. Based on cash and financial asset balances as at 31 March 2009 of approximately $5.0 million, NSX has approximately fourteen months of operating capital remaining, after deducting $1.7 million of cash that is required to be held under ASIC AML capital conditions. NSX management have identified possible cost savings if NSX remains standalone (i.e. which do not compromise the integrity of business operations). Proposed reductions in discretionary spending of $730,000 per annum or approximately $60,000 per month have been estimated. Based on an adjusted cash burn rate of $170,000 per month NSX has approximately 19 months of operating capital remaining. The estimated cost savings of $60,000 per month would not result in positive earnings or cash flows for the Company.

Management has also given high level consideration to a “hibernation” approach, whereby business activities are limited to care and maintenance of existing operations. However, management do not consider this to be a sustainable alternative in the longer term and no detailed planning has been undertaken.

PwC Securities has considered the following advantages and disadvantages that will accrue to existing NSX shareholders if the Proposal is approved.

Strategic benefits

NSX operates a business within the stock exchange and share registry services sector in Australia. The Proposal provides an opportunity for NSX to partner with NZX to develop NSX’s revenue base through expansion of existing operations and development of new revenue streams. The Proposal provides NSX access to NZX management expertise, technology, regulatory systems and operational processes and support services, to assist reduce NSX’s operating cost base. Existing NSX shareholders have the opportunity to share in any improvement in operating performance and enhanced growth prospects of the Company as a result of the Proposal which would not otherwise be available to NSX without significant investment.

Access to operating funds

The Proposal will provide an additional $11.78 million in funds to recapitalise and secure the immediate and medium term financial position of the Company. It will provide the Company additional time to improve the revenue base and operating cost structure of the business.

In the absence of a recapitalisation or a significant improvement in the performance of the Company, it is likely that the business will not have sufficient working capital to continue beyond some time in the financial year ending 30 June 2011.

In the absence of improved operating performance (either through improved revenue or more efficient cost structure, or combination of both), recapitalising the Company will not be sufficient to ensure its future viability, without a significant restructuring and reduction in its business activities.

Access to capital

The ability of NSX to raise capital (other than from a strategic investor) is limited and would pose a significant challenge given its historic financial performance and the limited prospects for financial turnaround given the current economic environment and largely fixed operating cost structure. The global financial crisis and subsequent reduction in capital market liquidity has seen traditional funding sources contract and associated capital funding costs escalate significantly.

Net tangible assets per share

PwC Securities has calculated the net tangible assets (NTA) per share for NSX (pre and post the placement of shares).

The analysis shows that NTA backing for NSX shareholders will increase from 7.0 cents per share to approximately 11.0 cents per share if the Proposal is implemented.

	NSX Pre - placement	NSX Post - placement
NTA ('000)	5,460.8	5,460.8
Cash injection[1]	-	11,776.6
Number of shares (millions)	78.2	156.7
NTA per share (cents)	**7.0**	**11.0**

Source: NSX management and management accounts (YTD 31 March 2009).
1. Cash received from NZX for 78.5 million shares at 15 cents each.
Any small value differences are due to rounding

Earnings per share

PwC Securities has calculated the basic earnings per share (EPS) on a fully diluted basis for NSX (pre and post the implementation of the Proposal). In undertaking this calculation, no cash has been assumed from a call on the partly paid shares as they are only callable at the option of the holder or on liquidation. For the purpose of this calculation, the earnings utilised for NSX represent an assumed annualised level of earnings based on NSX's unaudited Net Profit After Tax (NPAT) for the nine months ended 31 March 2009. Interest on the cash injection and proceeds from the exercise of the 2,237,383 options has been calculated at a rate of 3.14%, being the 30 day bank bill rate at 22 April 2009. Due to the loss making position of the Company, no tax has been deducted from the interest adjustment.

The basic EPS calculated includes the impact of a $10.9 million goodwill impairment. An adjusted EPS has also been calculated excluding the 'one-off' goodwill impairment and is set out below.

	NSX Pre - placement	NSX Post - placement	NSX Pre - placement	NSX Post - placement
	Including Impairment		Excluding Impairment	
Cash injection¹	-	11,776.6	-	11,776.6
Proceeds from options[2]	1,118.7	1,118.7	1,118.7	1,118.7
NPAT (9 months annualised) ('000)[3]	**(13,925.5)**	**(13,925.5)**	**(3,050.2)**	**(3,050.2)**
Interest earned on cash injection	-	369.8	-	369.8
Interest earned on proceeds from options	35.1	35.1	35.1	35.1
NPAT ('000)	**(13,890.4)**	**(13,520.6)**	**(3,015.1)**	**(2,645.3)**
Number of shares (millions)	78.2	156.7	78.2	156.7
EPS per share (cents)	**(17.8)**	**(8.6)**	**(3.9)**	**(1.7)**

Source: NSX management and management accounts (YTD 31 March 2009).

1. Cash received from NZX for 78.5 million shares at 15 cents each.
2. Exercise of 2,237,383 million options at an exercise price of 50 cents each
3. Annualised to reflect a full year of performace from the nine months ended 31 March 2009.

Any small value differences are due to rounding

The analysis shows that if the Proposal is implemented EPS for NSX shareholders should improve from negative 17.8 cents to negative 8.6 cents per share if the goodwill impairment is incorporated, or from negative 3.9 cents to negative 1.7 cents per share if the goodwill impairment is excluded. Whilst representing significant improvements in EPS, financial losses and cash burn are expected to continue in the absence of other operational improvements.

Control passing from existing shareholders to NZX

If the Proposal is implemented, control will pass from existing NSX shareholders to NZX. The interests of existing shareholders and option holders (if exercised) will reduce from 100% to approximately 49.9% with NZX holding the remaining 50.1% of NSX (on a fully diluted basis). Existing shareholders' ownership will fall to 49.2%. NZX's shareholding may increase to 50.8% if none of the outstanding options are exercised.

Future takeover premium

If the Proposal is implemented it is likely that the prospects for existing NSX shareholders to participate in the benefit of a control transaction (takeover or similar transaction) will be significantly reduced. Any later proposed takeover (subject to minimum acceptance conditions) or scheme could not proceed without the support of NZX. Therefore the prospect of NSX's existing shareholders benefiting from a takeover premium will be significantly reduced if the Proposal is implemented.

Liquidity of NSX shares

NZX will hold a 50.1% interest in NSX. Assuming that NZX does not trade its shares, then the Proposal, if approved, is unlikely to increase the underlying liquidity of NZX shares.

Other alternatives

It is understood that NSX management have held high level discussions with other potentially interested strategic parties in recent times, however no alternatives to the Proposal have advanced.

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Appendix A – Financial Services Guide

PricewaterhouseCoopers Securities Limited

This Financial Services Guide is dated 14 May 2009.

About Us

PwC Securities (ABN 54 003 311 617, Australian Financial Services Licence no 244572) has been engaged by NSX to provide a report in the form of an Independent Expert's Report (the Report) for inclusion in these Explanatory Notes.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration PwC Securities may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

Financial Services We are Licensed to Provide

Our Australian Financial Services Licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

General Financial Product Advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, Commissions and Other Benefits We May Receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us.

Directors, authorised representatives or employees of PwC Securities, PricewaterhouseCoopers (PwC), or other associated entities, may receive partnership distributions, salary or wages from PwC.

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Associations with Issuers of Financial Products

PwC Securities and its authorised representatives, partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC may be the auditor of, or PwC Securities may provide financial advisory services to, the issuer of a financial product in the ordinary course of its business.

Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service (FICS), and external complaints resolution service. You will not be charged for using the FICS service.

Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Nigel Smythe
Authorised Representative
PricewaterhouseCoopers Securities Limited
GPO Box 1331L
MELBOURNE VIC 3001

Appendix B - Sources of Information

In preparing this Report PwC Securities has had access to and relied upon the following major sources of information:

- NSX Annual Reports (audited) for the 3 years ended 30 June 2008
- NSX Half-year Reports (audited) for the year ended 31 December 2008
- NSX 31 March 2009 YTD Management Accounts
- Notice of Meeting and Explanatory Notes, May 2009
- Minutes of Board Meetings
- Shareholder information
- Waterexchange trading volume data
- ASX press releases, May 2009
- Implementation Agreement, 8 May 2009
- Discussions and correspondence with senior NSX management concerning the history and prospects for NSX
- IBISWorld Industry Report dated February 2009 – Stock Exchange & Share Registry Services in Australia
- Financial information sourced from Bloomberg
- Information on comparable listed companies sourced from Bloomberg, Capital IQ, and annual reports
- Other publicly available information including information from the NSX websites.

PwC Securities has not performed an audit, review or any other verification of the information presented to it. Accordingly, PwC Securities expresses no opinion on the reliability of the information supplied to it.

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Appendix C - Qualifications, Disclaimers and Consents

Qualifications

PwC Securities is a member of PricewaterhouseCoopers, a large international firm of Chartered Accountants which has had extensive experience in providing corporate financial advice and in the preparation of Independent Expert Reports. PwC Securities is a licensed Dealer (No 11203) under the Corporations Act. The individuals responsible for the preparation of this report are Nigel Smythe, Mark Reading and Hamish Emms. Mr Nigel Smythe is an associate of The Institute of Chartered Accountants in Australia and a Senior Fellow of the Financial Services Institute of Australia. He holds a Bachelor of Business and a Graduate Diploma in Applied Finance & Investment. He has in excess of 13 years experience preparing independent expert reports and business valuations. He is a Partner with PricewaterhouseCoopers and is an authorised representative of PwC Securities. Mr Mark Reading is a Chartered Accountant and a Fellow of the Financial Services Institute of Australasia. He holds a Bachelor of Commerce and a Masters of Business Administration. He has 25 years experience with PricewaterhouseCoopers. He is also a partner of PricewaterhouseCoopers, and is an authorised representative of PwC Securities. Hamish Emms is an Associate of the Institute of Chartered Accountants in Australia and has significant experience in the preparation of valuations and independent expert reports.

Declarations

Neither PwC Securities nor PricewaterhouseCoopers has any interest in the outcome of the Proposal. PwC Securities is entitled to receive a fee for the preparation of this Report based on time spent at our normal hourly rates for this type of work and will be reimbursed for out of pocket expenses incurred. The fee payable to PwC Securities is payable regardless of the outcome of the Proposal. In addition, PwC Securities has been indemnified by NSX Limited in relation to any claim arising from or in connection with its reliance on information provided by NSX. None of PwC Securities, PricewaterhouseCoopers, Mr Smythe nor Mr Reading nor Mr Emms hold shares/units in NSX and have not held any such beneficial interest in the previous two years. A draft of this Report dated 26 April 2009 was presented to the Directors of NSX and their respective advisors for review of factual information contained in this Report. No significant changes were made to the Report as a result of those reviews.

Purpose of Report

This Report has been prepared at the request of the Directors of NSX for inclusion in the Explanatory Notes and should not be used for any other purpose. In particular, it is not intended that this Report should serve any purpose other than an expression of our opinion on whether the Proposal is fair and reasonable for the shareholders of NSX. This Report has been prepared solely for the benefit of the Directors of NSX and for the benefit of those persons who hold shares in NSX. Neither the whole or any part of this Report nor any reference to it may be included in or attached to any document, circular, resolution, letter or statement (other than the Explanatory Notes mentioned above) without the prior written consent of PwC Securities to the form and context in which it appears.

PwC Securities have historically provided services to NSX and NZX in the nature of advisory related services, none of which relate to, nor impair its ability to prepare an independent assessment of the Proposal.

Special note regarding Forward-looking Statements and Forecast Financial Information

Certain statements in this Report may constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements of NSX, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following:

- General economic conditions
- The future movements in interest rates and taxes
- The impact of terrorism and other related acts on broader economic conditions
- Changes in laws, regulations or governmental policies or the interpretation of those laws, the regulations or NSX in particular
- Other factors referenced in this Report.

Disclaimer and Consents

PwC Securities has consented to the inclusion of this Report in the form and context in which it is included as an appendix to the Explanatory Notes. PwC Securities' sole involvement in these Explanatory Notes has been the preparation of this report and PwC Securities' liability is limited to the inclusion of this Report in the Explanatory Notes. PwC Securities has not been involved in, makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Explanatory Notes.

In preparing this Report, NSX has indemnified PwC Securities, PricewaterhouseCoopers and its employees, officers and agents against any claim, liability, loss or expense, cost or damage, including legal costs on a solicitor client basis, arising out of reliance on any information or documentation provided by NSX which is false and misleading or omits any material particulars or arising from a failure to supply relevant documentation or information.

In addition, NSX has agreed that if it makes any claim against PricewaterhouseCoopers or PwC Securities for loss as a result of a breach of our Contract, and that loss is contributed to by its own actions, then liability for its loss will be apportioned and is appropriate having regard to the respective responsibility for the loss, and the amount NSX may recover from PwC Securities will be reduced by the extent of its contribution to that loss.

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Appendix D – Segment Financials

$ '000	30-Jun-07 Audited	30-Jun-08 Audited	31-Dec-08 Unaudited	31-Mar-09 Unaudited
Stock exchanges				
Income statement				
Revenue from external customers	740	896	422	669
Profit/loss for the year	(3,953)	(2,022)	(871)	(623)
Balance sheet				
Total Assets	10,730	8,614	1,084	1,187
Total Liabilities	306	814	434	2,943
Taxi Markets				
Income statement				
Revenue from external customers	302	311	159	240
Profit/loss for the year	14	(198)	(80)	(74)
Balance sheet				
Total Assets	69	149	172	128
Total Liabilities	37	17	79	4,797
Water Exchange				
Income statement				
Revenue from external customers	-	480	279	493
Profit/loss for the year	-	(383)	(8,178)	(188)
Balance sheet				
Total Assets	-	8,463	531	469
Total Liabilities	-	64	63	390
Environmental Services				
Income statement				
Revenue from external customers	-	-	-	0
Profit/loss for the year	-	(398)	(2,761)	(307)
Balance sheet				
Total Assets	-	2,500	53	21
Total Liabilities	-	-	23	739

Source: Management, NSX Limited Annual and Half year reports

Segment details exclude Net Interest included in the consolidated financials

The 31 March 2009 financials include intecompany loans which are not reflected in the audited financials

Any small value differences are due to rounding

PRICEWATERHOUSECOOPERS

Appendix E - Glossary of Terms

Term	Definition
ASIC	Australian Securities and Investments Commission
AEU	Australian Emission Units
AML	Australian Market Licence
APEL	Asia Pacific Exchange Limited
ASTC	ASX Settlement and Transfer Corporation Pty Ltd
ASX	Australian Stock Exchange Limited and the market it operates
AUD	Australian Dollar
BSX	Bendigo Stock Exchange
BSX TM	BSX Taxi Market
CHESS	Clearing House Electronic Subregister System
CPI	Consumer Price Index
CPRS	Carbon Pollution Reduction Scheme
Company	NSX Limited
Corporations Act	The Corporations Act 2001 including the Corporations Regulations 2001
DCF	Discounted Cash Flow
EBT	Earnings Before Tax
EBIT	Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EPS	Earnings per share
Explanatory Notes / EN	The explanatory notes for the Extraordinary General Meeting
FICS	Financial Industry Complaints Service Limited
FME	Future Maintainable Earnings
FSG	Financial Services Guide
FY	Financial Year
GDP	Gross Domestic Product
IA	Implementation Agreement
IER	Independent Expert's Report
Independent Expert	PricewaterhouseCoopers Securities Ltd (In relation to this Report)
Independent Expert's Report	The Report prepared by the Independent Expert set out in the Explanatory Notes
Market capitalisation	Value of shares outstanding multiplied by the current price per share
NPAT	Net Profit After Tax
NPBT	Net Profit Before Tax
NSX	NSX Limited
NSXA	National Stock Exchange of Australia
NTA	Net Tangible Assets
NZX	NZX Limited
PwC	PricewaterhouseCoopers
PwC Securities	PricewaterhouseCoopers Securities Ltd
RG	Regulatory Guide
SME	Small to Medium Enterprise
VWAP	Volume Weighted Average Price

PROXY FORM

All correspondence to:
Registries Limited
GPO BOX 3993
Sydney NSW 2001
Enquiries: 1300 737 760
Facsimile: 1300 653 459
www.registries.com.au
callcentre@registries.com.au

NSX LIMITED
ABN 33 089 447 058
Extraordinary General Meeting
Proxy Form

☐ Mark this box with an 'X' if you are Issuer Sponsored and want to make any changes to your address details (see reverse)

«NameAddress_1»
«NameAddress_2» «Holder_Id»
«NameAddress_3»
«NameAddress_4»
«NameAddress_5»
«NameAddress_6»

Appointment of Proxy

If appointing a proxy to attend the Extraordinary General Meeting on your behalf, please complete the form and submit it in accordance with the directions at the bottom of the page.
I/We being a shareholder/shareholders of NSX Limited pursuant to my/our right to appoint not more than two proxies, appoint

☐ The Chairman of the Meeting (mark with an "X") **OR** ________ Write here the name of the person you are appointing if this person **is someone other than** the Chairman of the Meeting.

or failing him/her ________ Write here the name of the other person you are appointing.

or failing him/her, (or if no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting to be held in the **Stewart & Ross Room, at the offices of Blake Dawson Lawyers, Level 26, 181 William Street Melbourne Victoria on Friday 19 June 2009 at 12:00 pm (Melbourne time)** and at any adjournment of that meeting.

This proxy is to be used in respect of __________% of the ordinary shares I/we hold.

Voting directions to your proxy – please mark ☒ to indicate your directions

RESOLUTION	For	Against	Abstain*
1. Approval of the issue of Shares to NZX Limited under the Transaction	☐	☐	☐
2. Election of Mark Rhys Weldon as a director of the Company	☐	☐	☐
3. Election of Geoffrey Bruce David Brown as a director of the Company	☐	☐	☐
4. Election of Rachael Frances Newsome as a director of the Company	☐	☐	☐
5. Amendment of the Constitution to remove "unacceptable control" provisions	☐	☐	☐

* 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.

If you do not mark any of the boxes in the items of business, your proxy may vote as he or she chooses. The Chairman intends to vote 100% of all open proxies for the resolutions 1 to 5.

PLEASE SIGN HERE
This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.
Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1	Joint Shareholder 2	Joint Shareholder 3
Director	Director / Company Secretary	Sole Director & Sole Company Secretary

Dated this ________ **day of** ________ **2009**

Contact Name	Contact Business Telephone / Mobile	Email

General Meeting – 19 June 2009 **NSX Limited**
Proxy Form **ABN 33 089 447 058**

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Your pre-printed name and address is as it appears on the share register of NSX Limited. If you are Issuer Sponsored and this information is incorrect, please mark the box at the top of the proxy form and make the correction on the form. Security holders sponsored by a broker on the CHESS subregister should advise their broker of any changes. Please note, you cannot change ownership of your securities using this form.

2. Completion of a proxy form will not prevent individual shareholders from attending the Extraordinary General Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Extraordinary General Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Extraordinary General Meeting.

3. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment do not specify this proportion, each proxy may exercise half of the votes.

4. A proxy need not be a shareholder of the Company.

5. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

6. If a representative of a company shareholder is to attend the Meeting, a properly executed original (or certified copy) of the appropriate "Certificate of Appointment of Corporate Representative" should be produced for admission to the Meeting. Previously lodged "Certificates of Appointment of Corporate Representative" will be disregarded by the Company.

7. If a representative as Power of Attorney of a shareholder is to attend the meeting, a properly executed original (or originally certified copy) of an appropriate Power of Attorney should be produced for admission to the Extraordinary General Meeting. Previously lodged Powers of Attorney will be disregarded by the Company.

8. **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, all of the shareholders should sign.
Power of Attorney:	If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
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.

9. **Lodgement of a Proxy**

   This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address below not later than **12 noon on Wednesday 17 June 2009** (48 business hours before the commencement of the meeting). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Hand Deliveries
Registries Limited
Level 7
207 Kent Street
Sydney NSW 2000

Postal Address
Postal address:
Registries Limited
GPO BOX 3993
Sydney NSW 2001
Fax number: 1300 653 459