

**S2NET LIMITED
(ACN 056 010 121)**

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of S2Net Limited (*Company*) will be held at Suite 4, Level 10, 8 - 10 Loftus St, Sydney, New South Wales on Tuesday, 16 December 2014 at 10 a.m.

Business:

Approval of Share Buy-Back

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

'That for the purpose of section 257C of the Corporations Act 2001 (Cth) and for all other purposes shareholders approve, with immediate effect, the equal access share buy-back of up to 20,408,163 fully paid ordinary shares in the Company at a price of \$0.147 per share, on the terms set out in the Explanatory Statement and Offer accompanying this Notice of Meeting'

For further information, please refer to the Explanatory Notes, which form part of this Notice of General Meeting.

By Order of the Board



.....
Jonathan Birch
Company secretary
17 November 2014

GENERAL NOTES TO NOTICE OF GENERAL MEETING

1. Voting by proxy

The Chairman of the Meeting intends to vote undirected proxies for the proposed resolution.

A Shareholder entitled to attend and vote at the General Meeting may appoint one proxy or, if the Shareholder is entitled to cast two or more votes at the meeting, two proxies to attend and vote instead of the Shareholder.

Where two proxies are appointed to attend and vote at the meeting, each proxy may be appointed to represent a specified proportion or number of the Shareholder's voting rights at the meeting. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

A proxy need not be a Shareholder of the Company.

A proxy form accompanies this notice. For the proxy form to be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the General Meeting, namely, by 10 am on Sunday, 14 December 2014, at:

- (a) the Company's offices at Suite 4, Level 10, 8 - 10 Loftus St, Sydney, New South Wales 2000; or
- (b) by facsimile on +61 2 9460 4519

Shareholders and their proxies should note that new sections 250BB and 250BC of the Corporations Act apply to voting by proxy. In particular:

- (c) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote as directed;
- (d) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- (e) if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll and must vote as directed; and
- (f) if the proxy is not the chair, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote as directed.

If a proxy is also a member, this subsection does not affect the way that the person can cast any votes they hold as a member.

If an appointment of a proxy specifies the way the proxy is to vote on a particular resolution, and

- (a) the appointed proxy is not the Chairman of the meeting;
- (b) at the meeting, a poll is duly demanded on the resolution and either of the following applies:
 - (i) the proxy is not recorded as attending the meeting; or

(ii) the proxy does not vote on the resolution,

the Chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

2. Explanatory Notes

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

3. Voting Entitlement

A determination has been made by the Board of Directors of the Company in accordance with Regulation 7.11.37 of the Corporations Act that those persons who are registered as the holders of shares in the Company at 10 am on Sunday, 14 December 2014 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

EXPLANATORY STATEMENT AND OFFER

1. Introduction

1.1. This Document

This Explanatory Statement and Offer contains information relevant to Shareholders' consideration of the proposed resolution to be put to Shareholders at the Company's General Meeting on 16 December 2014 concerning the proposed equal access buy-back of Shares. This Explanatory Statement and Offer also contains and comprises an offer to Eligible Shareholders to participate in the Buy-Back on the terms set out in Section 7 (subject to approval at the general meeting).

1.2. Defined Terms

Throughout this document certain capitalised words and phrases have defined meanings. The definition of the defined terms is set out in Section 13 below.

1.3. Independent Advice

This document contains general information relevant to Shareholders consideration of the proposed resolution and Offer. Nothing in this Explanatory Statement and Offer is intended to be personal financial or taxation advice. The information contained herein does not take into account your personal financial circumstances. Prior to making any decisions in respect of the matters contained in this Explanatory Statement and Offer, you should seek further, independent, legal, financial and taxation advice.

2. Overview of Buy-Back

2.1. Purpose of the Resolution

The Corporations Act allows the Company to buy-back up to 10% of the minimum number of shares on issue at any time in the preceding 12 months without seeking shareholder approval. The proposed Buy-Back by the Company is for a maximum of 20,408,163 Shares, which if all Shares (up to the Buy-Back Limit) are taken up by the Shareholders will constitute greater than 10% of the minimum number of shares on issue at any time in the preceding 12 months.

Further, the Company completed a buy-back of 50% of its issued capital in June 2014, pursuant to shareholder approval obtained at a general meeting of the Company on 9 May 2014.

Accordingly, the Company is now seeking approval from Shareholders to the equal access buy-back scheme, outlined further in this Explanatory Statement and Offer for the buy-back of up to 20,408,163 ordinary fully paid shares in the Company, at the Buy-Back Price, in accordance with section 257C of the Corporations Act.

While all eligible Shareholders may participate in the Buy-Back, voting in favour of the Resolution does not require any Shareholders to sell any Shares in the Buy-Back. Participation in the Buy-Back is voluntary and at the discretion of all Eligible Shareholders.

If Shareholders approve the Resolution, a separate Offer Form will be sent to all Eligible Shareholders after the General Meeting.

2.2. Overview of Proposal

Buy-Back Price	\$0.147 per Share
Eligibility to participate	Eligible Shareholders are all Shareholders who hold ordinary fully paid shares in the Company on the Record Date.
Shares that may be accepted into the Buy-Back	Eligible Shareholders may accept the Buy-Back Offer in relation to some or all of the Shares they hold on the Record Date.
Offer and acceptance process	This Explanatory Statement and Offer constitutes an offer to Eligible Shareholders to participate in the Buy-Back, on the terms and conditions set out in Section 7, subject to shareholder approval at the General Meeting on 16 December 2014. If the Buy-Back is approved, the Company will dispatch Offer Forms to all Eligible Shareholders. Eligible Shareholders who wish to participate in the Buy-Back must complete the Offer Form and return it to the Company prior to the Closing Date. When the Company receives your completed Offer Form, a contract to buy-back your Shares will immediately be formed between you and the Company.
Buy-Back Limit	The maximum number of Shares that will be bought back under the Buy-Back will be 20,408,163 shares, representing 43.5% of the issued Shares in the Company as at the date of this Explanatory Statement and Offer. In the event that the Company receives Offer Forms in respect of a number of Shares greater than the Buy-Back Limit, the number of Shares which will be bought back from each Participant will be scaled back, pro-rata.
Cancellation of Shares bought	All Shares bought back by the Company will be cancelled upon completion of the purchase. This will reduce the total number of Shares on issue
Timing	A timetable is included in Section 8 which sets out the key dates.
Source of Buy-Back Price	The Buy-Back Price will be paid out of the Company's existing cash reserves, being the remainder of payment of the initial purchase price for the sale of the Company's subsidiary, Fastwire Pty Ltd, to Huawei Technologies (Australia) Pty Ltd, together with the additional monies paid out on finalisation of the adjustments pursuant to that sale. No part of the Buy-Back Price will be paid out of the profits of the Company or constitute a dividend.

2.3. Outcome of Approval of Buy-Back

On approval of the Buy-Back by Shareholders the Company shall implement the Buy-Back by dispatching to all Eligible Shareholders an Offer Form. On receipt of the Offer Form Eligible Shareholders will have two choices:

- (a) Offer to sell all or some of their Shares, by completing the Offer Form. Shareholders may offer to sell up to their entire holding of Shares in the Company, however, if the Company receives acceptances for more than the Buy-Back Limit, the Company will scale back Shares offered by participating Shareholders (**Participants**) on a pro rata basis to ensure that the Buy-Back Limit is not exceeded; or
- (b) Do nothing. Participation in the Buy-Back is voluntary and any Shareholder who does not complete and return an Offer Form to the Company prior to the Closing Date will not participate. The number of Shares which Shareholders who do not participate hold in the Company will not change following the Buy-Back.

The Company intends, prior to the open of the offer to seek undertakings from each of the following Shareholders (**Major Shareholder**)

Holder Name	Number of Shares	Percentage of all Shares on issue
Jonathan Birch Pty Limited	14,314,880	30.5%
Rodney Fisher Pty Limited	14,314,880	30.5%
OT Holdings Pty Limited	7,157,447	15.26%
Wireless Superannuation Fund	4,751,517	10.13%
R Jack Pty Limited	3,181,085	6.78%

that the Major Shareholders will only participate in the Buy-Back up to the total number of Shares which remain unoffered by all other Shareholders, up to the Buy-Back Limit (on a pro rata basis) as at 5 p.m. the day prior to the Closing Date. The purpose of seeking such undertakings is to ensure that, where possible, all non-Major Shareholders are given priority to participate in the Buy-Back for up to 100% of their holding in the Company.

In the event that none of the Major Shareholders agree to provide the undertaking sought, participating Shareholders Shares offered may be scaled back.

3. Effect of the Buy-Back on the Company

(a) The Company's net assets

The consideration for the Buy-Back will be paid out of the Company's cash reserves, comprised of the remainder of the initial proceeds of sale of the Company's subsidiary Fastwire Pty Ltd to Huawei Technologies (Australia) Pty Ltd not distributed under the Companies buy-back approved in May 2014, together with monies received by the Company upon finalisation of the post completion working capital adjustments for the sale. If the maximum number of Shares are bought back, the Company will pay approximately \$3 million in consideration under the Buy-Back.

The actual amount of cash that the Company will be required to pay to fund the Buy-Back will depend on the number of Shares offered under the Buy-Back.

Valuation

The Company obtained an independent valuation of its net assets from Leadenhall Corporate Advisory Pty Ltd (**Leadenhall**) in March 2014. The valuation valued the Company's net assets, at fair market value, as between \$12.9 million and \$15.1 million.

In determining the low valuation, the valuer provisioned for the reduction in a receivable from Huawei Technologies (Australia) Pty Ltd of USD 2 million, being the estimated liability of S2Net Limited in relation to the working capital adjustment, pursuant to terms of the Fastwire Sale Agreement. In determining the high valuation the valuer assumed that the total monies held in escrow (being USD 6 million) would be received by the Company. In July 2014, the Company and Huawei determined the final working capital adjustment, which resulted in an actual reduction in the receivable from Huawei of USD 1,095,015.

An amount of USD 2 million remains in escrow, as set out in Section 4, which the Company anticipates receiving in December 2014.

On the basis of the valuation from Leadenhall, accounting for the consideration distributed to Shareholders under the previous buy-back in June 2014, together with now having determined the value of the adjustment for working capital following the sale of Fastwire, the current net tangible asset value of the Company is between \$6.3 million and \$6.9 million.

Following payment of the consideration, the Company anticipates it will maintain net assets of approximately \$3.3 million to \$3.9 million, based upon that independent valuation.

The Company notes that its net assets consist of a number of continuing business operations, namely communications services businesses, Softswitch and Reseller, as well as remaining cash reserves.

The Company has entered into an agreement to sell Softswitch, which agreement is currently subject to confidentiality provisions. The Company anticipates the sale completing on or before December 2014. The Company notes that the sale price negotiated in respect of Softswitch is in line with the independent valuation it obtained from Leadenhall.

Whilst the Board has obtained an independent valuation as summarised above, the Board considers that the release of that valuation may prejudice any the potential realisation of the best value for the continuing business operations in the future and, accordingly, has resolved not to disclose the valuer's report.

(b) Reduction in issued Shares and Effect on net tangible assets per Share

As at the date of this Notice the Company had 46,890,215 Shares on issue.

All Shares bought back under the Buy-Back will be cancelled.

Assuming the Buy-Back Limit is reached, the effect on the number of Shares on issue, the unaudited net tangible assets based on the net tangible assets as at the valuation date of 11 March 2014 and the cash to be paid by the Company to fund the Buy-Back would be as follows:

	As at date of Notice	Post Buy-Back*
Shares on Issue	46,890,215	26,482,052
Cash	\$9.09 million	\$6.09 million [†]
Other Net Tangible Assets	(\$2.3 million)	(\$2.3 million)

*Assuming the Buy-Back Limit is reached

(c) What effect will the Buy-Back have on the control of the Company

If the resolution is approved and the Offer is accepted, all of the Shares that are bought back (assuming the Buy-Back Limit is achieved) will be cancelled, and accordingly the Buy-Back will reduce the total number of Shares on issue from 46,890,215 to 26,482,052.

Accordingly, Shareholders who do not accept into the Buy-Back will increase their voting power in the Company.

At this stage, it is not possible to ascertain exactly what actual change in voting power in the Company will occur as between the Company's current Major Shareholders as this will be dependent upon:

- (i) the extent of each of their participation under the Buy-Back;
- (ii) the ultimate level of participation by other Shareholders; and
- (iii) whether the Buy-Back Limit is achieved.

For illustrative purposes, assuming all Shareholders, other than the Major Shareholders, offer all of their Shares to be bought back, the holdings (following completion of the Buy-Back) of the Company's Major Shareholders (assuming they participate on a pro rata basis, up to the remaining number of Shares to remain within the Buy-Back Limit)¹ will be as follows:

Holder Name	Number of Shares at date of Notice	%	Number of Shares post Buy-Back	%
Jonathan Birch Pty Limited	14,314,880	30.5%	8,670,838	32.74%
Rodney Fisher Pty Limited	14,314,880	30.5%	8,670,838	32.74%
OT Holdings Pty Limited	7,157,447	15.3%	4,335,423	16.37%
Wireless Superannuation Fund	4,751,517	10.1%	2,879,099	10.87%
R Jack Pty Limited	3,181,085	6.8%	1,926,854	7.28%
Total	43,719,809	93.2%	26,482,052	100%

4. Reasons for and advantages of the Buy-Back and approving the Resolution

As Shareholders are aware, the Company recently completed the sale of a substantial asset with the sale of the Company's subsidiary Fastwire Pty Ltd to Huawei Technologies (Australia) Pty Ltd.

Pursuant to the terms of that transaction, the Company has now received payment of the initial purchase consideration, together with an amount of USD 2.9 million on account of the working capital adjustment.

In accordance with the terms of the transaction, a portion of the purchase price payable in the amount of USD 2 million remains in escrow until December 2014.

The escrow amount is for the purposes of any claims for breach of warranty following Completion. The escrow amount is currently held in a controlled monies account by,

¹ Shareholders should note that the Major Shareholders have not, at the date of this Notice, provided any undertaking to restrict their participation.

TressCox Lawyers. The balance of the escrow amount, less the value of any “Escrow Claims” to be made, being claims for:

1. breach of warranty;
2. breach of the Share Sale Agreement (if any);
3. breach of indemnities relating to the tax liabilities of Fastwire (if any); and
4. any other amount owing to the Vendor under the terms of the Share Sale Agreement,

shall be released to the Company as follows on 10 December 2014.

The Company is of the view that there is relatively low exposure to Escrow Claims and, accordingly, the Company anticipates receiving the release of all or a significant portion of the amount of USD 2,000,000 held in escrow on 10 December 2014. The Company has provisioned, in determining the net asset value of the Company referred to in Section 3(a), for a receipt of between \$1,500,000 and \$2,100,000 from the escrow sum.

In respect of the Company’s anticipated funds, the Company has estimated that its immediate funding requirements are as follows:

Provision for Tax on sale proceeds:	3,500,000
Retirement of Debt and provision for sundry tax liabilities:	450,000
Working Capital for ongoing business operations :	1,750,000
Provision for future liabilities:	400,000

The Board has determined that undertaking a buy-back of the Company’s shares provides shareholders with an opportunity to dispose of some, or all, of their shares in a timely and efficient manner.

The Company has been delisted from the ASX since May 2006. Accordingly, since delisting there has been a limited (if any) market for any shareholders wishing to dispose of their Shares. As the Company now has substantial funds on hand from the sale of its main undertaking it was determined by the Board to return the capital value to shareholders. The Board notes that due to the nature of the capital funds, and that the Company does not presently have any franking credits available to it, undertaking a buy-back of the Company’s shares provides the most timely and cost effective way to return funds to long term shareholders, in addition to providing a mechanism for shareholders to realise the full value of their Shares in an otherwise illiquid market.

The Company intends to conduct further buy-backs in the future, on substantially the same terms, following receipt from escrow of the final instalment of the purchase price.

(a) Buy-Back Price

As set out in Section 3(a), the current net tangible assets of the Company has been determined by the Board as being between \$6.3 million and \$6.9. The Board has determined a Buy-Back Price of \$0.147 per Share, which equates to a value \$6.9 million in respect of all of the issued Shares in the Company.

(b) Other advantages

- (i) All eligible Shareholders have an equal opportunity to participate in the Buy-Back.
- (ii) The Buy-Back will allow Shareholders to sell a relatively large volume of Shares in circumstances where the market for the Shares may not otherwise be sufficiently liquid to accommodate such volume.
- (iii) Shareholders with small holdings are expected to be able to sell all of their Shares so as not to be left with a small parcel of Shares after participating in the Buy-Back.
- (iv) Shareholders who do not accept into the Buy-Back will increase their percentage interest in the Company.

5. Risks and disadvantages of approving the Resolution

In deciding whether to vote in favour of the Resolution, Shareholders should consider the following matters:

(a) Reduction in the Company's net assets

The consideration for the Buy-Back will be paid out of the Company's cash reserves and the initial proceeds of sale of the Company's subsidiary Fastwire Pty Ltd. If the maximum number of Shares are bought back, the Company will pay approximately \$3 million in paying the consideration under the Buy-Back. As set out in Section 3(a), the valuation of the Company's net tangible assets at fair market value, taking into consideration the finalisation of the adjustment for working capital following the valuation and provisioning for any claims against the remaining escrow sum, has been determined at between \$6.3 million and \$6.9 million prior to completion of the buy-back. The net tangible assets of the Company will be reduced, following the buy-back, by an amount equal to the buy-back consideration.

(b) Potential increase in Major Shareholders' holdings

If some or all of the major Shareholders only participate in respect of some of their holdings, the respective Shareholdings of those Shareholders will increase as a consequence of the Buy-Back. Further details of the extent of the potential increase are set out in Section 3(c) above.

(c) Other disadvantages

- (i) exiting shareholders will not have exposure to the Company's remaining assets and undertakings, namely the Reseller and Softswich business.
- (ii) The final adjustment of the purchase price, payable on the sale of Fastwire, is not yet determined and, as such, the total net tangible asset value of the Company may change (either positively or negatively) following completion of the Buy-Back and discussed in section 3.
- (iii) As there will be a reduction in the number of Shares on issue, there may be a further reduction in the general market liquidity for the Shares.

6. Buy-Back Alternatives

The Board has considered various ways to return capital to Shareholders, including off market buy-backs, pro rata capital returns, dividends and a winding up of the Company under the Corporations Act.

The Board considers that, at this time, it is in the best interest of the Company and its Shareholders as a whole that all the Company Shareholders be given the opportunity to decide:

- (i) whether they will approve an opportunity for Shareholders to sell their Shares at a price that is close to the Company's unaudited net tangible assets per Share pursuant to the valuation dated 11 March 2014; and
- (ii) the extent of their participation in the Buy-Back (potentially for up to 100% of their Shareholding, subject to the scale back mechanism described in Section 2(f) above), as opposed to a pro rata capital return or a winding up of the Company.

The benefits of the Buy-Back are discussed in Section 4 above.

7. Terms of the Buy-Back

7.1. Introduction

- (a) This Explanatory Statement and Offer comprises and constitutes an offer to Eligible Shareholder to participate in the Buy-Back on the basis set out in this Section 7.
- (b) The Buy-Back is conditional on, and will only proceed if, it is approved at the General Meeting on 16 December 2014.

7.2. Buy-Back Process

- (a) Subject to the receipt of Shareholder approval, the Buy-Back Period will open on 17 December 2014 and end on 30 January 2015.
- (b) Eligible Shareholders may accept the Offer in respect of some or all of their Shares on and from the commencement of the Buy-Back Period by completing the Offer Form in accordance with the instruction contained therein and returning it to the Company by either ordinary post or facsimile at the following address:
 - (i) Postal Address:
Suite 4, Level 10
8 - 10 Loftus St
Sydney, NSW 2000
 - (ii) Facsimile: +61 2 9460 4519
- (c) Offer Forms must be received by the Company on or before the Closing Date in order to be valid and binding.
- (d) Upon receipt of a duly completed Offer Form a contract shall immediately form between the Company and the Eligible Shareholder named in the completed Offer Form (**Accepting Shareholder**) for the purchase of those Shareholders' Shares by the Company of the terms of this Section 7.

7.3. Entitlement to participate

- (a) Shareholders that are the registered holders of ordinary fully paid shares in the Company, on the Record Date, will be entitled to participate in the Buy-Back.
- (b) Rights under the Buy-Back are personal to the relevant Shareholder and cannot be transferred.
- (c) The Record Date for determining eligible Shareholders will be 10 a.m. Sydney time on Sunday, 14 December 2014.

7.4. Participation voluntary

- (a) Participation in the Buy-Back will be optional. If an Eligible Shareholder does not wish to participate, they will not need to do anything.
- (b) Shareholders who do not participate in the Buy-Back will continue to hold their Shares.

7.5. Shares that may be offered under the Buy-Back

- (a) An Eligible Shareholder may accept the Offer in respect of all or some of the Shares held by them as at the Record Date.
- (b) Shares acquired on or after the Record Date will not be registered in Shareholders' names as at the determination of the eligibility of Eligible Shareholders and, therefore, will not be entitled to be offered under the Buy-Back.
- (c) If the Eligible Shareholder purports to accept the Offer in respect of more Shares than they are the registered holder of as at the Record Date the Company may, in its absolute discretion and without prejudice to its other rights or remedies, choose to either:
 - (i) Reject the Offer Form in its entirety; or
 - (ii) Treat the Offer Form as being acceptance of the offer for the maximum number of Shares which that Eligible Shareholder is the registered holder of as at the Record Date.

7.6. Scale Back

In the event that the Company receives completed Offer Forms from Eligible Shareholders, offering to sell, in aggregate, more than 20,408,163 ordinary Shares, the number of Shares which the Company shall buy-back from each Accepting Shareholder shall be scaled back, pro-rata with all Accepting Shareholders who have elected to sell their Shares under the Buy-Back and the Accepting Shareholders hereby acknowledge and agrees that the number of Shares in their Offer Form shall be amended accordingly, without further notice by the Company.

7.7. Buy-Back Price

The price which the Company will pay for each Share bought back is \$0.147 per Share.

7.8. Effect of accepting the Offer

- (a) An Eligible Shareholder who submits an Offer Form will be agreeing to sell to the Company the number of Shares nominated in that Offer Form (subject to any scaling back under Section 7.6) on the terms and conditions contained in this Section 7.
- (b) Upon submission of an Offer Form, each Accepting Shareholder and the Company agree that:
- (c) The Company shall pay each Accepting Shareholder the Buy-Back Price for each Share bought back under this Offer;
- (d) A contract to buy-back the Shares of each Accepting Shareholder will be formed immediately upon the Board receiving such Accepting Shareholders' Offer Form. The Company will inform Shareholders of the outcome of the buy-back, including the number of Shares to be bought back, by post as soon as practical after the Buy-Back Period has closed;
- (e) Each Accepting Shareholder waives any requirement or entitlement to receive further notice or communication from the Company as to the agreement to buy-back their Shares;
- (f) Each Accepting Shareholder warrants to the Company that:
 - (i) It is the registered holder of the Shares and that all of the Shares (including the rights and entitlements attaching to those Shares) that are transferred to the Company under the Buy-Back will, at the date of the transfer of them to the Company, be fully paid and shall be free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise and any restrictions on transfer of any kind;
 - (ii) it has the full ownership and authority to enter into this agreement and sell and transfer the Shares, together with the rights attaching to such Shares; and
 - (iii) it is a person to whom the Offer may lawfully be made, can receive the proceeds of the sale of the Shares and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which the Accepting Shareholder is a resident;
- (g) Each Accepting Shareholder authorises the Company (and its officers, agents, contractors and advisors) to correct any error in, or omission from, their Offer Form, and to insert any details reasonably necessary to perfect that Offer Form.
- (h) Each Accepting Shareholder undertakes not to sell or offer to sell Shares to any other person if, as a result, an Accepting Shareholder will at any time after it submits an Offer Form until the Buy-Back Date hold fewer Shares than the number of Shares such Accepting Shareholder has accepted into the Buy-Back;
- (i) Each Accepting Shareholder acknowledges that neither the Company, nor any other party involved in the Buy-Back has provided it with financial products advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning its decision to participate in the Buy-Back;
- (j) Each Accepting Shareholder authorises the Company to make payment by cheque, mailed to the address of the Accepting Shareholders shown on the Register as at 7 p.m. Sydney time on the Closing Date and:

- (i) will be taken to have accepted the risk associated with the form of payment; and
- (ii) the despatch of cheques to addresses as shown on the Register at 7 p.m. Sydney Time on the Closing Date will satisfy the Company's obligations to any Accepting Shareholders for any Shares bought back;
- (k) It accepts the responsibility for fully observing the laws and regulatory requirements of the relevant jurisdiction(s) which apply to it in connection with this Explanatory Statement and Offer and the Buy-Back and it shall indemnify and keep indemnified the Company against any loss, damage, claim or demand arising as a result of the Accepting Shareholder's failure to observe any applicable laws or regulatory requirements.

7.9. Company Warranties

- (a) The Company hereby represents and warrants to Eligible Shareholders that:
 - (i) the Company has complied or will comply with all the requirements of the Corporations Act and that the Buy-Back shall be valid and enforceable in all respects; and
 - (ii) lodgement of a valid Offer Form by an Eligible Shareholder creates valid and binding obligations on the Company, enforceable in accordance with these terms.
- (b) The Company expressly acknowledges and agrees with Eligible Shareholders that the Company has not made, and Eligible Shareholders have not relied on, or been induced to accept the Offer by any representation or warranty other than as expressly set out in this Agreement.

7.10. Payment for Shares acquired

Despatch of cheques in payment of the Buy-Back Price for the acquisition of your Shares is expected to be completed within four Business Days after the Closing Date.

7.11. Restriction on transfer or disposal of accepted Shares

Shares which are the subject of a valid Offer Form lodged by an Eligible Shareholder must not, at any time during the Buy-Back Period, be sold, transferred, agreed to be sold or transferred or otherwise dealt with.

7.12. Cancellation of bought back Shares

In accordance with the Corporations Act, all Shares bought back under the Buy-Back will be cancelled.

7.13. Governing Law and Jurisdiction

This agreement is governed by the law of New South Wales and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

8. Proposed Timetable

General Meeting	Tuesday, 16 December 2014
Offer Document and Entitlement & Acceptance Form dispatched to all shareholders	Wednesday, 17 December 2014
Offer period closes	Friday, 30 January 2015
Consideration dispatched to accepting shareholders and shares transferred to Company	Wednesday, 4 February 2015
Shares Cancelled	Wednesday, 4 February 2015
ASIC Notified of cancellation of Shares	Friday, 6 March 2015

This timetable is indicative only and is subject to change at the discretion of the Board.

9. Disclosure required by the Corporations Act

The Directors are of the opinion that the above information, in conjunction with the Offer Letter and Buy-Back Agreement, constitutes all of the information known to the Company that is material to shareholders decision whether to accept the offer.

However, Shareholders should consider their personal financial circumstances and obtain independent advice before accepting the offer.

10. Tax Considerations

10.1. Introduction

This Section 10 contains a summary of the potential Australian taxation implications of the Buy-Back for Shareholders.

The tax implications for Shareholders arising from the Buy-Back will vary depending upon Shareholders' personal circumstances.

The information set out in this Section 10 is provided as a general guide only and should not be viewed as tax advice in relation to the specific circumstances of Shareholders. The information provided does not represent a complete analysis of all potential tax implications associated with the Buy-Back. Shareholders should consult their own tax advisers as to the potential tax consequences in respect of their own particular circumstances, including advice regarding tax return reporting requirements, applicable tax laws and the effect of any proposed changes in tax laws.

The general description provided in this Section is only relevant to the Australian taxation position of Shareholders who hold Shares on capital account and who continue to be Shareholders at the time the relevant transactions are undertaken. It does not apply to Shareholders who hold their Shares on revenue account or as trading stock.

Shareholders who are not residents of Australia for tax purposes should also seek their own advice in relation to the taxation consequences arising from the relevant transaction under the laws of their country of residence.

10.2. Income tax consequences of the Buy-Back for Australian resident Shareholders

The whole of the Buy-Back price will be debited against the Company's share capital account. Accordingly, no part of the Buy-Back Price is expected to be a dividend and therefore, no franking credits attach to the Buy-Back Price. However, the Company notes that it has not received a private ruling from the Australian Tax Office and, accordingly, Shareholders should obtain independent tax advice. On the basis that no

part of the Buy-Back Price is a deemed dividend, a Shareholder whose Shares are bought back under the Buy-Back should realise a capital gain or loss on the disposal of their Shares under the Buy-Back.

This capital gain or loss arises at the time the contract for the disposal is entered into. This should be when the Company accepts the Shareholder's offer to sell Shares under the Buy-Back.

The capital gain or loss that arises under the Buy-Back should equal the difference between the capital proceeds received under the Buy-Back, being the Buy-Back Price of not less than \$0.147 per Share, and the cost base or reduced cost base of the Share. The capital proceeds are equal to the Buy-Back Price of not less than \$0.147 per Share as this is the consideration that Shareholders are entitled to receive in respect of their disposal of Shares under the Buy-Back.

Any capital gain that arises under the Buy-Back may qualify as a discount capital gain for some Shareholders (for example, an individual or a complying superannuation fund) if they have held their Shares for at least 12 months before disposing of them under the Buy-Back. Shareholders should obtain their own advice on the amount of any capital gain that is to be included in their taxable income.

10.3. Income tax consequences of the Buy-Back for non-resident Shareholders

Non-resident Shareholders who do not hold Shares through a permanent establishment that carries on business in Australia will not be liable for capital gains tax in Australia.

Non-resident Shareholders that have previously been Australian residents should seek specific Australian tax advice.

10.4. GST and stamp duty

GST and stamp duty will not be payable on the transfer and cancellation of Shares following acceptance of Offers.

11. Directors Interests

Jonathan Birch Pty Limited	14,314,880	30.5%
Rodney Fisher Pty Limited	14,314,880	30.5%
R Jack Pty Limited	3,181,085	6.8%

12. Directors Recommendation

The Board recommends that the members vote in favour of this resolution.

13. Interpretation

13.1. Defined Terms

In this Explanatory Statement and Offer:

- (a) *Accepting Shareholder* means an Eligible Shareholder who has accepted the Offer by lodging a duly completed and valid Offer Form with the Company;
- (b) *Approval Date* means the date that the shareholders approve by ordinary resolution, the Buy-Back;

- (c) *Board* means the board of Directors of the Company;
- (d) *Business Day* means a day other than a Saturday, Sunday or public holiday on which banks are open for business in Sydney;
- (e) *Buy-Back* means the proposed equal access share buy-back of Shares on the terms and conditions set out in Section 7;
- (f) *Buy-Back Date* means the date on which the Company finalises the buy-back of the Shares by the despatch of the Buy-Back Price to the Accepting Shareholders;
- (g) *Buy-Back Limit* means the maximum number of Shares which will be bought back under the Buy-Back, being 20,408,163 Shares;
- (h) *Buy-Back Period* means the period commencing on the date the Offer Form is despatched to Eligible Shareholders and ending on the Closing Date, currently expected to be the period 17 December 2014 to 30 January 2015 ;
- (i) *Buy-Back Price* means not less than \$0.147 per Share, subject to section 4(a).
- (j) *Buy-Back Shares* means the ordinary shares in the Company set out in the Offer Form;
- (k) *Closing Date* means the last day of the Buy-Back Period;
- (l) *Company* means S2Net Limited (A.C.N. 056 010 121)
- (m) *Corporations Act* means the *Corporations Act 2001 (Cth)*;
- (n) *Eligible Shareholders* means the holders of ordinary fully paid shares in the Company as at the Record Date;
- (o) *Encumbrance* includes mortgage, charge, lien, restriction against transfer, encumbrance and other third party interest;
- (p) *Major Shareholders* means the persons set out in Section 2.3;
- (q) *Offer* means the offer to Eligible Shareholders to participate in the Buy-Back on the terms and conditions set out in Section 2.2;
- (r) *Offer Form* means the personalised entitlement and acceptance form to be dispatched to Eligible Shareholders on or about 17 December 2014. ;
- (s) *Record Date* means 10 a.m. Sydney time on 14 December 2014;
- (t) *Register* means the register of members of the Company, maintained by or on behalf of the Company in accordance with section 168 of the Corporations Act;
- (u) *Shareholders* means the Shareholders of the Company;
- (v) *Shares* means ordinary fully paid shares in the Company;
- (w) *Vendor Shareholder* means the Shareholder named in the Offer Form

13.2. Interpretation

In this document, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, dollar** or **\$** is to Australian currency;
- (f) a reference to **USD** or **US Dollars** is to United States Dollars;
- (g) a reference to time is to Sydney, Australia time;
- (h) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;
- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (k) a word or expression defined in the *Corporations Act* has the meaning given to it in the *Corporations Act*;
- (l) the meaning of general words is not limited by specific examples introduced by **including, for example** or similar expressions;
- (m) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (n) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

13.3. Headings

Headings are for ease of reference only and do not affect interpretation.

PROXY FORM

S2Net Limited ACN 056 010 121

Registered Office Suite 4, Level 10, 8 - 10 Loftus St, Sydney, NSW, 2000

Telephone +61 29929 0666 (and select Option 4) Facsimile +61 2 9460 4519

I/We _____

of _____

being a member/members of S2Net Limited hereby appoint

_____ or failing him or her, the chairman of the meeting Terry Cuthbertson as my/our proxy to vote for me/us at the General Meeting of the Company to be held at Suite 4, Level 10, 8 - 10 Loftus St, Sydney, NSW, 2000 on Tuesday, 16 December 2014 at 10 am.

DATED the _____ day of _____ 2014

SIGNED by the said

Signature of shareholder

If two proxies are being appointed, the proportion of voting rights that this proxy is authorised to exercise is _____. (The Company will supply an additional form on request.)

If you desire to direct your proxy how to vote please mark the appropriate boxes with a tick or cross. If no specific direction to vote is given, the proxy holder may vote as he or she thinks fit, or abstain from voting. An abstention will not be counted for the purposes of calculating the percentage of votes cast for, or against, a resolution.

FOR AGAINST ABSTAIN

Resolutions proposed by Board of Directors

Item 1	Approve the equal access buy-back scheme in accordance with section 257C of the Corporations Act.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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If you do not wish to direct your proxy how to vote please mark this box with a tick or cross.

By marking this box you acknowledge that your proxy may vote your shares in any way that he or she sees fit. You also acknowledge (in the case where your proxy is the chairman) that the chairman may exercise your proxy in any manner he sees fit and even if he has a personal interest in the outcome of the resolutions. The chairman is also entitled to vote his own shares in a manner that may be favourable to his personal interests. You should note that the chairman has indicated to the Board that he intends to vote for the resolution proposed by the board of directors.