



**MDS Financial Group Limited**

**Information Memorandum**

**16 October 2009**

# Information Memorandum

## MDS Financial Group Limited ACN 091 744 884

An Offer of up to 100,000,000 fully paid ordinary Shares at an offer price of \$ 0.02 cents per Share

### Issue of up to 100 million Shares and Options to Placement Investors

Approval was given by way of a resolution passed at an Extraordinary General Meeting of Shareholders on 14 October 2009 for the Company to issue and allot up to 100 million Shares at an issue price of 2 cents per Share, together with 100 million free attaching Options, each having an exercise price of 5 cents and an expiry date of 30 June 2011, on the terms and conditions described in the Explanatory Memorandum (Section 2)

#### For Sophisticated Investors

Offer open until 22 October 2009

#### IMPORTANT NOTICE

**Investment in the Shares of MDS Financial Group Limited must be regarded as speculative.**

This Information Memorandum is not a prospectus. It is not required to be lodged with or reviewed by the Australian Securities and Investments Commission.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional advisor(s). An Investment in Shares offered under this Information Memorandum should be considered speculative in nature. There is currently limited liquidity in the Company's Shares. Any offer for sale of the Shares must be made in accordance with the Corporations Act and any other applicable law, including the Company's own Constitution.

This Information Memorandum has been prepared by BoxRED Pty Ltd for MDS Financial Group Limited ('MDS' or 'The Company'). This Information Memorandum does not set out general information concerning MDS and its business ('Business').

#### THIS IS NOT A PROSPECTUS

Lead Manager BoxRED Pty Limited ACN 115 730 642



## **Purpose**

MDS is an Australian public company. The purpose of this Information Memorandum is to provide the recipient and its related bodies corporate and their respective directors, officers, employees, agents, representatives and advisers (together the 'Recipient') with general information concerning the Business, including financial information, to assist the Recipient in deciding whether to invest in the Company under the terms of this information memorandum. It does not provide all information interested parties will require in order to evaluate MDS for the purpose of an Investment in the Company.

## **Recipient to conduct own investigation and analysis**

This Information Memorandum is not to be considered as a recommendation by MDS and its advisers or any of their officers, employees, agents or advisers that any Recipient invest in the Shares, or that an investment in Shares is a suitable investment for the Recipient. The Recipient should conduct and rely upon its own investigation and analysis of the information in this Information Memorandum and other matters that may be relevant to it in considering whether to acquire the Shares. Each Recipient considering an investment in the Shares must make, and will be taken to have made, its own independent investigation and analysis of the information in this Information Memorandum. Independent expert advice (including from a Recipient's accountant, lawyer or other professional adviser) should be sought before making a decision to invest in the Shares.

## **Not a document requiring lodgement with ASIC**

This Information Memorandum is not a prospectus or other disclosure document required to be lodged with ASIC under Chapter 6D of the Corporations Act as the Offer is only made to persons who, or in circumstances that, fall within one of the exclusions from the disclosure requirement contained in Section 708 of the Corporations Act. Nor is this Information Memorandum a product disclosure statement or similar document required under Chapter 7 of the Corporations Act. Accordingly, this Information Memorandum does not contain the information that would be contained in a prospectus or other disclosure document prepared under the Corporations Act and does not purport to contain all of the information that may be necessary or desirable to enable a potential investor to properly evaluate and consider an investment in the Shares.

## **No responsibility for contents of Information Memorandum**

To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and, to the maximum extent permitted by law, no responsibility or liability is accepted by either MDS and its advisers BoxRED or any of their officers, employees, agents or advisers or any other person as to the adequacy, accuracy, completeness or reasonableness of this Information Memorandum. To the maximum extent permitted by law, no responsibility for any errors or omissions from this Information Memorandum whether arising out of negligence or otherwise is accepted. This Information Memorandum contains various opinions, estimates and forecasts which are based upon assumptions that may not prove to be correct or appropriate. Except to the extent implied by law, no representation or warranty as to the validity, certainty or completeness of any of the assumptions or the accuracy of the information, opinions, estimates or forecasts contained in this Information Memorandum is made by any of MDS and its advisers or any of their officers, employers, agents or advisers.

## **Further Information**

MDS may in its sole and absolute discretion, but without being under any obligation to do so, update or supplement this Information Memorandum. Any further information will be provided subject to these conditions.

## **Acknowledgments**

Each Recipient acknowledges that:

- a) no person has been authorised to give any information concerning MDS Financial Group Limited or the Shares other than as contained in this Information Memorandum and, if given, that information cannot be relied upon as having been authorised by MDS; and

- b) they have been afforded an opportunity to request, and have received and reviewed, all information considered by them to be necessary or appropriate to verify the accuracy of, or to supplement the information contained in, this Information Memorandum and to make an informed decision about investing in the Shares.
- c) They have read the Explanatory Memorandum and Notice of General Meeting for the Company held on 14 October 2009 , the results announced to the market for that Meeting and the update on this Placement and a copy of the presentation made to Shareholders after that Meeting , and
- d) They understand the capital structure of the Company and also the new capital structure of the Company if part or all Shares are taken up under this Offer, the number of Shares and options on an undiluted and diluted basis .

#### **No contract**

This Information Memorandum, including any update or supplement to it, does not and will not form part of any contract for the subscription for Shares in MDS that may result from the review, investigation and/or analysis of the Business by the Recipient, any intending investors or their advisors. Any contract for an investment in the Company may not contain all information, representations and warranties upon which there may be any reliance. The formal contract will be deemed to contain an acknowledgement by the Recipient that it has not relied on any representations or warranties by MDS or its advisers in entering into the contract for investment other than any representations and warranties set out in the contract.

#### **Accuracy of projections and forecasts**

All projections and forecasts in this Information Memorandum are for illustrative purposes only, using the assumptions described in this document. Actual results may be materially affected by changes in economic and other circumstances. The reliance that the Recipient places upon the projections and forecasts is a matter for its own commercial judgment. No representation or warranty is made that any projection, forecast, assumption or estimate contained in this Information Memorandum should or will be achieved.

#### **Speculative investment and liquidity not guaranteed**

An investment in the Shares is to be considered speculative. Liquidity in the Shares cannot be guaranteed by MDS. Any offer for sale of the Shares must be made in accordance with the Corporations Act and any other applicable laws, including the Company's Constitution.

#### **Other jurisdictions**

This Information Memorandum does not constitute an offer or invitation to subscribe for Shares in any jurisdiction where, or to any person to whom, it would not be lawful to make the Offer. A Recipient outside Australia should comply with all laws of the relevant jurisdiction applicable to an application for Shares made by that Recipient.

#### **Date of Information Memorandum**

The information contained in the Information Memorandum has been prepared as of 14 October 2009. Neither the delivery of this Information Memorandum nor any offer or issue of the Shares implies or should be relied upon as a representation or warranty that there has been no change since that date in the affairs or financial condition of MDS or that the information contained in this Information Memorandum remains correct at, or at any time after that date.

#### **Offer Expiry**

This Information Memorandum expires on 22 October 2009 .

#### **Miscellaneous**

Monetary amounts shown in this Information Memorandum are expressed in Australian dollars unless otherwise stated.

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

<b>Event</b>	<b>Date</b>
<b>Information Memorandum date</b>	<b>16 October 2009</b>
<b>Offer opens</b>	<b>16 October 2009</b>
<b>Offer closes</b>	<b>22 October 2009</b>
<b>Anticipated date of allotment</b>	<b>22 October 2009</b>
<b>Shareholding statements expected to be dispatched</b>	<b>25 October 2009</b>

All dates and times are subject to change and are indicative only. All times are AEDST. The Company, with the consent of the Lead Manager reserves the right to vary these dates and times without prior notice. It may close the Offer early, withdraw the Offer, accept or allot shares for part or all of the Offer or accept late Applications. Applicants are encouraged to submit their Application Forms as soon as possible.

# Letter from the Chairman

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16 October 2009

Dear Investor,

On behalf of the Board, it gives me great pleasure to offer you this opportunity to invest in MDS Financial Group Limited ("the Company").

Through this Information Memorandum ("IM"), the Company is inviting investors to subscribe for up to 100 million Shares at an issue price of 2 cents per Share, together with 100 million free attaching Options, each having an exercise price of 5 cents and an expiry date of 30 June 2011, on the terms and conditions described in the Explanatory Memorandum (Section 2)

The funds raised by this Offer will provide the Company with working capital to support its growth strategy which will provide access to equity capital markets, facilitate corporate transactions, give employees an opportunity to participate in ownership of the Company and provide liquidity for existing Shareholders.

This Information Memorandum contains limited information about the Company's operations, financial performance, experienced management team and future plans. It also outlines the potential risks associated with investing in the Shares.

This IM should be read in conjunction with announcements made by the Company which can be viewed at the Company's website [www.mdsfinancial.com.au](http://www.mdsfinancial.com.au) or at the Australian Securities Exchange website [www.asx.com.au](http://www.asx.com.au). ASX code: MWS.

I encourage you to read this document carefully before making your investment decision. Each Recipient should consider whether purchasing the Shares is a suitable investment for them. Any Recipient in doubt about investing in the Shares should consult their stockbroker, accountant, lawyer or other professional adviser immediately.

I look forward to welcoming you as a Shareholder.

Yours faithfully  
**Sean Rothsey**

**Chairman**  
**MDS Financial Group Limited**

## Questions and answers

Question	Answer
Who is the Issuer of this Information Memorandum?	MDS Financial Group Limited ACN 091 744 884
What is the Offer?	<b>The Offer is an initial offer of 100,000,000 Shares</b> together with 100 million free attaching Options, each having an exercise price of 5 cents and an expiry date of 30 June 2011,
Why is the Offer being made?	The purpose of the Offer is to raise capital in order to support and crystallise the business:
What is the Issue Price of the Shares?	The Shares are being issued at <b>\$0.02 cents</b> per Share. , together with 100 million free attaching Options, each having an exercise price of 5 cents and an expiry date of 30 June 2011, on the terms and conditions described in the Explanatory Memorandum (Section 2)"
What rights and liabilities attach to the Shares?	The newly issued Shares will rank equally in all respects with the Shares held by existing Shareholders. The rights and liabilities attaching to all Shares are detailed in the Company's Constitution.
What risks are involved with an investment in the Company?	Investment in Shares of the Company is subject to general investment risks, including regulatory and economic conditions.  Key risk factors such as exchange rates, inflation, interest rates, supply and demand, government taxation policy and industrial disruptions may have a direct impact on operating and capital costs, labour costs and market conditions generally. Accordingly the Company's future financial and operational performance can be affected by factors that are beyond the control of the Company. The Shares offered under this Information Memorandum carry no guarantees in respect of profitability, dividends, return of capital, or the likelihood of being listing on any stock exchange in the future. In addition to the risks outlined above, there is a range of specific risks associated with MDS's business operations and its involvement in the retail financial services industry.
Is the Offer underwritten?	The Offer is not underwritten.
Will I receive dividends on my Shares?	The Company anticipates that significant expenditure will be required in the development of the Company's objectives and that substantial lead time may be required before commercial revenues are derived from MDS. It is expected that further acquisitions may be undertaken in the 18 month period following the Offer. As a result, the Company does not expect to declare any dividends during that period. Any declaration of dividends beyond this 18 month period will be dependent upon the Company's financial performance. The Directors do not make any guarantees concerning the payment of dividends.
How do I participate in the Offer?	To participate in the Offer, please complete the Application Form attached to this Information Memorandum and return it with payment of the Application Money before <b>22 October 2009</b> If you have a broker firm allocation, please return your Application Form to

	your broker or to the Lead Manager.
<b>How do I calculate the Application Monies payable if I wish to participate in the Offer?</b>	The Application Monies are calculated by multiplying the number of Shares you wish to apply for by the Offer Price of <b>\$0.02</b> per Share.
<b>What is the minimum number of Shares for which I can apply?</b>	There is no minimum or maximum amount unless required by statute.
<b>Is commission payable to financial advisers or brokers?</b>	Participating Organisations will not receive a handling fee even on stamped Application Forms that receive an allocation of Shares under the Offer.
<b>Does the Company have the ability to issue up to 100 million Shares?</b>	At the EGM held on 14 October 2009, Shareholders approved the issue of up to 100 million Shares together with 100 million free attaching Options. Shareholders also approved a further issue of up to 20 million Shares at an issue price of 5 cents per Share, together with 20 million free attaching Options, each having an exercise price of 10 cents and an expiry date of two years from the date of issue of the Shares. In addition the Company has the ability to issue up to 15% of its capital.
<b>Further questions?</b>	If you have questions in relation to the Offer, please contact Sean Rothsey of MDS on 07 5442 6080.

## 2.3 Timetable

All dates and times are subject to change and are indicative only. The Company, with the consent of the Lead Manager, reserves the right to vary these dates and times without prior notice, including the right to close the Offer early, to withdraw the Offer, or to accept late Applications.

## 2.4 How to apply for Shares

Applications may only be made by completing the Application Form attached to or accompanying this Information Memorandum.

Complete a paper copy of the Application Form (the Company will not accept Application Forms electronically) and send it, with payment in Australian currency, by the Closing Date to:

### Post:

MDS Financial Group Limited  
Level 1 Rialto North Tower  
525 Collins St Melbourne Vic 3000

**or** BoxRED Pty Limited  
PO Box 736  
Cooroy QLD 4563

### Delivery:

MDS Financial Group Limited  
Level 1 Rialto North Tower  
525 Collins St  
Melbourne Vic 3000

**or** BoxRED Pty Limited  
45 Maple St  
Cooroy  
QLD 4563

**Cheques or bank drafts must be made payable to 'MDS Financial Group Limited' and should be crossed and marked 'Not Negotiable'.**

**Applicants with questions on how to complete the Application Form, or who require additional copies of the Information Memorandum, can contact Damian Isbister +61 3 9617 0600**

## **2.5 Allocation of Shares**

The Lead Manager, after consultation with the Company will allocate Shares to Applicants under the Offer at its discretion.

## **2.6 The Lead Manager**

The Lead Manager or the Company may allocate all, or a lesser number, of Shares for which an application has been made, accept a late application or decline an application. Where applications are scaled back, there may be a different application of the scale-back policy to each Applicant.

Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant. No interest will be paid on refunded Application Monies. Any interest earned on Application Monies is the property of the Company.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the Shares allocated to them do so at their own risk.

## **2.7 Underwriting**

The Offer is not underwritten.

## **2.8 Validity of Application Forms**

An Application Form may only be distributed with, attached to or accompany a complete and unaltered copy of this Information Memorandum.

By completing and lodging an Application Form attached to this Information Memorandum, the Applicant represents and warrants that the Applicant has personally received a complete and unaltered copy of this Information Memorandum prior to completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe the Applicant has not received a complete copy of the Information Memorandum or it has reason to believe that the Application Form has been altered or tampered with in any way.

Completion of an Application Form is an irrevocable acceptance of the Offer.

## **2.9 Who we can accept applications from**

Applicants should note that the Company is only able to make the Offer of Shares under this Information Memorandum to Recipients who come within the definition of a 'Sophisticated Investor' under Section 708 of the Corporations Act (within Australia – as described below) or residents outside of Australia. (Sophisticated Investor form enclosed with this document)

### **Sophisticated Investors are so classified:**

- (a) where the minimum amount payable on acceptance of the Offer by the person to whom it is made is at least \$500,000 (also allowing for lesser 'top ups' once that amount has been exceeded) (Section 708(8));
- (b) where the Offer is to individuals who are certified by a qualified accountant to have \$2.5 million in net assets, or gross income in each of the last 2 financial years of at least \$250,000 (Section 708(8)) (an accountant's certification form is attached to this application);

- (c) where the Offer is made through a licensed dealer to individuals whom the dealer is satisfied (on reasonable grounds) have previous investing experience sufficient to allow them to assess the merits of the offer, the value of the securities, the risks of the investment, their own information needs, and the adequacy of the information provided in relation to the offer. If this criterion is relied upon, the investor must be informed and acknowledge that no disclosure document has been provided (Section 708(10)); or
- (d) where the Offer is made to a 'Professional Investor' within the meaning in Section 708(11) of the Corporations Act and the investor falls within the definition of a 'Professional Investor' in Section 9 of the Corporations Act.

An Application for Shares offered under this Information Memorandum can only be made on an Application Form attached to and forming part of this Information Memorandum.

Please carefully read the instructions on the Application Form before completion.

## **2.10 Withdrawal**

The Company reserves the right to withdraw the Offer at any time before the allotment of Shares. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

## **2.11 Taxation considerations**

The taxation consequences of an investment in the Company will depend upon the investor's particular circumstances. Investors should make their own enquiries about the taxation consequences of an investment in the Shares of the Company. If you are in doubt as to the course you should follow, you should consult your accountant, stockbroker, lawyer or other professional adviser.

## **2.12 Foreign selling restrictions**

No action has been taken to register or qualify the Shares or the Offer in any jurisdiction outside Australia, or otherwise to permit a public offering of the Shares outside Australia.

The Information Memorandum does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful. The distribution of this Information Memorandum in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Information Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **Each Applicant warrants and represents that:**

- (a) the Applicant is an Australian citizen or resident in Australia, is located in Australia at the time of the Application and is not acting for the account or benefit of any person in the United States or any other foreign person; and
- (b) the Applicant will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia or to a United States person, except in transactions exempt from registration under the *US Securities Act 1933* as amended, and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

## **2.13 Dividend policy and forecast distribution**

The Company anticipates that significant expenditure will be required in the development of the Company's objectives and that substantial lead time may be required before commercial revenues are derived from MDS. It is expected that further acquisitions may be undertaken in the 18 month period following the Offer. As a result, the Company does not expect to declare any dividends during that period. Any future dividends beyond this 18 month period will be dependent upon the Company's financial performance. The Directors do not make any guarantees concerning the future payment of dividends.

## **3 Risk factors**

### **3.1 Factors influencing success and risk**

#### **Introduction**

This section identifies the areas that the Board believe to be the major risks associated with an investment in MDS.

There are a number of factors, both specific to MDS and of a general nature, which may affect the future operating and financial performance of the Company, the success of the MDS business and the value of an investment in Shares of MDS. Individually, or in combination, these might affect the future operating performance of MDS and the value of an investment in the Company.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action in the form of governance, compliance and risk systems. Similarly, there is no guarantee the safeguards and systems will be effective. Many of the risk factors are outside the control of MDS and its Directors and cannot be mitigated.

There can be no guarantee that MDS will achieve its stated objectives or that any forwarding-looking statements or forecasts will eventuate. An investment in the Company should be considered in light of relevant risks, both general and specific. Each of the risks set out below could, if it eventuates, have a material adverse impact on MDS's operating performance and profits, and the corresponding value of the Shares.

Before deciding to invest in the Company, potential investors should:

- (a) read this Information Memorandum in its entirety;
- (b) consider the assumptions underlying the forecasts, the sensitivity analysis and the risk factors that could affect the financial performance of MDS;
- (c) review these factors in light of their personal circumstances; and
- (d) seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### **3.2 General investment risks**

#### **General economic conditions**

MDS's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could be expected to have a corresponding adverse impact on the Company's operating and financial performance.

## **Share investment**

Trader Dealer Online Pty Limited. As the Shares in Trader Dealer Online are not quoted on ASX or any other stock exchange there is no public market for the Shares. Therefore, trading in the Shares can only be effected by private negotiation, which may involve obtaining a valuation of the Shares. Accordingly, it may be difficult to identify a purchaser for the Shares, if the Directors resolved to dispose of the investment.

MDS Financial Group Limited. The Shares in the Company are quoted on the ASX .However there can sometimes be a limited free float or liquidity or no public market for the Shares. Therefore, trading in the Company Shares can be a lengthy process as it may be difficult to identify a purchaser for the Shares.

Any valuation is likely to be based on the underlying value of the Company rather than recently traded prices.

Recipients should be aware there are risks associated with investment in the Shares. The value of MDS Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies and legislation, investor perceptions, movements in exchange rates, prices of MDS's services, variations in the operating costs and costs of capital replacement which MDS may in the future require, an increase in competitors and fluctuations in sales and processing volumes. Accordingly, the value of Shares may be higher or lower than the price paid for the Shares under the Offer.

Each Recipient should consider whether purchasing the Shares is a suitable investment for them. Any Recipient in doubt about investing in Shares should consult their stockbroker, accountant, lawyer or other professional adviser immediately.

## **Taxation risks**

A change to the current taxation regime in Australia or overseas may affect MDS and its Shareholders. Personal tax liabilities are the responsibility of each individual Shareholder. MDS is not responsible for either taxation or penalties incurred by Shareholders. Each Recipient should obtain appropriate tax advice having regard to their particular circumstances before deciding to invest in the Shares.

## **International hostilities and disasters**

War, terrorist attacks or the outbreak of international hostilities anywhere in the world could result in a decline in economic conditions worldwide or in a particular region. In addition, such risks may make it unsafe for the Company to continue operations in a particular country or make it difficult to attract and retain personnel. There could also be a resultant material adverse effect on the business, financial condition and financial performance of MDS. International stock market volatility may affect the ASX and market value of MDS.

## **3.3 Specific investment risks**

### **Growth**

There is a risk that the Company may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel as outlined below may be a significant obstacle to growth.

### **Mergers and acquisitions**

The Company's growth strategy may be impacted if it is unable to find suitable mergers and acquisitions. The Company's due diligence processes may not be successful and a merger or acquisition may not perform to the level expected.

## **Debt Finance**

The Company's business plan and growth strategy does not rely on MDS being able to raise any finance or any finance on any minimum of a debt to equity basis. If this changed and the Company required to raise finance and MDS could not raise the finance then the Company's business plans and growth strategy will be impacted significantly.

## **Profitability**

Future potential operating results depend to a large extent on management's ability to successfully manage expansion and growth, which necessarily requires expansion of all aspects of the business operations, such as revenue forecasting, addressing new markets, controlling expenses, implementing infrastructure and systems and managing assets. Inability to control the costs and organisational impacts of business growth, an unpredicted decline in the growth rate of revenues without a corresponding and timely reduction in expense growth or a failure to manage other issues arising from growth could all materially adversely affect the Company's operating results. Other issues that may affect the profitability of the Company is the price received from its customers for its retail financial services solutions and products which will vary with the market.

## **Reliance on key personnel**

MDS relies on the talent and experience of its personnel as its primary asset. Should any of its key personnel cease employment with MDS, it may have a negative impact on the continuing operations and performance of the Company. It may be difficult to replace them, or to do so in a timely manner or at comparable expense. Additionally, any key personnel of the Company who leave to work for a competitor may have a material adverse impact on the Company.

In summary, MDS's ability to attract and retain personnel will have a direct effect upon its ability to deliver its project commitments and achieve forecast revenues. Additionally, increases in recruitment, wages and contractor costs may also adversely impact upon the financial performance of the Company.

Conversely the MDS Board recently announced to the key personnel of the Company that the Company intended to implement the existing ESOP which the Company believes will significantly mitigate this risk

## **Material matters**

As many of the business plans are only at an early stage, there is a risk that they will not proceed to a fully implemented stage. This may significantly impact the current and future objectives of MDS and have an adverse material impact on MDS's operating and financial performance if they were not to proceed.

## **Competitors**

MDS could face increased competition via new entrants into the market which could adversely affect its ability to attract or retain customers.

## **Intellectual property**

MDS's success will depend in part on its ability to protect its intellectual property and to obtain commercially valuable patent claims. MDS currently has not obtained or applied for a registered patent, and is aware that legal standards relating to the validity and scope of claims in its technology field are still evolving. Therefore, the degree of future protection for MDS's proprietary rights is uncertain. The risks and uncertainties that MDS faces with respect to its proposed patents and other proprietary rights include the following:

- (a) MDS may not be awarded a grant of registration with respect to any patent applications lodged (if any);
- (b) any applications made by MDS may not be allowed due to prior disclosure;
- (c) the claims of any patent issued may not provide meaningful protection;
- (d) MDS may not be able to develop additional proprietary technologies that are patentable;

- (e) any patents licensed or issued to MDS or its customers may not provide a competitive advantage;
- (f) other companies may challenge patents licensed or issued to MDS or its customers;
- (g) other companies may independently develop similar or alternative technologies, or duplicate MDS technologies, particularly if no patent registrations are awarded; and
- (h) other companies may design around technologies MDS has licensed or developed.

MDS may incur substantial costs in applying for patents, asserting any patent rights and in defending legal action against it relating to intellectual property rights. Such disputes could substantially delay MDS's product development or commercialisation activities.

If MDS does not obtain registered patents in respect of its technology there is a risk that competitors in the industry could exploit MDS's technology denying them their competitive advantage.

In addition to the invention which are the subject of possible patent applications, MDS depends upon trade secrets and proprietary know-how to protect its proprietary technology.

MDS requires all employees, consultants, advisors, and collaborators to enter into nondisclosure agreements that prohibit the disclosure of confidential information to any other parties. MDS requires that its employees and consultants disclose and assign to MDS their ideas, developments, discoveries, and inventions. These agreements may not, however, provide adequate protection for MDS's trade secrets, know-how, or other proprietary information in the event of any unauthorised use or disclosure.

### **Litigation risks**

MDS could become subject to litigation in relation to professional negligence, breach of contract or other litigation. MDS will maintain public liability, professional indemnity and directors' and officers' insurance, among other policies. Despite these protections, it is possible that claims not covered by insurance may arise which may have an adverse affect on the Company's financial position, financial performance and reputation which would, in turn, have an overall adverse affect on MDS.

To the knowledge of the Directors, there is no litigation pending or threatened, of a material nature that is likely to adversely affect the Company.

### **Legislative Uncertainty and Regulatory requirements**

The Company cannot predict changes in the regulatory environment. The recently appointed Labor Government may have an adverse effect on the policies of the business going forward.

### **Environmental issues**

MDS's aim is to achieve environmentally sound and efficient management practices of its activities and in unaware of any matter that would make it unable to complete its environmental objectives.

### **Raising capital**

The Board estimates additional working capital will be required to carry out the objectives stated in this IM. The completion of MDS's planned business plans and growth strategy relies significantly on obtaining capital to fund the business plans and development of the Company's objectives.

The Company has acceptable strategies in place should additional working capital not be raised.

## **4 Consents and disclaimers of responsibility**

None of the parties referred to below has made any statement that is included in this Information Memorandum or any statement on which a statement made in this Information Memorandum is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Information Memorandum, other than the reference to its name and a statement included in this Information Memorandum with the consent of that party, as specified below.

BoxRED Pty Limited has given, and has not withdrawn, its written consent to be named as Lead Manager in the form and context in which it is named.

## **5 Interests of experts and advisers**

Except as set out in this Information Memorandum, no person named in this Information Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Information Memorandum:

(a) has any interest or has had any interest during the last two years, in the formation or promotion of MDS, or in property acquired or proposed to be acquired by MDS in connection with its formation or promotion, or the Offer of the Shares;

(b) no amount has been paid or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of MDS, or the Offer of the Shares;

(c) The Lead Manager will not be paid any management fee, or a success fee (in addition Participating Organisations will not receive a handling fee even on stamped Application Forms that receive an allocation of Shares under the Offer),

(d) Sean Rothsey, Executive Chairman of the Company is also Chairman and founder of BoxRED Pty Limited, one of the Lead Managers.

## **6 Interests of Directors**

**Other than set out below or elsewhere in this Information Memorandum:**

(a) no Director or proposed Director of MDS has, or has had in the two years before lodgement of this Information Memorandum, any interest in the formation or promotion of MDS, or the Offer of Shares, or in any property proposed to be acquired by MDS in connection with information or promotion of the Offer of the Shares; and

(b) no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given, to any Director or proposed Director of MDS either to induce him or her to become, or to qualify him or her as a Director, or otherwise for services rendered by him or her in connection with the promotion or formation of MDS or the Offer of Shares.

(c) Sean Rothsey, Executive Chairman of the Company is also Chairman and founder of BoxRED Pty Limited, one of the Lead Managers.

## **Shareholdings**

Certain Directors of the Company or their associates may have a beneficial interest in this Offer consistent with resolutions passed at The Extraordinary General Meeting of the Company in 14 October 2009.

## **Transactions with related parties**

There are no undisclosed or unapproved arrangements in place with related parties in regard to the Company except at an arms length third party basis and a reasonable person would not expect for those to have a material adverse result,

## **7 Expenses of the Offer**

The total estimated expenses of the Offer payable by the Company including accounting fees, legal fees, share registry fees, printing costs, public relations costs and other miscellaneous expenses are estimated to be approximately between \$1,000 and \$2,000.

## **8 Privacy**

When applying for Shares in the Company, Applicants will be asked to provide personal information to MDS directly, and through the share registry, such as name, address, telephone and fax numbers, tax file number and account details. The Company and the share registry collect, hold and use that personal information to assess Applications, provide facilities and services to Applicants and undertake administration. Access to information may be disclosed by the Company to its agents and service providers on the basis that they deal with such information under the *Privacy Act 1988* (Cth). Incomplete applications may not be processed.

Under the *Privacy Act 1988* (Cth), Applicants may request access to their personal information held by or on behalf of the Company by contacting the share registry.

## 9 GLOSSARY

<b>AEDST</b>	Australian Eastern Daylight Savings Time.
<b>Applicant</b>	a person or entity who submits an Application Form.
<b>Application</b>	an application for Shares under the Offer.
<b>Application Form</b>	an application form attached to this Information Memorandum.
<b>Application Money</b>	the money received by the Company pursuant to the Offer, being the Offer Price multiplied by the number of Shares applied for.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Board</b>	the board of directors of the Company.
<b>Closing Date</b>	the date on which the Offer closes, being 17 October 2009 or another date nominated by the Company in consultation with the Lead Manager and Underwriter.
<b>Company or MDS</b>	MDS Financial Group Limited ACN 091 744 884
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth)</i> .
<b>Directors</b>	the directors of the Company
<b>Director Shareholders</b>	the parties associated with each of the Directors.
<b>EBIT</b>	Earnings before interest and income tax.
<b>EBITDA</b>	Earnings before interest, income tax, depreciation and amortisation.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Information Memorandum</b>	this Information Memorandum.
<b>Investment</b>	the purchase of Shares under the terms of the Offer.
<b>Lead Manager</b>	means BoxRED Pty Limited ACN 115 730 642
<b>MOU</b>	means a memorandum of understanding.
<b>NPAT</b>	Net profit after tax.
<b>NPBT</b>	Net profit before tax.
<b>Offer</b>	the offer of Shares under this Information Memorandum.
<b>Offer Price</b>	\$0.02 cents per Share.
<b>Option</b>	A free attaching option to acquire a fully paid ordinary Share in MDS
<b>Option Holder</b>	the holder of an Option.

<b>Participating Organisation</b>	a person authorised under the Corporations Act to provide financial services as an authorised representative of a holder of an Australian Financial Services License.
<b>personnel</b>	employees and professional services contractors of MDS.
<b>BoxRED</b>	means BoxRED Pty Limited – ACN 115 730 642
<b>Recipient</b>	an intended recipient of this Information Memorandum, its related bodies corporate and their respective directors, officers, employees, agents, representatives and advisers.
<b>Shareholders</b>	holders of Shares in MDS.
<b>Shares</b>	fully paid ordinary Shares in MDS
<b>Us or we</b>	the Company.
<b>You</b>	the investors under this Information Memorandum.

## 10 Corporate directory

### Company



MDS Financial Group Limited

[www.mdsfinancial.com.au](http://www.mdsfinancial.com.au)

Level 1 Rialto North Tower

525 Collins St

Melbourne Vic 3000

Tel: +61 3 9617 0600

Fax: +61 3 9617 0699

### Directors

Sean Rothsey

Damian Isbister

Richard Symon

### Company Secretary

Allan Shek

### Lead Manager



BoxRED Pty Limited

45 Maple Street

PO Box 736

Cooroy Q 4563

Telephone +61 7 5442 6080

Fax +61 7 5442 5733

[www.BoxRED.com.au](http://www.BoxRED.com.au)

## **Lawyers to the Company**

Corrs Chambers Westgarth  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
[www.corrs.com.au](http://www.corrs.com.au)  
Phone + 61 2 9210 6334  
Fax +61 2 9210 6611  
Anthony Latimer

**For information on the Company's auditors and share registry, please see the 2009 Annual Report.**

# 11 INSTRUCTIONS TO APPLICANTS & APPLICATION FORM

Please post or deliver the completed Application Form together with a cheque to the Company. If an Applicant has any questions on how to complete this Application Form, please telephone the Company on +61 3 9617 0600 or 1300 363 766.

## Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Application Form.

## Declaration

The Applicant(s) agree(s) that this application is for Shares in MDS Financial Group Limited and agree(s) to take any number of Shares equal to or less than the number of Shares indicated on the front of the form that may be allotted to the Applicant and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application form.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept an Application Form, and how to construe, amend or complete it shall be final.

## Forward your completed application to:

### By Post

MDS Financial Group Limited  
Level 1 Rialto North Tower  
525 Collins St Melbourne Vic 3000

or BoxRED Pty Limited  
PO Box 736  
Cooroy QLD 4563

### Delivery:

MDS Financial Group Limited  
Level 1 Rialto North Tower  
525 Collins St  
Melbourne Vic 3000

or BoxRED Pty Limited  
45 Maple St  
Cooroy  
QLD 4563



# 12 SOPHISTICATED INVESTOR CERTIFICATION

(Note: Overseas investors should disregard this section)

To: MDS Financial Group Limited ACN 091 744 884  
Please:

- Complete Section 1
- Complete Section 2 – and have your accountant sign it

## Section One - Investors Details

Individual Investor Name: .....

Residential Address: .....

Postal Address: .....

Phone: ..... Fax: .....

Mobile: ..... Email: .....

I/We, acknowledge that:

- a. This Certificate is given to MDS Financial Group Limited to enable MDS Financial Group Limited determine whether it is able to make certain offers of securities to The Investor in compliance with the Corporations Act 2001;
- b. Offers of securities made to The Investor by MDS Financial Group Limited may be made on the basis of this certificate;
- c. The Investor may be required to observe certain selling restrictions in Australia in relation to securities offered to The Investor as a registered Sophisticated Investor; and
- d. The Investor may only act as principal.

Dated: .....

Investor: \_\_\_\_\_

Print name Signature

Witness: \_\_\_\_\_

Print name Signature

# QUALIFIED ACCOUNTANT'S CERTIFICATION

## Section 2

(Note: Overseas investors should disregard this section)

Title: .....  
Name: .....  
Address: .....  
..... P/Code: .....  
Phone: ..... Fax: .....

I certify that the following is true and correct in every particular:

- a. I am a qualified accountant within the meaning of Section 9 of the Corporations Law<sup>1</sup>;
- b. This certificate is given at the request of the investor described in Section 1 of this certificate in relation to potential offers by MDS Financial Group Limited to subscribe to acquire securities;
- c. This certificate is given to MDS Financial Group Limited for the purpose of compliance with Section 708(8)(c) of the Corporations Act 2001; and
- d. The Investor has:
  - i. Net assets of at least \$2,500,000; or
  - ii. A gross income for each of the last 2 financial years of at least \$250,000 a year

Signed: ..... Dated: .....

Name of Qualified Accountant: .....

<sup>1</sup>"Qualified accountant" means a member of a professional body that is approved by ASIC in writing for the purpose of the definition. ASIC has indicated that it will approve any member of:

- a. Certified Practising Accountants Australia ("CPA"), who is entitled to use the post-nominals "CPA" or "FCPA", and is subject to and complies with the CPA's continuing professional development requirements;
- b. The Institute of Chartered Accountants in Australia ("the ICAA"), who is entitled to use the post-nominals of "CA", "ACA" or "FCA", and is subject to and complies with the ICAA's continuing professional education requirements; or
- c. The National Institute of Accountants ("the NIA"), who is entitled to use the post-nominals "MNIA" or "FNIA", and is subject to and complies with NIA's continuing professional education requirements.

## Representations and Warranties

(a) If you are in Australia, you are one of the following:

- (i) a “Sophisticated Investor” within the meaning of Section 708(8) of the Corporations Act; or
- (ii) a “Professional Investor” within the meaning of Section 708(11) of the Corporations Act; or
- (iii) a person who has received the offer through a financial services licensee in accordance with Section 708(10) of the Act; or
- (iv) a person who is otherwise an exempt offeree for the purpose of Section 708 of the Act;

(b) If you are in New Zealand, you are a person whose principal business is the investment of money or who, in the course of and for the purposes of your business, habitually invests money, under Section 3(2)(a)(ii) of the New Zealand Securities Act 1978.

(c) If you are outside Australia and New Zealand, you are a person to whom an invitation or offer to subscribe for the Shares is permitted by the laws of the jurisdiction in which you are situated or from where you submitted your bid to subscribe for Shares and you are a person to whom the Shares can lawfully be issued under all applicable laws, without the need for any registration, lodgment, filing or approval.

(d) You confirm that you are in compliance with all relevant laws and regulations (including, without limitation, the requirements of the Australian Foreign Acquisitions and Takeovers Act 1975 and the insider trading provisions of the Australian Corporations Act) and will not cease to be in compliance if you accept your allocation of Shares.

(e) You are not a “U.S. Investor”, being for the purposes of this Agreement a person who is in the United States, or who is a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933 (the ‘Securities Act’), or who is acting for the account or benefit of a U.S. person.

(f) You understand that the offer to you of the Shares has not been and will not be registered under the Securities Act or the laws of any state or other jurisdiction in the United States. Therefore, you agree that you will not offer, sell, pledge, transfer or otherwise dispose of any Shares in the United States or to a U.S. Investor unless and until the Shares are registered under the Securities Act (which you acknowledge MDS Financial Group Limited has no obligation to do) or offered, sold, pledged, transferred or otherwise disposed of in a transaction exempt from, or not subject to, the registration requirements of the Securities Act or the laws of any state or other jurisdiction in the United States.

(g) You agree that, in the future, if you or any other person for whose account you are acquiring the Shares decides to sell or otherwise transfer any Shares, you will only do so, and you will inform such other person that it may only do so, if the offer and sale of such Shares are (i) registered under the Securities Act (which you acknowledge MDS Financial Group Limited has no obligation to do); (ii) made in a transaction exempt from the registration requirements of the Securities Act; or

(iii) made in regular brokered transactions on the ASX, NSX or otherwise outside the United States in accordance with Regulation S under the Securities Act

(h) You acknowledge that no disclosure document has been prepared in connection with the Placement.

(i) You have had access to all information that you believe is necessary or appropriate in connection with your subscription for the Shares. You acknowledge and agree that you will not hold MDS Financial Group Limited or any of its related bodies corporate or affiliates responsible for any misstatements in, or omissions from, any publicly available information concerning MDS Financial Group Limited .

(j) You have made and relied upon your own assessment of MDS Financial Group Limited and have conducted your own investigation with respect to the Shares and MDS Financial Group Limited including, without limitation, the particular tax consequences of subscribing, owning or disposing of the Shares in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

(k) You have not relied on any investigation that MDS Financial Group Limited or any of its related bodies corporate or affiliates or any persons acting on their behalf may have conducted with respect to the Shares. None of such persons has made any representation to you, express or implied, with respect to the Shares.

(l) You acknowledge that this Information Memorandum does not constitute a securities recommendation.

(m) You acknowledge that an investment in the Shares involves a degree of risk.

(n) You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of a purchase of the Shares.

(o) You have the financial ability to bear the economic risk of the investment in the Shares.

(p) You will be bound by the provisions of the constituent documents of MDS Financial Group Limited in your capacity as a Shareholder.

(q) Except to the extent that liability cannot by law be excluded, you acknowledge that none of MDS Financial Group Limited nor any of its respective related bodies corporate, or any directors, officers, employees, agents or advisers of MDS Financial Group Limited, or any of its respective related bodies corporate, accept any responsibility in relation to the Placement.

(r) You are not a Related Party (as defined in Section 228 of the Corporations Act of MDS Financial Group Limited) and you are not an Associate (as defined in Division 2 of Part 1.2 of the Corporations Act) of MDS Financial Group Limited.

(s) If you are acquiring any Shares for an account of one or more persons, you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such person and you will take reasonable steps to ensure that each such person will comply with its obligations herein.

(t) You acknowledge that MDS Financial Group Limited and its directors and officers and their respective related bodies corporate and affiliates will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements. You indemnify MDS Financial Group Limited, and its directors and officers and their respective related bodies corporate and affiliates against any loss, damage or costs incurred and arising out of or in relation to any breach by you of the acknowledgments, representations, warranties and agreements.

(u) You acknowledge that the offer of Shares to you is personal to you and you may not prior to settlement of the Placement assign, transfer, or in any other manner, deal with your Shares without the prior written agreement of MDS Financial Group Limited.

**MDS Financial Group Limited ACN 091 744 884 Information Memorandum**  
Level 1 Rialto North Tower  
525 Collins St  
Melbourne VIC 3000  
Australia  
[www.mdsfinancial.com.au](http://www.mdsfinancial.com.au)

Tel: + 61 3 9617 0600  
Fax: + 61 3 9617 0699