

MDS Financial Group Limited
ACN 091 744 884

Notice of Extraordinary General Meeting
to be held on 14th October 2009

Explanatory Memorandum for the Notice of
Extraordinary General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

**IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE
PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER.**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING TO BE HELD AT
BATMAN'S HILL ON COLLINS, 623 COLLINS STREET, MELBOURNE, VICTORIA**

AT 11.00 AM ON 14th OCTOBER 2009

TO BE VALID, FORMS OF PROXY FOR USE AT THE EXTRAORDINARY GENERAL MEETING
MUST BE COMPLETED AND RETURNED TO THE COMPANY NO LATER THAN
11.00 AM ON 12th OCTOBER 2009

Table of Contents

Section A – Chairman’s letter	3
Section B – Glossary	4
Section C – Notice of Extraordinary General Meeting	6
1. Special Business and Resolutions	7
2. Voting exclusion statements	7
3. Voting entitlements	7
4. Votes of members	8
5. Director’s recommendations, reasons and voting	8
6. Proxies	10
Section D – Explanatory Memorandum	12
1. Introduction	12
2. Resolutions	12
Section E – Proxy Form	21

Section A – Chairman’s Letter

15th September 2009

Dear Shareholder

The Directors of MDS Financial Group Limited ACN 091 744 884 (**Company**) have convened the Extraordinary General Meeting of Shareholders to be held on 14th October 2009. The purpose is to seek approval of shareholders for an issue of shares and options to Placement Investors (**Placements**), consent for certain Directors of the Company to participate in the Placements and the acquisition of all shares in Trader Dealer Online Pty Ltd (**Trader Dealer Online**) held by BoxRed Pty Ltd (**BoxRed**).

These resolutions are explained in detail in Sections C and D. In addition, the Directors have commissioned an Independent Expert to prepare an Independent Expert’s Report in relation to the Trader Dealer Online acquisition. A copy of that report is attached to this Notice of Extraordinary General Meeting and Explanatory Memorandum and is incorporated in it.

As one of the resolutions (Resolution 5) involves me (through my interests in BoxRed), I have instructed the other members of your Board to present the explanations for that resolution for your consideration page 7. Clearly I will not be voting on any resolution for which there is, or could be perceived to be, a conflict of interests.

Your Company is well poised for accelerating its growth after a period of consolidation, expenses reductions and product rationalisation. As you will have seen in our notices to shareholders, your Company has been operating with extreme prudence on minimal cash reserves. Our attempt to raise capital last year failed because of difficult markets and less than impressive financials.

We are now seeking to redress this so your Company can thrive through the introduction of marketing and sales initiatives, product development and offering “white label” services to financial markets intermediaries.

By combining the Trader Dealer Online platform with your Company’s data and analytical services, your Company will be able to offer leading edge trading services. The benefits will be synergistic as a result of single client acquisition efforts, cross promotion of existing clients and relationship management. Further, the reduction in duplicated compliance and other costs, staffing and seamless scalability will quickly benefit Shareholders.

Your Board, Management and Staff have worked diligently to prepare your Company for the challenges and opportunities as Financial Services recuperate from recent extraordinary events. Approval of the resolutions will see your Company better resourced and equipped to provide innovative analytical and trading services as investors return to the share market.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Sean Rothsey', written over a horizontal line.

Sean Rothsey
Chairman

Section B – Glossary

1. Definitions

The following definitions are used in the Chairman's Letter, the Notice of Extraordinary General Meeting and the Explanatory Memorandum.

Acquisition means the acquisition by the Company of all shares in Trader Dealer Online held by BoxRed;

Associate has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act;

ASX means the ASX Limited ABN 98 008 624 691;

ASX Listing Rules means the official listing rules issued and enforced by the ASX as amended from time to time;

Board or **Board of Directors** means the board of Directors of the Company;

BoxRed means BoxRed Pty Ltd ABN 31 115 730 642, a company associated with the Chairman, Mr Sean Rothsey;

Business means the business of providing financial advice and technology solutions to investors, traders, financial service providers and corporations;

Business Day means a day which is not a Saturday, Sunday or public holiday in Sydney;

Chairman means chairman of the Company appointed by the Board, who is currently Sean Rothsey;

Company or **MDS** (ASX:MWS) means MDS Financial Group Limited ACN 091 744 884;

Constitution means the constitution of the Company, as amended from time to time;

Corporations Act means the *Corporations Act* 2001 (Cth);

Directors means the directors of the Company;

Explanatory Memorandum means the explanatory memorandum set out in Section D of this document;

Extraordinary General Meeting means the Extraordinary General Meeting of the Company to be held on 14th October 2009 pursuant to this Notice of Extraordinary General Meeting;

MDSnews.com means MDSnews.com Pty Ltd ACN 072 209 762;

Notice of Extraordinary General Meeting or **Notice** means the notice of Extraordinary General Meeting set out in Section C of this document;

Officially Quoted and **Official Quotation** means, in relation to Shares, officially quoted by the ASX;

Options means up to 120 million options to acquire shares in the Company to be issued by the Company to the Placement Investors;

Placement Investors means institutional or sophisticated investors, being persons who, because of one or more of sections 708(8), 708(10), 708(11) and 708(12) of the Corporations Act, may subscribe for Placement Shares and Options without receiving a disclosure document issued by the Company in accordance with Part 6D.2 of the Corporations Act;

Placement Shares means up to 120 million Shares to be issued by the Company to the Placement Investors;

Placements means the Share and Option placements proposed in Resolutions 1 to 4 (inclusive);

Resolution means a resolution passed by the requisite majority of members of the Company on a show of hands or by the requisite majority of votes given on a poll;

Share means a fully paid ordinary share in the issued capital of the Company;

Shareholder means a holder of a Share;

Trader Dealer Online or **TDO** means Trader Dealer Online Pty Ltd ABN 17 090 611 680;

VWAP means Volume Weighted Average Price of the Company's shares traded on ASX.

2. Interpretation

For the purposes of interpreting the Chairman's Letter, the Explanatory Memorandum and the Notice of Extraordinary General Meeting:

- (a) the singular includes the plural and vice versa;
- (b) words importing any gender include both genders;
- (c) reference to any statute, ordinance, regulation, rule or other law includes all regulations and other instruments and all consolidations, amendments, re-enactments or replacements for the time being in force;
- (d) all headings, bold typing and italics (if any) have been inserted for convenience of reference only and do not define limit or affect the meaning or interpretation of the Chairman's Letter, the Explanatory Memorandum and the Notice of Extraordinary General Meeting;
- (e) reference to persons includes bodies corporate and government authorities and in each and every case, includes a reference to the person's executors, administrators, successors, substitutes (including without limitation persons taking by novation and assignment); and
- (f) reference to **\$, A\$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia.

Section C – Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of MDS Financial Group Limited ACN 091 744 884 (**MDS** or the **Company**) will be held at Batman's Hill on Collins, 623 Collins Street, Melbourne, Victoria on 14th October 2009 at 11.00 AM

Defined terms used in this Notice of Extraordinary General Meeting have the meanings given to them in the Glossary accompanying this Notice of Extraordinary General Meeting.

1. Special Business

1.1 Resolution 1 – Issue of up to 100 million Shares and Options to Placement Investors

To consider and if thought fit, with or without amendment, to pass the following Resolution as an ordinary resolution:

“That; for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval be given to 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)”

1.2 Resolution 2 – Issue of up to 20 million Shares and Options to Placement Investors

To consider and if thought fit, with or without amendment, to pass the following Resolution as an ordinary resolution:

“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval be given to the Company to issue and allot 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 to be approved in this Resolution, on the terms and conditions described in the Explanatory Memorandum (Section 3)”

1.3 Resolution 3 – Participation by a Director of the Company – Damian Isbister

To consider, and if thought fit, with or without amendment, to pass the following Resolution as an ordinary resolution:

“That; subject to the approval of Resolution 1, approval is given for the purpose of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, to issue and allot to Mr Damian Isbister (and/or his associate or nominee) of up to 25 million Shares in the placement outlined in Resolution 1 together with up to 25 million free attaching Options on the same terms as the other participants in that placement.”

1.4 Resolution 4 – Participation by a Director of the Company – Richard Symon

To consider, and if thought fit, with or without amendment, to pass the following Resolution as an ordinary resolution:

“That, subject to the approval of Resolution 1, approval is given for the purpose of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, to issue and allot to Mr Richard Symon (and/or his associate or nominee) of up to 25 million Shares in the placement outlined in Resolution 1 together with up to 25 million free attaching Options on the same terms as the other participants in that placements.”

1.5 Resolution 5 – Acquisition of shares in Trader Dealer Online

To consider, and if thought fit, with or without amendment, to pass the following Resolution as an ordinary resolution:

“Subject to the approval of Resolutions 1, 3 and 4 that, for the purposes of ASX Listing Rules 10.1 and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the acquisition by the Company of all the fully paid ordinary shares in Trader Dealer Online held by BoxRed on the terms and conditions set out in the Explanatory Memorandum (Section 5).”

2. Voting exclusion statements

2.1 Resolutions 1 and 2

In accordance with the notice requirements of ASX Listing Rule 7.3.8 for approval under ASX Listing Rule 7.1 and ASX Listing Rule 14.11.1, the Company will disregard any votes cast on Resolutions 1 and 2 by:

- (a) each Placement Investor;
- (b) any Associate of a Placement Investor; and
- (c) a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and an Associate of any such person.

2.2 Resolution 3

The Company will disregard any votes cast by Mr Damian Isbister and his Associates.

2.3 Resolution 4

The Company will disregard any votes cast by Mr Richard Symon and his Associates.

2.4 Resolution 5

The Company will disregard any votes cast by the parties to the Acquisition and their Associates (including Mr Sean Rothsey).

However, in respect of Resolutions 1 to 5, the Company will not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. Voting entitlements

For the purposes of determining a person's entitlement to vote at the Extraordinary General Meeting, a person will be recognised as a member of the Company and the holder of Shares if that person is registered as a holder of those Shares at 11:00am Melbourne time on 12th October 2009, being the second Business Day prior to the date of the Extraordinary General Meeting.

4. Votes of members

- (a) On a show of hands, each Shareholder present in person or by proxy (or, in the case of a body corporate, by a representative) at the Extraordinary General Meeting, shall have one vote.
- (b) On a poll, every Shareholder present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative), shall have one vote for each Share held by him, her or it, provided that all Shares are fully paid.

5. Director's recommendations, reasons and voting

Mr Damian Isbister and Mr Richard Symon, who have a personal interest in the subject and outcome of Resolutions 3 and 4 respectively, have abstained from making a recommendation in respect of Resolutions 1, 3 and 4. The other Directors consider that the proposed placements in Resolutions 1, 3 and 4 are in the best interests of the Company and recommend that Shareholders approve the issue of Placement Shares and Options to the Placement Investors (including Mr Damian Isbister and Mr Richard Symon) as described in Resolutions 1, 3 and 4 and vote in favour of Resolutions 1, 3 and 4.

The Directors consider that the proposed placement in Resolution 2 is in the best interests of the Company and recommend that Shareholders approve the issue of the Placement Shares and Options to the Placement Investors as described in Resolution 2 and vote in favour of Resolution 2.

Mr Sean Rothsey, who has a personal interest in the subject and outcome of Resolution 5, has abstained from making a recommendation in respect of Resolution 5. The other Directors consider that the acquisition of Trader Dealer Online in Resolution 5 is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 5.

Each Director intends to vote the Shares they hold or control in favour of the Resolutions subject to the exclusions noted in the Voting Exclusion Statements.

Further to the comments of your Chairman, the Directors (other than, in respect of Resolutions 1, 3 and 4, Mr Damian Isbister and Mr Richard Symon, and in respect of Resolution 5, Mr Sean Rothsey) provide the following reasons for their recommendations:

5.1 Resolutions 1 and 2:

The Placement amounts have been considered with reference to budgeted forecasts and the inclusion of revenue generating expenditure and capital expenditure on software and trading development.

Pricing of the Placements has been considered with reference to the Company's share price on the ASX. The VWAP of MDS' securities show:

VWAP MWS

Quarterly:

The quarter to 30 June 2009 \$0.014507 on volume of 4,495, 000 shares, Value \$65,209, Transactions 20.

Monthly:

30 April 2009 \$0.013869 on volume of 1,865,000 shares, Value \$25,865, Transactions 8
31 May 2009 \$0.015 on volume of 415,000 shares, Value \$6,225, Transactions 3
30 June 2009 \$0.014952 on volume of 2,215,000, Value \$33,119, Transactions 9
31 July 2009 No trades – Close \$0.012
31 August 2009 \$0.0139 on volume of 140,703 shares, Value \$1,966, Transactions 3

Your Directors consider that the improvement to the Company's balance sheet as a result of the Placement contemplated by Resolution 1 and the commencement of initiatives detailed in this Notice and the Explanatory Memorandum, will demonstrate that the higher Placement price of Resolution 2 is appropriate.

5.2 Resolution 3:

Your Directors welcome the participation of the Company's Chief Executive Officer – Software and Online Trading to participate as a Placement Investor in the Placement referred to in Resolution 1. Mr Damian Isbister has shown considerable skill and determination in guiding MDS through the difficult restructure period and trading conditions of the 2009 financial year. Mr Isbister joined the Company as Chief Operating Officer in July 2008, was appointed to the Board of Directors in November 2008 and promoted to his current position in July 2009. Mr Isbister has committed to investing in the Company as a Placement Investor should Resolution 3 be approved. The Board welcomes his commitment.

5.3 Resolution 4:

Richard Symon was appointed to your Board on November 27th, 2008 and serves as an Executive Director. Mr Symon chairs the Risk and Compliance Committee and Remuneration Committee, is a Responsible Manager for the Company's Australian Financial Services Licenses and is developing wholesale and corporate opportunities for the Company. Mr Symon has committed to investing further in the Company as a Placement Investor should Resolution 4 be approved. The Board welcomes his commitment.

5.4 Resolution 5:

Your Directors support this resolution as it will allow MDS to conclude a sale agreement with Mr Sean Rothsey's associated company, BoxRed, to acquire all the shares in Trader Dealer Online not owned by the Company. There are many benefits to MDS taking full control of our share trading business by purchasing the 49% interest currently held by BoxRed. The combination of cost savings, product integration, efficient client acquisition and cross-promotion will provide the Company with the capacity to be innovative in a changing market.

At the time Trader Dealer Online became available for purchase in April 2008, your Company was not in a position to fund and support a 100% acquisition. An agreement was established between MDS and BoxRed to acquire and support the development of TDO until such time that it was believed TDO could be integrated as a wholly owned subsidiary.

On 6 May 2009, the Company announced to ASX that it had reached agreement with BoxRed for the Company to acquire all remaining issued shares in Trader Dealer Online from BoxRed (resulting in the Company achieving 100% ownership of Trader Dealer Online). The Company and BoxRed agreed to the capitalisation of outstanding loans from BoxRed to TDO as at 30 April 2009, amounting to \$214,495 (**Loans**). It was agreed at that time that MDS would acquire the TDO shares issued in capitalising the Loans and the 49 original shares issued to BoxRed as part of the Acquisition based on a conversion pricing to Shares so that the Company would effectively repay the Loans made available by BoxRed in Shares.

On 7 August 2009, Merkin Management Pty Ltd, an associated entity of Mr Rothsey and BoxRed, lodged with ASX a Form 604 (Notice of change of interests of substantial holder) detailing total voting interests of 19.9%. As a result, the parties agreed that for the Acquisition to proceed in a timely manner that the Company would pay cash for TDO's shares in BoxRed, rather than issue Shares (which would have had the result of the voting power of Merkin Management Pty Ltd exceeding 20%).

The Company announced the revised terms of the Acquisition to ASX on 21 August 2009. The Company will now pay BoxRed an up-front amount of \$214,544 in cash. This equals the amount paid for the initial shares issued and the amount of the Loans provided by BoxRed for

the acquisition and development of Trader Dealer Online to being a viable online trading company.

It is also agreed that an "earn-out" should become available to BoxRed should TDO perform to the maximum budgeted revenue target for the current June 2010 financial year or should the Company be subjected to a change of control (see section 5 of the Explanatory Memorandum for more details). The "earn-out" consideration is based on BoxRed receiving 49% of one times revenue of the target amount (\$1.89 mil), less the up-front amount (\$214,544), that is \$711,556. If the earn-out payment is triggered by TDO reaching the budgeted revenue amount (\$1.89 mil), the Company can elect to issue 5,500,000 Shares in full consideration for the earn-out, rather than make the cash payment of \$711,556. For the Company to pursue this option, a general meeting of the Company will be required to seek Shareholder approval for the issue of Shares.

Your Board commends the motion in Resolution 5 as it completes the product and services offering of MDS, reduces the duplication of expenses and commits Mr Rothsey and BoxRed to the success of both TDO and MDS.

6. Proxies

Please note that:

- (i) a Shareholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint no more than two proxies;
- (ii) an instrument appointing a proxy must be in the form of the proxy form attached to this Notice of Extraordinary General Meeting;
- (iii) where more than one proxy is appointed, a Shareholder may specify the proportion or number of votes which each proxy may exercise. If no proportion or number is specified, each proxy may exercise one-half of the voting rights;
- (iv) a proxy need not be a Shareholder;
- (v) a proxy form may specify the manner in which the proxy is to vote in respect of a particular Resolution and, where a proxy form so provides, the proxy is not entitled to vote on the Resolution except as specified in the proxy form;
- (vi) a proxy has the authority to vote on the Shareholder's behalf as he or she thinks fit, on any motion to adjourn the Extraordinary General Meeting, or any other procedural motion, unless the Shareholder gives a direction to the contrary;
- (vii) a valid proxy form will be deemed to confer authority to demand or join in demanding a poll;
- (viii) to be valid, a proxy form must be signed by the Shareholder or the Shareholder's attorney or, if the Shareholder is a corporation, executed in accordance with the corporation's constitution and the Corporations Act (and may be signed on behalf of the corporation by its attorney); and
- (ix) to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed (or an attested copy of it) must be received by no later than 11:00 am on 12th October 2009:

by the Company:

- in person: MDS Financial Group Limited
Level 1, The Rialto North Tower
525 Collins Street
Melbourne, Victoria
Australia

or - by fax: +61 3 9617 0699
Attention: Company Secretary

or - by mail: MDS Financial Group Limited
P O Box 274
Collins Street West,
Melbourne, Vic 8007

By order of the Board

Company Secretary
Dated: 15th September, 2009
Melbourne

Section D – Explanatory Memorandum

1. Introduction

This Explanatory Memorandum contains the information needed for the Company's Shareholders to assess the Resolutions to be put to them at the Extraordinary General Meeting of the Company 14th October 2009. A Notice of Extraordinary General Meeting accompanies this document (Section C).

This Explanatory Memorandum, as well as the Notice of Extraordinary General Meeting should be read carefully and in their entirety.

2. Resolution 1 – Issue of up to 100 million Shares and Options to Placement Investors

ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue equity securities if such issue, when aggregated with the securities issued by the Company during the previous 12 months, would be an amount that would exceed 15% of the issued capital at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances).

Shareholder approval is sought for Resolutions 1 and 2 for the purpose of ASX Listing Rule 7.1 to:

- ensure that the proposed issue of the Placement Shares and Options by the Company does not result in the Company being in breach of ASX Listing Rule 7.1; and
- provide the Company with the flexibility to make future issues during the next 12 months without first having to obtain the prior approval of Shareholders.

Pursuant to ASX Listing Rule 7.3, the following information is provided regarding Resolution 1:

(a) **ASX Listing Rule 7.3.1:** *Maximum number of securities to be issued and allotted pursuant to Resolution 1*

Up to 100 million Placement Shares and Options will be issued and allotted to Placement Investors (inclusive of Placement Shares and Options that may be issued under Resolutions 3 and 4).

If all 120 million Placement Shares are issued (being the total number of Placement Shares under Resolution 1 and Resolution 2), the 100 million Placement Shares under this Resolution 1 will represent 36.3% of the issued share capital of the Company.

(b) **ASX Listing Rules 7.3.2 and 7.3.7:** *Date by which securities will be issued and allotted*

If Shareholder approval is obtained, the issue and allotment of the Placement Shares and Options to the Placement Investors will occur on a date or dates which is or are no later than three months after the date of this Extraordinary General Meeting or such later time as deemed appropriate by an ASX waiver.

(c) **ASX Listing Rule 7.3.3:** *Issue price of securities*

The Placement Shares will be issued at a price of 2 cents per Placement Share.

The Options will be issued for nil consideration.

(d) **ASX Listing Rule 7.3.4:** *Names of allottees*

Other than your Directors, Mr Damian Isbister and Mr Richard Symon, details of the allottees are not known at the date of this Explanatory Memorandum. However, the allottees will be Placement Investors. The Placement Investors must be persons who are not related parties of the Company unless approved by Resolutions 3 or 4.

No Placement Shares will be issued and allotted to a Placement Investor if, as a result of that issue, the Placement Investor or another person acquires an interest in Shares in breach of section 606 of the Corporations Act.

(e) **ASX Listing Rule 7.3.5:** *Terms of securities*

The Company will apply to the ASX to have the Placement Shares issued to the Placement Investors Officially Quoted and these Placement Shares will rank equally with all the other Shares on issue. In all other respects, the rights and entitlements of the holders in respect of the Placement Shares issued to the Placement Investors will be identical to the rights and entitlements of the holders of existing issued Shares.

Each Option will be exercisable into one Share upon the payment of 5 cents. The Options will expire on 30 June 2011. The Options will not be Officially Quoted, however, the Company will apply to the ASX to have any Shares issued on exercise of the Options Officially Quoted and these Shares will rank equally with all the other Shares on issue. Optionholders will not be entitled to participate in new issues of securities without first exercising their Options. The terms of the Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation

(f) **ASX Listing Rule 7.3.6:** *Intended use of the funds*

The funds raised by the issue and allotment of up to 100 million Placement Shares and Options to the Placement Investors will be used to fund the acquisition of TDO (see discussion of Resolution 5 below) and to provide additional working capital to the Company.

(g) **ASX Listing Rule 7.3.8:** *A voting exclusion statement*

A voting exclusion statement is included at section 2.1 of the Notice of Extraordinary General Meeting (Section C).

3. Resolution 2 – Issue of up to 20 million Shares and Options to Placement Investors

Pursuant to ASX Listing Rule 7.3, the following information is provided regarding Resolution 2:

(a) **ASX Listing Rule 7.3.1:** *Maximum number of securities to be issued and allotted pursuant to Resolution 2*

Up to 20 million Placement Shares and Options will be issued and allotted to Placement Investors.

If all 120 million Placement Shares are issued (being the total number of Placement Shares under Resolution 1 and Resolution 2), the 20 million Placement Shares will represent 6.8% of the issued share capital of the Company.

(b) **ASX Listing Rules 7.3.2 and 7.3.7:** *Date by which securities will be issued and allotted*

If Shareholder approval is obtained, the issue and allotment of the Placement Shares and Options to the Placement Investors will occur on a date or dates which is or are no later than three months after the date of this Extraordinary General Meeting or such later time as deemed appropriate by an ASX waiver.

(c) **ASX Listing Rule 7.3.3:** *Issue price of securities*

The Placement Shares will be issued at a price of 5 cents per Placement Share.

The Options will be issued for nil consideration.

(d) **ASX Listing Rule 7.3.4:** *Names of allottees*

Details of the allottees are not known at the date of this Explanatory Memorandum. However, the allottees are the Placement Investors. The Placement Investors must be persons who are not related parties of the Company.

No Placement Shares will be issued and allotted to a Placement Investor if, as a result of that issue, the Placement Investor or another person acquires an interest in Shares in breach of section 606 of the Corporations Act.

(e) **ASX Listing Rule 7.3.5:** *Terms of securities*

The Company will apply to the ASX to have the Placement Shares issued to the Placement Investors Officially Quoted and these Placement Shares will rank equally with all the other Shares on issue. In all other respects, the rights and entitlements of the holders in respect of the Placement Shares issued to the Placement Investors will be identical to the rights and entitlements of the holders of existing issued Shares.

Each Option will be exercisable into one Share upon the payment of 10 cents. The Options will expire two years after the date of issue of the Placement Shares in this Resolution. The Options will not be Officially Quoted, however, the Company will apply to the ASX to have any Shares issued on exercise of the Options Officially Quoted and these Shares will rank equally with all the other Shares on issue. Optionholders will not be entitled to participate in new issues of securities without first exercising their Options. The terms of the Options will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation

(f) **ASX Listing Rule 7.3.6:** *Intended use of the funds*

The funds raised by the issue and allotment of up to 20 million Placement Shares to the Placement Investors will be used to help fund the acquisition of TDO (see discussion of Resolution 5 below) and to provide additional working capital to the Company.

(g) **ASX Listing Rule 7.3.8:** *A voting exclusion statement*

A voting exclusion statement is included at section 2.1 of the Notice of Extraordinary General Meeting (Section C).

4. Resolutions 3 and 4 – Participation by a Director of the Company – Damian Isbister and Richard Symon

Two Directors, Mr Damian Isbister and Mr Richard Symon, propose to participate in the Placement described in Resolution 1. Resolutions 3 and 4 are conditional on the approval of Resolution 1.

Shareholder approval is sought for the issue of the Placement Shares to Mr Isbister and Mr Symon (and/or their associates or nominees) as related parties of the Company under ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.

ASX Listing Rule 10.11

Where approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

Pursuant to ASX Listing Rule 10.13, the following information is provided regarding Resolutions 3 and 4:

- (a) **ASX Listing Rules 10.13.1 and 10.13.2:** *Name of person and maximum number of securities to be issued and allotted*

The Company proposes to issue up to 25 million Placement Shares and 25 million Options to each of Mr Isbister and Mr Symon (and/or their associates or nominees).

- (b) **ASX Listing Rule 10.13.3:** *Date by which securities will be issued and allotted*

If Shareholder approval is obtained, all Placement Shares and Options will be issued to Mr Isbister and Mr Symon (and/or their associates or nominees) no later than one month after the date of this Extraordinary General Meeting or such later time as deemed appropriate by an ASX waiver.

- (c) **ASX Listing Rule 10.13.5:** *Issue price and terms of securities*

If Mr Isbister and Mr Symon (and/or their associates or nominees) participate in the Placement referred to in Resolution 1, the Placement Shares will be issued at a price of 2 cents per Placement Share.

The Options will be issued for nil consideration.

The terms of the securities will be as described in section 2(e) in this Explanatory Memorandum.

- (d) **ASX Listing Rule 10.13.6:** *A voting exclusion statement*

A voting exclusion statement is included at sections 2.2 and 2.3 respectively, of the Notice of Extraordinary General Meeting (Section C).

- (e) **ASX Listing Rule 10.13.6A:** *Intended use of the funds*

The funds raised on the issue of the Placement Shares to Mr Isbister and Mr Symon will be used for the purpose set out in section 2(f) in this Explanatory Memorandum.

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company.

In particular, section 208 of the Corporations Act prohibits, subject to specified exceptions, a company giving a financial benefit to a related party of the company without shareholder approval.

A “financial benefit” is defined in the Corporations Act in broad terms and includes a public company issuing securities. A “related party” includes a Director. Accordingly, Mr Isbister and Mr Symon are related parties of the Company.

Any issue and allotment of the Placement Shares and Options under Resolutions 3 and 4 may represent the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

In accordance with the requirements of Chapter 2E and in particular, section 219 of the Corporations Act, the following additional information is provided to allow Shareholders sufficient information to determine whether they should approve Resolutions 3 and 4:

- The proposed financial benefit to be given to Mr Isbister and Mr Symon (and/or their associates or nominees) is the issue of up to 25 million Placement Shares and 25 million Options each. The Placement Shares are to be issued at 2 cents on the terms of the Placements described in Resolutions 1. The Options will be issued for nil consideration.
- The pricing of the Placement in Resolution 1 has been determined by reference to the Company's share price on the ASX. See page 7 in Section C for recent VWAP information.
The highest, lowest and last trading price of the Shares on ASX in the 12 months before the date of this Notice are set out below:
 - Highest price in the previous 12 months: \$0.034
 - Lowest price in the previous 12 months: \$0.012
 - Closing price on August 31st 2009: \$0.013
- Using the Black-Scholes methodology, the valuation of the Options under the Placement in Resolution 1 is \$0.005. This is based on the following assumptions:
 - Exercise price: \$0.05
 - Life of option: expires 30 June 2011
 - Current share price: \$0.012
 - Expected volatility of share price: 42%
 - Dividend yield: Nil
 - Risk free interest rate: 3.26%
- As at the date of this Notice of Extraordinary General Meeting, Mr Isbister (through his controlled and associated entities) and his Associates hold 1,326,632 Shares, representing 0.76% of the issued share capital of the Company. Mr Isbister also holds 2,000,000 employee options.
- As at the date of this Notice of Extraordinary General Meeting, Mr Symon (through his controlled and associated entities) and his Associates hold 2,045,000 Shares, representing 1.17% of the issued share capital of the Company.
- The Company's current issued capital is 175,296,612 Shares. If Resolutions 1 to 4 are approved and all the Placement Shares are issued, the number of Shares on issue will increase from 175,296,612 to 295,296,612. The issue of the Placement Shares, and the issue of Shares if the Options are exercised, will have a dilutionary effect on existing Shareholders' holdings in the Company, as set out in the tables below.

Table 1 – Placement Shares only

	Total Shares before issue	Total Shares after issue	Dilutionary effect (%)
Resolution 1 approved only	175,296,612	275,296,612	36.3%
Resolution 2 approved only	175,296,612	195,296,612	10.3%
Resolution 1 & 2 both approved	175,296,612	295,296,612	40.7%

Table 2 – Placement Shares and Shares issued on exercise of the Options

	Total Shares before issue and exercise of Options	Total Shares after issue and exercise of Options	Dilutionary effect (%)
Resolution 1 approved only	175,296,612	375,296,612	53.3%
Resolution 2 approved only	175,296,612	215,296,612	18.6%
Resolution 1 & 2 both approved	175,296,612	415,296,612	57.8%

- The recommendations and the Directors are set out in section 5 of the Notice of Extraordinary General Meeting (Section C).

Mr Damian Isbister and Mr Richard Symon have an interest in Resolutions 3 and 4, respectively, as they will each receive a financial benefit in the form of the Placement Shares and Options which are issued to them (and/or their associates or nominees) if their relevant resolution is approved. Therefore, Mr Damian Isbister and Mr Richard Symon both consider it inappropriate for them to make, and both decline to make, a recommendation to Shareholders on Resolutions 3 and 4.

The other Directors do not have an interest in the outcome of Resolutions 3 and 4 other than as Shareholders in the Company.

The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 3 and 4.

5. Resolution 5 – Acquisition of shares in Trader Dealer Online

Background to, and reasons for, acquisition of Trader Dealer Online

See description at section 5.4 of the Notice of Extraordinary General Meeting (Section C).

Summary of key terms

The key terms of the Acquisition are described below:

(a) **Conditions precedent**

Completion of the Acquisition is subject to the following conditions precedent:

- **(Shareholder approval of Acquisition)** The approval of Shareholders to the Acquisition, being Resolution 5.

- **(Shareholder approval of Placement)** The approval of Shareholders to Resolutions 1, 3 and 4. This is a condition precedent to the Acquisition so that the Company is appropriately funded to make the Acquisition.

(b) **Consideration**

In consideration for the Acquisition, the Company will pay to BoxRed an up-front amount of \$214,544 in cash by no later than 19 November 2009 (unless the parties agree to a later date). This equals the amount of Loans plus the amount paid in respect of the initial TDO share issue to BoxRed.

In addition, the Company will provide BoxRed with an earn-out payment in one of the two following circumstances:

- **(change of control)** If, on or before 30 June 2010, TDO, MDSnews.com or the Company is sold, or any person or its Associates (other than interests associated with BoxRed) gains a relevant interest of more than 25% in Shares **(change of control event)**, \$711,556 shall be paid in cash to BoxRed within 30 days following the change of control event; or
- **(budgeted revenue target)** BoxRed will receive a maximum earn-out payment of \$711,556 in cash if TDO's revenue for the financial year ended 30 June 2010 equals or exceeds \$1,890,000.

The Company, at its complete discretion and subject to the approval of Shareholders, can elect within 14 days following 1 July 2010 to substitute the cash payment of \$711,556 for the issue and allotment to BoxRed of 5,500,000 Shares **(Share Election)**.

If the Company does not make the Share Election, then the earn-out payment of \$711,556 must be paid in cash to BoxRed within 30 days following 1 July 2010. If the Company does make the Share Election, then the Company must convene and hold a general meeting of Shareholders within 90 days following 1 July 2010, at which the approval of Shareholders must be sought to the issue and allotment of 5,500,000 Shares to BoxRed. If Shareholder approval is obtained, the Company must issue and allot 5,500,000 Shares to BoxRed immediately following the general meeting in satisfaction of the earn-out payment. If Shareholder approval is not obtained, the earn-out payment of \$711,556 must be paid in cash to BoxRed immediately following the general meeting.

The earn-out consideration of \$711,556 is based on BoxRed receiving 49% of one times revenue of the target amount (\$1.89 million), less the up-front consideration of \$214,544.

ASX Listing Rule 10.1

The acquisition of a "substantial asset", such as the Acquisition, from a related party or a 10% substantial holder requires prior Shareholder approval for the purposes of ASX Listing Rule 10.1.

BoxRed is a related party of the Company as BoxRed is a company controlled by the Company's Chairman, Mr Sean Rothsey. Specifically, Mr Rothsey is the Chairman and CEO of the Merkin Group, which has a majority shareholding in BoxRed. Mr Rothsey is also a director of BoxRed.

In addition, Merkin Management Pty Ltd, an associate of BoxRed, has total voting interests in the Company of 19.9%, meaning that BoxRed would also be a "10% substantial holder" of the Company for the purposes of ASX Listing Rule 10.1.

A voting exclusion statement is included at section 2.4 of the Notice of Extraordinary General Meeting (Section C).

Independent Expert's Report

In accordance with ASX Listing Rule 10.10.2, DMR Corporate Pty Ltd was commissioned by the Company to provide an Independent Expert's Report to assess the fairness and reasonableness of Acquisition to the non-associated Shareholders.

The Independent Expert's Report concludes that the proposal outlined in Resolution 5 is on balance considered to be fair and reasonable to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report.

Chapter 2E of the Corporations Act

Acquiring BoxRed's shares in Trader Dealer Online may represent the giving of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

In accordance with the requirements of Chapter 2E and in particular, section 219 of the Corporations Act, the following additional information is provided to allow Shareholders sufficient information to determine whether they should approve Resolution 5:

- The proposed financial benefit to be given to BoxRed is set out in paragraph (b) (Consideration) above.

Information on the valuation of the financial benefit is set out in paragraph (b) (Consideration) and the Independent Expert's Report.

- BoxRed is an entity controlled by Director, Mr Sean Rothsey. Specifically, Mr Rothsey is the Chairman and CEO of the Merkin Group, which has a majority shareholding in BoxRed. Mr Rothsey is also a director of BoxRed. Accordingly, BoxRed is deemed to be a related party of the Company for the purposes of section 228(4) of the Corporations Act.
- The recommendations of the Directors are set out in section 5 of the Notice of Extraordinary General Meeting (Section C).

Mr Sean Rothsey has an interest in the outcome of Resolution 5 as a financial benefit will be given to an entity controlled by Mr Rothsey if Resolution 5 is approved. Therefore, Mr Rothsey considers it inappropriate for him to make, and he declines to make, a recommendation to Shareholders on Resolution 5.

The other Directors do not have an interest in the outcome of Resolution 5 other than as Shareholders in the Company.

- If Resolution 5 is approved and:
 - (a) the earn-out payment in respect of the budgeted revenue target is triggered;
 - (b) the Company elects to issue Shares in consideration for the earn-out payment, rather than cash; and
 - (c) Shareholders approve the Share issue at a future general meeting, the issue of Shares will have a dilutionary effect on existing Shareholders' holdings in the Company, as set out in the tables below.

Table 3 – Issue of Shares under earn-out (assuming that total number of Placement Shares approved under Resolution 1 and/or 2 are issued, and that no Options are exercised)

	Total Shares before issue	Total Shares after issue under earn-out	Dilutionary effect (%)
Resolution 1 approved only	[275,296,612]	[280,796,612]	1.9%
Resolution 1 & 2 both approved	[295,296,612][[300,796,612]	1.8%

Table 4 - Issue of Shares under earn-out (assuming that total number of Placement Shares approved under Resolution 1 and/or 2 are issued, and that all Options are exercised prior to the payment of the earn-out)

kingink@optusnet.com.au

	Total Shares before issue	Total Shares after issue under earn-out	Dilutionary effect (%)
Resolution 1 approved only	375,296,612	380,796,612	1.4%
Resolution 1 & 2 both approved	415, 296,612	420,796,612	1.3%

The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5 other than it is noted that the Independent Expert has formed an opinion on whether the transaction is fair and reasonable to non-associated Shareholders and Shareholders are referred to that report.

Section E – Proxy Form

MDS Financial Group Limited ACN 091 744 884 (the Company)

I/We (name of member)

of

(Shareholder Reference Number/Holder Identification Number)

being a member/members of MDS Financial Group Limited appoint:

(Name of the proxy, or name of the office held by the proxy) (Address of the proxy)

or failing him or her, the Chairman of the meeting as my proxy vote on my behalf at the Extraordinary General Meeting of the Company to be held on 14th October 2009 and any adjournment of that meeting.

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

Proxy Instructions:

The Chairman will vote in favour of each Resolution in which he receives undirected proxies.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as proxy in respect of a Resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution(s) and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Resolution, and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

If you wish to instruct your proxy how to vote, insert X in the appropriate column against each item of business set out below. Otherwise your proxy may vote as he/she thinks fit or abstain from voting.

I/We instruct my/our proxy vote as follows:

			For	Against	Abstain
Resolution 1					
1.	Issue of up to 100 million Shares to Placement Investors		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

			For	Against	Abstain
Resolution 2					
2.	Issue of up to 20 million Shares to Placement Investors		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3					
3.	Participation by a Director of the Company – Damian Isbister		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4					
4.	Participation by a Director of the Company – Richard Symon		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5					
5.	Acquisition of shares in Trader Dealer Online		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Where this Proxy Form is signed under power of attorney, the Attorney(s) declare(s) that he/she/they has/have not received any notice of the revocation of such power.

Dated:

Signed****

Name (printed):
Capacity ****

Name (printed):
Capacity ****

- If joint holders, each must sign.
- Companies must execute:
 - under seal; or
 - by two Directors signing this Proxy Form; or
 - by a Director and a company secretary signing this Proxy Form; or
 - (where it is a proprietary company where the sole director is also the sole company secretary) by that director signing this Proxy Form; or
 - by authorised officer; or
 - by attorney.

Please forward your proxy to MDS Financial Group Limited:

- in person: Company Secretary
MDS Financial Group Limited
Level 1, The Rialto North Tower
525 Collins Street,
Melbourne, Victoria

or - by fax: +61 3 9617 0699
Attention: Company Secretary

or - by mail: Company Secretary
MDS Financial Group Limited
P O Box 274 Collins Street West
Melbourne, Vic 8007

1 September 2009

The Directors
MDS Financial Group Limited
Level 1, Rialto North Tower,
525 Collins Street,
Melbourne Vic 3000

Dear Sirs,

Re: Independent Expert's Report

1. Introduction

You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report pursuant to Rule 10.1 of the Listing Rules of the Australian Securities Exchange ("ASX") in respect of the proposed acquisition by MDS Financial Group Limited ("MDS") of a 49% interest in Trader Dealer Online Pty Ltd ("Trader Dealer" or "the Company").

MDS, via its wholly owned subsidiary MDSnews.com Pty Ltd ("MDSnews"), currently holds a 51% interest in Trader Dealer and MDS now proposes to acquire the remaining 49% from Boxred Pty Ltd ("Boxred").

Mr. Sean Peter Rothsey ("Rothsey"), the Chairman of MDS is also a director of Boxred. The transaction, as set out in Section 2 below, is permitted by Chapter 10 of the ASX listing rules ("Listing Rule 10") provided it is agreed to by shareholders, other than those involved in the proposed transaction or persons associated with such persons (i.e. the Non-Associated Shareholders).

2. The Proposed Transaction

The consideration for the acquisition of the 49% interest in Boxred comprises of two components:

- i) a cash payment of \$214,544 payable on completion; plus
- ii) an earn-out payment. The full terms of the earn-out payment are described in the Explanatory Memorandum but can be summarized as follows:

- (a) in the event that Trader Dealer, MDSnews or MDS are sold or any person (other than an associate of Boxred) gains a relevant interest of more than 25% in MDS on or before 30 June 2010 the sum of \$711,556 is payable to Boxred. This sum is payable in cash within 30 days of the change of control event.
- (b) in the event that (a) above does not apply, the sum of \$711,556 is payable to Boxred if the revenue of Trader Dealer for the year ending 30 June 2010 equals or exceeds \$1,890,000. The earn-out payment under this clause (b) can be satisfied, at the discretion of MDS, by the issue of 5,500,000 MDS shares.

The acquisition of the 49% interest in Trader Dealer on the terms described above represents the “Proposed Transaction” and the MDS directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable. The independent expert’s report is to be prepared in accordance with the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111 – Content of expert reports.

3. Summary Opinions

In our opinion, the Proposed Transaction set out in Section 2 above is **fair and reasonable**.

Our principal reasons for reaching the above opinion are:

- we believe that the Proposed Transaction is fair at any foreseeable level of revenue below \$1,890,000 (the trigger point for the earn-out payment) as MDS will acquire Boxred’s interest for only the base payment of \$214,544.
- similarly we believe that the Proposed Transaction is fair if Trader Dealer achieves at least 88% of the budgeted new business for the year ending 30 June 2010. This should result in revenue of approximately \$2.2 million. Whilst this level of revenue will require the payment of an earn-out and Boxred will receive total compensation of \$926,100, we believe that Trader Dealer will be sufficiently profitable to justify this level of compensation.
- there is a range of revenue outcomes (in the range of \$1,890,000 and approximately \$2,200,000) at which the Proposed Transaction can be considered to be not fair if MDS was required to settle the earn out at its nominal cost of \$711,556. However as MDS can settle the earn-out by the issue of 5,500,000 shares and, at the current price of MDS shares, 5,500,000 shares only have a value of approximately \$77,000, we believe that settlement at the nominal amount is improbable.

We have also reviewed the ‘other consideration’ referred to in Section 9 of the report and we consider that the Proposed Transaction is reasonable.

4. Structure of this Report

This report is divided into the following Sections:

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	3
6	Trader Dealer - Key Information	4
7	Valuation of Trader Dealer	5
8	Assessment as to Fairness	12
9	Other Considerations	15
10	Financial Services Guide	16
 <u>Appendix</u>		
A	Trader Dealer – Income Statements	18
B	Trader Dealer – Balance Sheets	19
C	Sources of Information	20
D	Declarations, Qualifications and Consents	21

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirement:

- **ASX - Listing Rule 10**

Listing Rule 10 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

- (i) a related party;
- (ii) a subsidiary;
- (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;
- (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;
- (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As:

- Rothsey, the Chairman of MDS is a director of Boxred, and as Rothsey is a substantial shareholder who is entitled to more than 10% of the voting securities of MDS; and
- the consideration payable to Boxred exceeds 5% of the shareholders funds of MDS as at 31 December 2008 of \$1,913,129,

Listing Rule 10 will apply to the Proposed Transaction.

- **General**

The terms “fair” and “reasonable” are not defined in the Corporations Act 2001 (“the Act”), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness - the Proposed Transaction is “fair” if the value of the 49% interest in Trader Dealer is equal to or less than the consideration payable to Boxred.

Reasonableness - the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

In determining whether the Proposed Transaction is fair, we have:

- assessed the value of the consideration being offered by MDS for a 49% interest in Trader Dealer;
- valued Boxred’s 49% interest in Trader Dealer; and
- compared the value of the consideration being offered by MDS with the value of a 49% interest in Trader Dealer.

In determining whether the Proposed Transaction is reasonable we have analysed other significant factors, which the Non-Associated Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. Trader Dealer - Key Information

6.1 Background

Trader Dealer was formerly named MDSnews Global Pty Ltd and prior to 8 April 2008 it was a wholly owned but non operating subsidiary of MDS.

Effective 8 April 2008 the Company adopted the Trader Dealer name and Boxred acquired a 49% interest.

The Trader Dealer business was formerly owned by Opes Prime, which collapsed in early 2008. Trader Dealer, which at that stage was a wholly owned subsidiary of MDS acquired the plant and equipment and certain intangible assets including client lists, database, trading software licences, websites and domains, former staff details, telephone and fax numbers from the receiver of Opes Prime on 2 April 2008. The purchase price was \$75,000.

Trade Dealer offers the semi-professional and professional share traders with a “straight to the market” service and free stop loss facility, so traders are more in control of their investment decisions. Trades can be placed online or via the telephone and Trader Dealer offers trading in shares, warrants, options and CFD’s (contracts for difference).

On 30 June 2008 MDS and Boxred entered into a shareholders' agreement in respect of Trader Dealer. The provisions of the shareholders' agreement include provisions governing the on-going funding of Trader Dealer and provisions pursuant to which either shareholder can only dispose of his shares after first offering them to the other shareholder.

6.2 Share Capital

Following the restructure in April 2008 Trader Dealer had 100 shares on issue, 51 of which were held by MDS and 49 by Boxred.

Between April 2008 and March 2009 the business was funded by shareholder loans. In March 2009 these loan were capitalised by the issue of a further 437,745 shares at \$1.00 each.

As at the date of this report Trader Dealer had 437,845 fully paid ordinary shares on issue. The shares were held by:

Table 1	Number	%
Boxred	214,544	49.0
MDS	223,301	51.0
Total	<u>437,845</u>	<u>100.0</u>

6.3 Operating Performance

Trader Dealer only commenced trading as from 8 April 2008. Trader Dealer's unaudited income statement for the financial year ended 30 June 2009 is set out in Appendix A.

6.4 Balance Sheets

Trader Dealer's unaudited balance sheet as at 30 June 2009 is set out in Appendix B.

7. Valuation of Trader Dealer

7.1 Value Definition

DMR Corporate's valuation of Trader Dealer has been made on the basis of fair market value, defined as the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length.

7.2 Valuation Methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods; and
- comparable market transactions.

7.3 Share Price History

This methodology estimates the value of a company by reference to the past market value of its shares.

Trader Dealer is an unlisted company and there is no market in its shares. Boxred acquired its initial holding of 49 shares in April 2008 at \$1.00 per share. Boxred acquired the balance of its shareholding by capitalising outstanding loans. This was recorded at \$1.00 per share, however as MDS increased its shareholding in Trader Dealer in the same proportion as Boxred by capitalising its loans at \$1.00 per share, this transaction does not provide any evidence of the market value of Trader Dealer shares.

We have therefore concluded that this valuation methodology cannot be applied in valuing Trader Dealer.

7.4 Capitalization of Future Maintainable Earnings

7.4.1 Description of Methodology

This methodology involves capitalizing the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

Other variations to EBIT include ‘Earnings Before Interest, Tax, Depreciation and Amortization’ – EBITDA and ‘Earnings Before Interest, Tax, and Amortization’ – EBITA.

Trader Dealer has an operating business that it is actively seeking to grow and we have applied the capitalisation of future maintainable earnings methodology in valuing Trader Dealer. As Trader Dealer does not have a significant investment in plant and equipment, we have selected EBIT as the measure of earnings to capitalise.

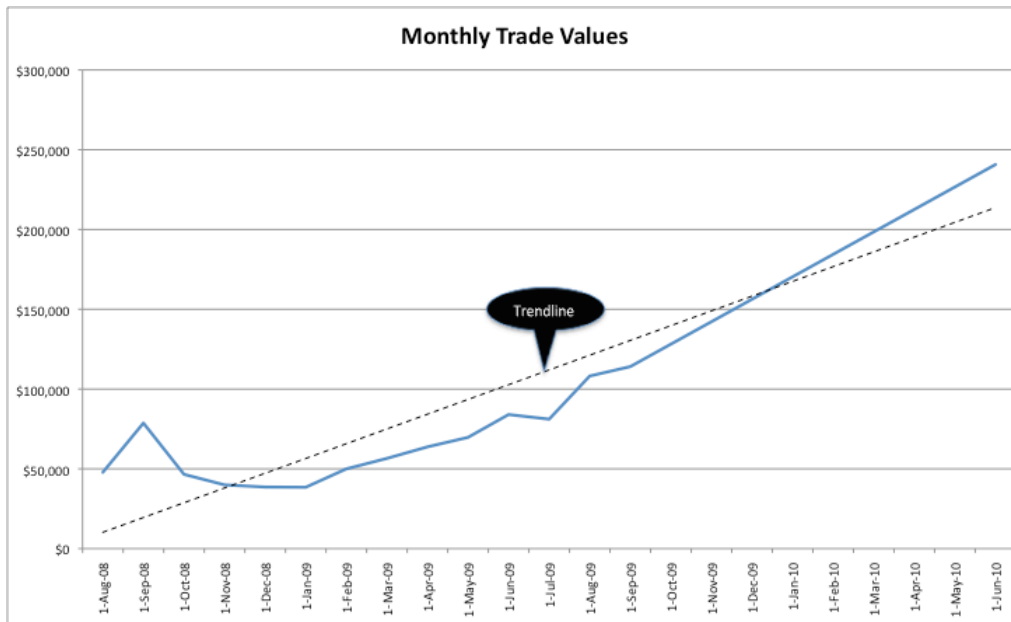
7.4.2 Assessment of Maintainable Earnings

Trader Dealer only commenced operating in April 2008 and the year ended 30 June 2009 was the first full year of operations. As can be seen from Appendix A, Trader Dealer's management accounts for the year ended 30 June 2009 show that it incurred a loss of \$280,940 for that year. The loss includes interest expense of \$21,320, meaning that Trader Dealer had a negative EBIT of \$259,620.

We have reviewed the monthly management accounts of Trader Dealer for the year ended 30 June 2009 and noted that whilst there was an upward trend in revenue, the business continued to report losses on a monthly basis.

Based on the preceding two paragraphs, we have concluded that maintainable EBIT for Trader Dealer cannot be determined based on its historical trading performance and we have concluded that a future maintainable EBIT can only be assessed by reference to Trader Dealer's forecast performance. This is discussed below.

We have been provided with a budget for Trader Dealer for the year ending 30 June 2010. Based on a review of the budget as well as the historical monthly management accounts, it is clear that the profitability of Trader Dealer is critically influenced by the number and value of trades processed on behalf of retail clients. Set out below is a graph showing the value of trades per month. The values up to 31 July 2009 are actual values provided by Trader Dealer. The information for August 2009 is also based on actual trades up to 21 August, extrapolated to a full month. The value of trades per month from September 2009 to June 2010 is based on Trader Dealer's budget, excluding wholesale trades.



As can be seen from the above graph, the value of retail trades is gradually increasing from low levels. The average value of trades per month between August and December 2008 was approximately \$50,000 whereas the value of trades for August 2009 is expected to exceed \$100,000.

The above graph includes a trend line. This shows that the budget forecasts that the value of trades per month will increase at a rate somewhat above the historical trend. The budget includes a significant increase in marketing expenditure and the success of this expenditure will determine whether the budgeted trade volumes will be achieved.

The graph does not include wholesale trades that are budgeted to commence in November 2009. The value of wholesale trades is budgeted to start at \$30,000 per month, increasing to \$60,000 per month, however due to the lower wholesale margins, this has a lesser impact on the profitability of Trader Dealer than retail trades.

Set out in the table below is a summary of Trader Dealer's budget for the 2009/2010 financial year:

Table 2	
Budget 2009/2010	\$
Client Revenue	2,347,916
Variable costs	1,364,688
Gross Margin	<u>983,228</u>
Fixed costs	157,080
Gross Profit	<u>826,148</u>
Overhead expenses	406,500
Contribution before marketing costs	<u>419,648</u>
Marketing costs	361,200
Net profit before tax	<u><u>58,448</u></u>

As can be seen from the above table, Trader Dealer is forecasting to earn a profit for the year ended 30 June 2010. We make the following comments in respect of the budget:

- actual revenue from existing retail clients is now at approximately \$100,000 per month, or an annual rate of \$1,200,000. This means that the budget is heavily reliant on growing the client base.
- the wholesale revenue has not yet commenced. This is budgeted to contribute 16.6% of total revenue. The wholesale revenue stream is budgeted to produce a contribution to fixed costs of \$52,650, or 5.4% of the total variable margin.
- Trader Dealer is proposing to spend \$361,200 on marketing. This expenditure is designed to grow the client base. As can be seen from Appendix A, total marketing costs for the year ended 30 June 2009 were only \$6,853. The marketing costs are in effect an investment in developing the business and only much lower level of marketing expenditure would be required to maintain the existing level of business as at any point in time.
- the budgeted revenue and variable costs per transaction are based on known historical information and the actual results during the budget period are unlikely to differ from the budget. The key risk in the budget is that, despite the planned marketing expenditure, the actual number of trades will be different to that budgeted.
- the budget forecasts that Trader Dealer will only become profitable as from December 2009. If the discretionary marketing costs are ignored, the budget forecasts that profits will commence to be generated from September 2009.

- the budget does not include any funding costs. This means that the profit as set out in the budget equates to EBIT.

As can be seen from the above points, there is significant uncertainty about the ability of Trader Dealer to achieve the budget, given that it relies on attracting new clients. In view of this uncertainty we have prepared two alternative budgets, one scenario assumes that the wholesale business will not commence and the other scenario assumes that only 75% of the budgeted new business (retail and wholesale) will be achieved. Trader Dealer's budget and these two scenarios, broken down into half-year periods are set out below:

Table 3	Original Budget			Budget – No Wholesale			Budget – 75% of New Business		
	1/7/09- 31/12/09 \$000's	1/1/10- 30/6/10 \$000's	Year to 30/6/10 \$000's	1/7/09- 31/12/09 \$000's	1/1/10- 30/6/10 \$000's	Year to 30/6/10 \$000's	1/7/09- 31/12/09 \$000's	1/1/10- 30/6/10 \$000's	Year to 30/6/10 \$000's
Total Revenue (1)	785	1,563	2,348	725	1,233	1,958	735	1,322	2,057
Var costs (1)	444	920	1,364	393	634	1,027	419	770	1,189
Gross Margin (1)	341	643	983	332	599	931	316	552	868
Fixed costs	79	79	157	79	79	157	79	79	157
Gross Profit	262	564	826	253	520	773	237	473	711
O/head expenses	203	203	407	203	203	407	203	203	407
Cont before marketing costs	59	361	420	50	317	367	34	270	304
Marketing costs	193	169	361	193	169	361	193	169	361
EBIT	<u>(134)</u>	<u>192</u>	<u>59</u>	<u>(143)</u>	<u>149</u>	<u>6</u>	<u>(159)</u>	<u>101</u>	<u>(57)</u>

Note 1: due to commercial reasons we have not shown the break-up between retail and wholesale revenue and variable costs budgeted

The above table shows that the different scenarios produce a contribution before marketing costs in the second half of the current financial year of between \$270,000 and \$361,000, or an annual rate of contribution of \$540,000 to \$722,000. We have excluded marketing costs as these are in effect an investment in the future growth of the business.

The above table also shows that the different scenarios produce an EBIT in the second half of the current financial year of between \$101,000 and \$192,000, or an annual rate of contribution of \$202,000 to \$384,000.

At this early stage in the development of Trader Dealer's business it is difficult to select a range of likely earnings to capitalise with any degree of certainty. However, after reviewing the budget and the assumptions on which it is based, we have selected an EBIT range of \$540,000 to \$630,000. This range is based on the contribution before marketing costs using the scenarios that assume the achievement of 75% of new business budget and no wholesale business. Whilst this range is higher than the annualised EBIT for the second half of the financial year as per Trader Dealer's budget (\$384,000 (\$192,000 x 2)), given the normal time lag between marketing expenditure and the benefit of that expenditure, we believe that our selected range is realistic.

7.4.3 Capitalisation Multiple

The maintainable earnings determined in the preceding paragraph need to be capitalised at an appropriate capitalisation rate or multiple. An appropriate capitalisation rate is usually derived by observing the capitalisation rates at which comparable listed entities trade, or at which similar businesses have been bought and sold.

Between 2003 and 2007 there were a number of acquisitions in Australia involving providers of online share trading services. The major transactions involved the acquisition of IWL and E*Trade. Both of these entities were well established businesses with an enterprise value in excess of \$300 million and we do not regard these as being comparable to Trader Dealer. The other transactions, including the multiples were:

Table 4 Date	Company	Enterprise Value \$Mil	EBITDA Multiple	EBIT Multiple
Jan 03	Sanford Limited	9.8	(1) 8.2	N/A
Feb 05	Avcol Stockbroking	7.0	5.4	6.4
Apr 05	Linwar Securities	11.5	N/A	(1) 8.2
July 05	JDV Limited	61.2	9.4	12.0
Jun 06	HSBC Stockbroking	46.5	(1) 7.75	N/A

Note 1 Forecast multiple

The above multiples were derived from acquisitions by either IWL or E*Trade who were involved in a process of industry consolidation. The multiples therefore include an allowance for synergy benefits paid by the acquirer. The consolidation process is now complete with two major banks controlling the bulk of the online market.

The transactions also precede the recent decline in trading volumes due to the Global Financial Crisis, though the decline is from historically high transaction volumes.

There are no ASX listed companies at present that could be seen to be comparable to Trader Dealer.

We believe that the transaction based multiples set out above are of limited utility in valuing Trader Dealer due to its relatively small size and the immature nature of its business. The most that can be said of the above multiples is that they are higher than could be justified in valuing Trader Dealer.

We have therefore had to determine a multiple based on our experience of other similar transactions and past valuations. As these were in the private company sphere, we are not able to detail these in this report. After considering this information we have concluded that the maintainable earnings of Trader Dealer may be capitalised at an EBIT multiple of 3.0.

7.4.4 Enterprise Value

In Section 7.4.2 above we concluded that Trader Dealer's future maintainable EBIT is in a range of \$540,000 to \$630,000, and in Section 7.4.3 above we concluded that Trader Dealer should be valued using an EBIT multiple of 3.0.

Based on the above, we have assessed the enterprise value of Trader Dealer as follows:

Table 5	Low	High
Estimated future maintainable EBIT	\$540,000	\$630,000
Multiple	3.0	3.0
Enterprise value	<u>\$1,620,000</u>	<u>\$1,890,000</u>

7.4.5 Valuation Adjustments

The enterprise value must be increased by the value of surplus assets and reduced by the value of interest bearing debt in order to determine the value of Trader Dealer's equity under this methodology.

A review of Trader Dealer's balance sheet in Appendix B did not identify any surplus assets or interest bearing debt.

7.4.6 Conclusion

In our opinion, based on the capitalisation of earnings valuation methodology, the equity value of Trader Dealer is in a range of \$1,620,000 to \$1,890,000.

7.5 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As MDS has only prepared a budget for Trader Dealer up to 30 June 2010 and given that the business is undergoing significant development, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Trader Dealer.

7.6 Asset Based Methods

This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

As can be seen from Appendix B, as at 30 June 2009 Trader Dealer's total assets amounted to \$161,633 and its net assets were \$449.

Given the low value of Trader Dealer's assets, in our opinion the value based on an orderly realisation of assets methodology will be \$Nil.

7.7 Comparable Market Transactions

As stated in Section 7.4.3 above, there are no ASX listed companies at present that could be seen to be comparable to Trader Dealer.

We have considered whether a "Rule of Thumb" methodology such as the value per customer could be applied to a valuation of Trader Dealer. In our opinion, given the relatively small size of Trader Dealer and the time elapsed since the transactions listed in Section 7.4.3 above took place, a valid comparison is not possible.

7.8 Conclusion

After examining a range of potential valuation methodologies, we concluded that the only methodology that is applicable to a valuation of Trader Dealer is the capitalisation of earnings valuation methodology. Consequently, in our opinion, the equity value of Trader Dealer is in a range of \$1,620,000 to \$1,890,000.

8. Assessment as to Fairness

8.1 Value of the Consideration Payable

The consideration payable by MDS comprises of a cash payment of \$214,544 to be paid on completion, plus a potential further earn-out payment of \$711,556, payable after 30 June 2010.

There are two circumstances in which the earn-out could be paid, namely:

- (a) in the event that Trader Dealer, MDSnews or MDS are sold or any person (other than an associate of Boxred) gains a relevant interest of more than 25% in MDS on or before 30 June 2010 the sum of \$711,556 is payable to Boxred. This sum is payable in cash within 30 days of the change of control event ("Change of Control Event").
- (b) in the event that (a) above does not apply, the sum of \$711,556 is payable to Boxred if the revenue of Trader Dealer for the year ending 30 June 2010 equals or exceeds \$1,890,000. The earn-out payment under this clause (b) can be satisfied, at the discretion of MDS, by the issue of 5,500,000 MDS shares ("Revenue Event").

The Change of Control Event is in the nature of a so called poison pill, that is it will be paid regardless of the performance of Trader Dealer, however it is only payable if:

- i) MDS was to dispose of Trader Dealer or MDSnews, or
- ii) if any person gained an interest of more than 25% in MDS.

The payment of the earn-out if any person gained an interest of more than 25% in MDS has the potential to discourage any takeover bid for MDS and it may negatively impact on the price at which the MDS shares trade on the ASX. This provision will only come into effect if shareholders approve the Proposed Transaction at the Extraordinary General Meeting expected to be held in October 2009 and the provision ceases to have effect on 30 June 2010. As this provision will only be in effect for a relatively short period and as we are unable to say whether any person would seek to gain a 25% interest in MDS but for this provision during this period, we have not been able to place a dollar value on this provision, but we have considered this clause in Section 9 below.

The Revenue Event will lead to a payment of \$711,556 if the revenue of Trader Dealer for the year ending 30 June 2010 equals or exceeds \$1,890,000. No amount is payable if revenue does not reach this benchmark. This earn-out payment can be satisfied, at the discretion of MDS, by the issue of 5,500,000 MDS shares, or approximately \$0.13 per share. Given this clause, we would expect MDS to satisfy this obligation by the issue of shares if the MDS share price is below \$0.13. Conversely we would expect the obligation to be discharged in cash should the MDS share price be above \$0.13 as the required cash may be able to be raised by the issue of fewer shares (subject to the availability and cost of raising capital at that time).

We note that the most recent trade in MDS shares was at \$0.014 per share and that in the past year the MDS shares have traded in a range of \$0.01 to \$0.03 per share. This means that, based on the most recent share price, the value of the earn-out payment would be only \$77,000 (5,500,000 shares @ \$0.014).

As we are not able to predict the value of MDS shares in approximately one year from now, we have adopted the nominal value of the earn-out of \$711,556 in assessing the fairness of the Proposed Transaction. We recognise that this is the maximum value, which Boxred will only receive if the MDS share price at the time is \$0.13 per share or above. We also recognise that Boxred will not receive the earn-out for approximately one year and we have not discounted the value of the earn-out for the time value of money.

We have therefore concluded that the value of the consideration will be \$214,544 if no earn-out payment is made, or \$926,100 (\$214,544 + \$711,556) if Trader Dealer reaches revenues of \$1,890,000 and the earn-out payment becomes due and payable.

8.2 Value of a 49% interest in Trader Dealer

In Section 7.8 we valued Trader Dealer in a range of \$1,620,000 to \$1,890,000. As Boxred holds a 49% interest in Trader Dealer, we have valued the 49% interest in a range of \$793,800 to \$926,100 being a proportional interest of the above valuation range.

We have considered whether the value of the interest held by Boxred should be discounted as it is a minority interest and MDS has a controlling 51% shareholding. After considering the circumstances of the current valuation, including the terms of the shareholders' agreement between MDS and Boxred, we have concluded that no discount should be applied.

8.3 Assessment

The low valuation is based on the scenario whereby only 75% of the budget for new business is achieved. As can be seen from Table 3, this scenario predicts revenue of \$2,057,000 and this level of revenue will trigger an earn-out payment. The total consideration paid to Boxred would be \$926,100 (\$214,544 + \$711,556) and as this exceeds our low valuation of \$793,800, on this basis the transaction would not be fair.

The high valuation is based on the scenario whereby no wholesale revenue is earned. As can be seen from Table 3, this scenario predicts revenue of \$1,958,000 and at this level of revenue the earn-out payment would also be made. The total consideration paid to Boxred would again be \$926,100. As this equals the high end of our valuation of Boxred's interest in Trader Dealer, on this basis the Proposed Transaction would be fair.

In view of the above findings we have considered a range of other possible scenarios, including the possibility that growth in the number of transactions will only be at the rate achieved in the past year (i.e. growth will be at the trend line shown in the graph at Section 7.4.2 above), new business will be at 60% of the budget and the budget will be met. As a result of these scenarios we make the following comments:

- we believe that the Proposed Transaction is fair at any foreseeable level of revenue below \$1,890,000 as MDS will acquire Boxred's interest for only the base payment of \$214,544. An acquisition of a 49% interest in Trader Dealer for \$214,544 equates to a value of a 100% interest of approximately \$438,000 and using an EBIT multiple of 3.0, the base payment is fair at any level of EBIT above \$146,000.
- similarly we believe that the Proposed Transaction is fair if Trader Dealer achieves at least 88% of the budgeted new business, or revenue of approximately \$2.2 million. Whilst this will generate revenue that will require the payment of an earn-out and Boxred will receive total compensation of \$926,100, we believe that Trader Dealer will be sufficiently profitable to justify this level of compensation. An acquisition of a 49% interest in Trader Dealer for \$926,100 equates to a value of a 100% interest of approximately \$1,890,000 and using an EBIT multiple of 3.0, the payment is fair at any level of EBIT above \$630,000.
- on our analysis the Proposed Transaction is not fair if Trader Dealer achieves revenue of \$1,890,000 or above but less than \$2,200,000.

It should be noted that the preceding analysis may appear to be inconsistent with the conclusion that the high valuation scenario is fair even though the forecast revenue is only \$1,958,000 (and therefore below \$2,200,000). This is due the high valuation scenario assuming that the budgeted retail trades (which are relatively more profitable) will be achieved in full but the wholesale revenue (which is relatively less profitable) will not eventuate at all.

8.4 Conclusion as to Fairness

After considering the above analysis we consider that the Proposed Transaction is fair. Our opinion reflects the various scenarios set out above and is heavily influenced by the large difference between the current price of MDS shares and the effective price at which the earn-out payment can be satisfied by the issue of 5,500,000 shares.

9. Other Considerations

Prior to deciding whether to approve or reject the Proposed Transaction the shareholders should consider the following factors:

- In Section 8.4 above we concluded that the Proposed Transaction is fair.
- As explained in Section 8.2 above, Boxred is to receive an earn-out payment of \$711,556 if any person were to gain an interest of more than 25% in MDS prior to 30 June 2010. This earn-out is payable regardless of the level of revenue generated by Trader Dealer. We believe that this provision has the potential to negatively impact on the price at which the MDS shares will trade on the ASX up to 30 June 2010.
- The earn-out payment is based on revenue and not profit. The agreement between MDS and Boxred does not exclude revenue from trades with Boxred or related entities. There is therefore the potential for Boxred to ensure that the earn-out provision is triggered by entering into sufficient transactions with Trader Dealer to push its revenue above the trigger point. Such revenue would not be of a recurrent nature and would not add to the underlying value of the Trader Dealer business.
- The Proposed Transaction fixes the price at which MDS can acquire Trader Dealer. If Trader Dealer performs to budget the value of Boxred's 49% interest in Trader Dealer in one year is likely to be above the effective price at which the Proposed Transaction has been negotiated.
- Boxred acquired its 49% interest at a time when MDS did not have the financial resources to fund the acquisition of a 100% interest in Trader Dealer. Boxred has funded its share of the working capital requirements of Trader Dealer to date and the base payment of \$214,544 represents a refund of Boxred's investment without any return. The earn-out payment, if triggered, will provide Boxred with a return on its investment.
- Boxred is a company associated with the Chairman of MDS. Elimination of Boxred's shareholding in Trader Dealer will remove the potential for conflicts of interest that are inherent in the current arrangements.

After reviewing the above significant factors we consider that **the Proposed Transaction is reasonable.**

10. Financial Services Guide

10.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

10.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of investors in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale investors.

10.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

10.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

10.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of the Proposed Transaction, nor any relationship with MDS, Boxred or their associates.

Drafts of this report were provided to and discussed with a Director of MDS who is not associated with Boxred. There were no alterations to the methodology, valuations or conclusions that have been formed by DMR Corporate.

DMR Corporate and its related entities do not have any shareholding in or other relationship with MDS that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the proposed acquisition.

DMR Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

DMR Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 October 2007.

10.6 Remuneration

DMR Corporate is entitled to receive a fee of approximately \$15,000 for the preparation of this report. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

10.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement DMR Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

DMR Corporate is also required to have a system for handling complaints from persons to whom DMR Corporate provides financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

Derek Ryan
Director

Paul Lom
Director

Trader Dealer Online Pty Ltd

Income Statements

	Unaudited Year Ended 30/6/2009 \$
Revenue	703,404
Direct costs	(614,472)
Gross Profit	<u>88,932</u>
Personnel expenses	(291,172)
Occupancy costs	(18,000)
IT & telecommunication costs	(409)
Marketing costs	(6,853)
Corporate services	(3,369)
Depreciation expense	(9,474)
Finance costs	(21,320)
Other expenses	(19,276)
Profit/(Loss) before income tax	<u>(280,940)</u>
Income tax (expense)/income	-
Net Profit/(Loss) after income tax	<u>(280,940)</u>
Source: Trader Dealer management accounts	

Trader Dealer Online Pty Ltd

Balance Sheets

	30/6/2009 Unaudited \$
CURRENT ASSETS	
Cash and cash equivalents	15,246
Trade and other receivables	126,410
TOTAL CURRENT ASSETS	<u>141,656</u>
NON CURRENT ASSETS	
Plant & equipment	19,977
TOTAL NON CURRENT ASSETS	<u>19,977</u>
TOTAL ASSETS	<u>161,633</u>
CURRENT LIABILITIES	
Trade and other payables	59,887
Other liabilities	93,201
Employee provisions	8,096
TOTAL CURRENT LIABILITIES	<u>161,184</u>
TOTAL LIABILITIES	<u>161,184</u>
NET ASSETS	<u>449</u>
EQUITY	
Issued capital	437,845
Accumulated losses	(437,396)
TOTAL EQUITY	<u>449</u>
Source: Trader Dealer management accounts	

Sources of Information

- The Notice of Extraordinary General Meeting and the Explanatory Memorandum which this report accompanies;
- Management accounts of Trader Dealer for the financial year ended 30 June 2009;
- Trader Dealer's budget for the year ending 30 June 2010;
- Business Plan for Trader Dealer prepared in July 2008;
- Shareholders' Agreement in respect of Trader Dealer dated 30 June 2008;
- Daily trading volumes for Trader Dealer from 21 April 2008 to 21 August 2009;
- Information on Trader Dealer's web site;
- ASIC extracts for Trader Dealer and Boxred;
- Term Sheet dated 19 August 2009 between MDS and Boxred;
- ASX announcements by MDS for 2009; and
- Discussions with a Director of MDS.

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of MDS pursuant to Chapter 10 of ASX listing rules to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr Derek M Ryan and Mr Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Chartered Accountant and a Registered Company Auditor with more than 30 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.