
PhotonGroup

Rights Issue Offer Document

For a non-renounceable pro rata offer of New Shares each at an Issue Price of \$1.50 on the basis of 1 New Share for every 2 Shares held on the Record Date.

If you are an Eligible Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document, you have any questions about the securities being offered under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

Underwriter

Morgan Stanley

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IMPORTANT NOTICES

This Offer Document is dated **17 August 2009**.

This Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act and ASIC Class Order 08/35.

This Offer Document is not a prospectus or any other form of disclosure document regulated by the Corporations Act and has not been lodged with ASIC. Accordingly, this Offer Document does not contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus. Announcements made by Photon to ASX are available from the ASX website www.asx.com.au. The information in this Offer Document does not constitute a securities recommendation or financial product advice.

This Offer Document is important and should be read in its entirety before deciding to participate in the Offer. This Offer does not take into account, and this Offer Document has been prepared without taking into account, the investment objectives, financial or taxation situation or particular needs of any Applicant.

Before applying for New Shares, each Applicant should consider whether such an investment, and the information contained in this Offer Document, are appropriate to their particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Investors should note that the past Share price performance of the Company provides no guidance to its future Share price performance.

By returning an Entitlement and Acceptance Form or lodging an Entitlement and Acceptance Form with your stockbroker or otherwise arranging for payment for your New Shares through BPAY® in accordance with the instructions

on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

Offering restrictions

This Offer Document has been prepared to comply with the requirements of the laws of Australia. No action has been taken to lodge this Offer Document in any jurisdiction outside Australia, or to otherwise permit a public offering of Rights or Shares, in any jurisdiction outside Australia.

The Offer is not being extended to any Shareholder whose registered address is outside Australia or New Zealand other than Eligible Institutional Shareholders, and persons who receive this Offer Document (including an electronic copy) in jurisdictions outside Australia and New Zealand should ignore those sections which relate to the Offer. Any failure to comply with foreign legal restrictions in connection with the Offer may constitute a violation of applicable securities laws, and persons who enter into possession of this Offer Document should seek advice on and observe any such restrictions. This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Future performance and forward looking statements

Neither Photon nor any other person warrants or guarantees the future performance of the New Shares or any return on any investment made pursuant to the Rights Issue.

The pro forma financial information provided in this Offer Document is for illustrative purposes only and is not represented as being indicative of Photon's view on its future financial condition and/or performance.

The forward looking statements in this Offer Document are based on Photon's current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many

of which are outside the control of Photon and its Directors, that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Document. Investors should specifically refer to the "Key Risks" Appendix in the Investor Presentation which is reproduced in section 4 of this Offer Document. This section refers to some but not all of the matters that may cause actual results to differ from the position stated in any forward looking statement in this Offer Document.

Definitions, currency and time

Definitions of certain terms used in this Offer Document are contained in section 6. All references to currency are to Australian dollars and all references to time are to AEST, unless otherwise indicated.

Governing law

This Offer Document, the Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation in connection with the Offer not contained in the Offer Document may not be relied upon as having been authorised by the Company or any of its officers.

The Underwriter and Co Manager:

- has not, authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this document;
- does not make, or purport to make, any statement in this document, and there is no statement in this document which is based on any statement by the Underwriter; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of this document.

Enquiries

If you have any questions in relation to the Rights Issue, please contact your stockbroker, solicitor, accountant or financial adviser. If you have questions in relation to how to complete the Entitlement and Acceptance Form, please call the Photon Group Rights Issue Infoline on [x] (Australia) or +61 [x] (International).

Privacy

Photon and the Share Registry have already collected certain personal information from you as a Shareholder. If you apply for New Shares, Photon and the Share Registry may update your personal information or collect additional personal information. Such information will be used to assess your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Company and tax law requires some of the information to be collected. If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Photon and the Share Registry may disclose your personal information for purposes related to your shareholding to their agents and service providers as authorised under the Privacy Act.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Photon and the Share Registry.

If Photon's or the Share Registry's record of your personal information is incorrect or out of date, it is important that you contact the Share Registry so that your records can be corrected.

Message from the Executive Chairman

17 August 2009

Dear Shareholder,

As announced on 17 August 2009, Photon intends to raise approximately \$114.6 million through:

- an institutional placement (**Placement**); and
- a non-renounceable pro rata offer to eligible Photon Shareholders (**Rights Issue**),

(together, the **Capital Raising**).

On behalf of the Board, it is my pleasure to invite you to participate in the Rights Issue. This provides you with the opportunity to increase your investment in Photon to further participate in the continued growth of the Company.

Details of the Offer

Eligible Shareholders are being offered the opportunity to subscribe for 1 New Share for every 2 Shares held on the Record Date at the Issue Price of \$1.50 per New Share. This represents a discount of 36% to the closing price of Photon Shares trading on ASX on Friday, 14 August 2009 and a 26% discount to the theoretical ex-rights price on that date.

Shareholders should note that the Offer is non-renounceable. This means that your Rights to subscribe for New Shares under this Offer Document are not transferable and there will be no trading of Rights on ASX.

Use of proceeds

The Placement, when completed, will raise approximately \$26.6 million at an Offer price of \$1.85 million per new Photon share. The Placement is fully underwritten by Morgan Stanley and is due to complete on Monday, 24 August 2009.

The Rights Issue is expected to raise a further amount of approximately \$87.9 million and is also fully underwritten by Morgan Stanley. Entities associated with RG Capital and myself, who currently represent approximately 33% of the Share Register, have provided an irrevocable commitment to the Underwriter to take up their full Entitlement of approximately 16.95 million New Shares.

The proceeds of the Capital Raising will be used to retire debt and strengthen the balance sheet.

Next steps

Information about the Offer and the key risks of investing in the Company are set out in this Offer Document.

I encourage you to read it carefully before making your investment decision.

On behalf of the Board, I commend this Offer to you and look forward to you continuing your investment in the Company.

Yours sincerely,



Tim Hughes
Executive Chairman

Key dates

Event	Date
Record Date for determining Entitlements	25 August 2009 (7.00pm AEST)
Offer Document dispatched to Eligible Shareholders	27 August 2009
Offer Opening Date	27 August 2009
Offer Closing Date	14 September 2009 (5.00pm AEST)
Trading on ASX of New Shares on a deferred settlement basis	15 September 2009
Allotment of New Shares	18 September 2009
Dispatch of holding statements	21 September 2009
Trading on ASX of New Shares on a normal settlement basis	22 September 2009

These dates are subject to change and are indicative only. Photon reserves the right to amend this Timetable, with the consent of the Underwriter where required, including, subject to the Corporations Act and the Listing Rules, to extend the Closing Date, and Photon reserves the right to withdraw the Offer at any time in its absolute discretion.

Key Offer statistics

Issue Price per New Share	\$1.50 per New Share
Entitlement – holders of Shares	1 New Share for every 2 Shares held at 7.00pm AEST on the Record Date
Number of New Shares offered under the Rights Issue ¹	Approximately 58.6 million
Amount to be raised under the Rights Issue ²	Approximately \$87.9 million
Amount raised under Placement ³	Approximately \$26.6 million
Total amount to be raised under Placement and Rights Issue	Approximately \$114.6 million
Total number of Shares on issue at completion of the Capital Raising ¹	Approximately 175.9 million

New Shares will be issued under the Rights Issue at \$1.50 per Share but will not participate in the FY09 Final Dividend. Shares issued under the Placement will participate in the FY09 Final Dividend but are issued at a higher issue price of \$1.85 per Share.

1. Due to the rounding of Entitlements, the exact number of New Shares to be issued under the Rights Issue will not be known until completion of the Rights Issue.
2. The Rights Issue is underwritten by the Underwriter. See section 5.1 of this Offer Document for a summary of the Underwriting Agreement. If the Underwriting Agreement is terminated, the full amount of the Rights Issue may not be received, or the Placement and Rights Issue may not proceed. Costs of the Rights Issue have not been deducted.
3. Placement undertaken at \$1.85 per Share. Costs of the Placement have not been deducted.

1 Key information

1.1 Offer

This Offer Document contains an Offer of New Shares in Photon under a non-renounceable Rights Issue. Under the Offer, Eligible Shareholders are entitled to subscribe for 1 New Share for every 2 Shares held on the Record Date, at an Issue Price of \$1.50 each, subject to the terms of this Offer Document.

The New Shares will be fully paid and will rank equally with Photon's existing Shares on issue, except they will not be entitled to the FY09 Final Dividend of 6.5 cents per Share which will be paid on 11 September 2009.

The Closing Date and time for acceptances and payments is 5.00pm AEST on 14 September 2009. Photon must receive your Entitlement and Acceptance Form and payment or your BPAY® payment before this time.

Details of the Offer are set out in full in section 2.

1.2 What you need to do

The number of New Shares to which you are entitled (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form. Eligible Shareholders may:

- take up all of the Entitlement in full (refer section 3.2); or
- take up part of the Entitlement and allow the balance to lapse (refer section 3.3); or
- allow all of the Entitlement to lapse (refer section 3.4).

See section 3 for detailed instructions on what you need to do.

1.3 Purpose of the Capital Raising and use of proceeds

The Offer is fully underwritten⁴ and will result in approximately 58.6 million New Shares⁵ being issued, raising approximately \$87.9 million (before the costs of the Offer).

The Placement, which is due to complete on 24 August 2009, is also fully underwritten and is intended to raise approximately \$26.6 million.

The Company intends to apply the net proceeds of the Capital Raising of approximately \$109 million to retire debt and strengthen the balance sheet.

1.4 ASX announcement of the Offer

A copy of the Investor Presentation released by Photon in relation to the Offer and its latest financial results is attached in section 4. Photon's results for FY09 can be found on Photon's website www.photongroup.com.

1.5 Effects of the Offer on the capital structure of Photon

There are 102,840,415 Shares on issue as at the date of this Offer Document. After the issue of the New Shares under the Placement and Rights Issue, there will be approximately 175.9 million Shares⁵ on issue.

4. See section 5.1 for a summary of the Underwriting Agreement. If the Underwriting Agreement is terminated, the full amount of the Placement or Rights Issue may not be received, or the Rights Issue or Placement may not proceed.

5. Due to the rounding of Entitlements, the exact number of New Shares to be issued under the Rights Issue will not be known until completion of the Rights Issue.

1 Key information continued

1.6

Risk factors

Any investment in Photon involves general risks associated with an investment of shares listed on ASX. The price of the New Shares may rise or fall. There are also a number of risk factors, both specific to Photon and of a general nature, which may affect the future operating and financial performance of Photon and the value of an investment in Photon. These specific risks include:

- competitive industry dynamics;
- ability of clients to terminate contracts on short notice;
- dependence on key personnel;
- seasonality of revenue;
- management of profitability and growth;
- access to debt and equity funding to support the business and its growth;
- uncertain outstanding final purchase price payment obligations for some past acquisitions;
- international business risk, including foreign exchange exposure; and
- asset value impairment.

There is a further discussion of risks in the “Key Risks” Appendix in the Investor Presentation included in section 4. Before deciding to invest in New Shares, Eligible Shareholders should consider all risk factors carefully.

1.7

Tax

The taxation consequences of any investment in the New Shares will depend on the investor’s particular circumstances. It is the responsibility of Eligible Shareholders to make their own enquiries concerning the taxation consequences of an investment in Photon. If you are in doubt as to the course you should follow, you should seek professional advice from your accountant, financial adviser, lawyer or other professional adviser. For further information in relation to the tax treatment of your investment, you should seek professional advice.

1.8

CHESS

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (**ASTC**), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and ASTC Settlement Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are registered in the Issuer Sponsored Subregister, your statement will be dispatched by Security Transfer Registrars Pty Ltd and will contain the number of New Shares issued to you under this Offer Document and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time; however, there may be a charge associated with the provision of this service.

2 Details of the Offer

2.1

The Offer

Photon is making a pro rata non-renounceable rights issue offering Eligible Shareholders 1 New Share for every 2 Shares they hold on the Record Date, being 7.00pm AEST on 25 August 2009. The Issue Price of \$1.50 per New Share is payable in full on application. The number of New Shares to which you are entitled (**Entitlement**) is shown on the accompanying Entitlement and Acceptance Form. In determining Entitlements under the Rights Issue, any fractional Entitlement, after aggregating all holdings of the one Eligible Shareholder, will be rounded up to the nearest whole number.

2.2

Opening and Closing Dates

The Offer will open for receipt of acceptances on 27 August 2009. The Closing Date and time for acceptances and payments is 5.00pm AEST on 14 September 2009, subject to Photon varying those dates in accordance with the Corporations Act, with the Listing Rules and with the consent of the Underwriter if required. Photon must receive your Entitlement and Acceptance Form and payment or your BPAY® payment before this time.

2.3

Who is entitled to participate in the Offer?

Every Eligible Shareholder who is registered as the holder of Shares at 7.00pm AEST on the Record Date is entitled to participate in the Offer.

2.4

No Rights trading

The Offer is non-renounceable. This means that your Right to subscribe for New Shares under this Offer Document is not transferable and there will be no trading of Rights on ASX. Any Rights not taken up by an Eligible Shareholder will be issued as directed by the Underwriter, subject to the terms of the Underwriting Agreement.

2.5

Issue of New Shares and refund of Application Monies

Photon expects that the New Shares will be issued on 18 September 2009 and holding statements will be dispatched on 21 September 2009. Issues of New Shares under this Offer will only be made after approval for their quotation on ASX has been granted.

Application Monies will be held in a subscription account established and held by Photon on behalf of each Eligible Shareholder until the New Shares are issued. If the above condition for the issue of New Shares is not satisfied, the Application Monies will be refunded to Eligible Shareholders.

If the Application Monies are refundable, they will be refunded as soon as reasonably practicable. Interest earned on the Application Monies will be for the benefit of Photon and will be retained by Photon irrespective of whether New Shares are issued.

2 Details of the Offer continued

2.6

Underwriting

The Offer is fully underwritten by Morgan Stanley.

The Underwriter has agreed to take up or procure subscribers for any New Shares which are not accepted by Eligible Shareholders, subject to the terms of the Underwriting Agreement. RG Capital and Hughes, who currently represent approximately 33% of the Share Register, have provided an irrevocable commitment to the Underwriter to take up their full Entitlement of approximately 16.95 million New Shares.

Details of the Underwriting Agreement are set out in section 5.1.

2.7

Restrictions on the Offer in jurisdictions outside Australia and New Zealand

This Offer does not constitute an offer or invitation to subscribe for New Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue this Offer Document. In accordance with the Listing Rules, Entitlement and Acceptance Forms are not being sent to Non-participating Shareholders. It is the responsibility of any Shareholder outside Australia or New Zealand to ensure compliance with the laws of any country relevant to their Application.

No action has been taken to register or qualify the Offer in any jurisdiction outside Australia.

3 What you need to do

3.1

What you may do

The number of New Shares to which Eligible Shareholders are entitled is shown on the accompanying Entitlement and Acceptance Form. Eligible Shareholders may:

- take up all of the Entitlement in full (refer section 3.2); or
- take up part of the Entitlement and allow the balance to lapse (refer section 3.3); or
- allow all of the Entitlement to lapse (refer section 3.4).

Non-participating Shareholders may not take any of the steps set out in sections 3.2 and 3.3.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date. An Application for your Entitlement may be for any number of New Shares but must not exceed your Entitlement as shown on the Form. If it does, your Application will be deemed to be for your full Entitlement.

By completing an Entitlement and Acceptance Form or paying your Application Monies through BPAY®, Shareholders will be deemed to have made the representations, warranties and agreements set out in the Entitlement and Acceptance Form.

3.2

If you wish to apply for all of your Entitlement

If you wish to take up the Entitlement in full, complete the Entitlement and Acceptance Form, in accordance with the instructions set out therein. Post your completed Entitlement and Acceptance Form, together with your Application Monies, in accordance with section 3.5 for the amount shown on the Entitlement and Acceptance Form so that it is received no later than 5.00pm AEST on 14 September 2009 at the address set out below:

Photon Group Limited
Computershare Investor Services Pty Limited
GPO Box 253
Sydney NSW 2001
Australia

You may also take up all of your Entitlement by arranging for payment of the Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. If payment is being made through BPAY®, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than 5.00pm AEST on 14 September 2009.

3.3

If you wish to apply for part of your Entitlement and allow the balance to lapse

If you wish to take up part of the Entitlement and allow the balance to lapse, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the steps required in accordance with section 3.2. Alternatively, arrange for payment through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. If you take no further action, the balance of the Entitlement will lapse.

3.4

If you wish to allow all of your Entitlement to lapse

If you do not wish to accept any part of the Entitlement, do not take any further action and the Entitlement will lapse. You will receive no payment for your lapsed Entitlement. You cannot sell or transfer your Entitlement to another person. Your holding of existing Shares will, however, be diluted because the issue of New Shares will increase the total number of Shares on issue.

3.5

Payment

The Issue Price for the New Shares is payable in full on application by a payment of \$1.50 per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Monies. Cheques must be drawn in Australian currency on an Australian bank account and made payable to "Photon Group Limited Share Offer" and crossed "Not Negotiable".

Alternatively, you may arrange for payment of the Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form. Eligible Shareholders must not forward cash by mail. Receipts for payment will not be issued.

4 ASX Offer announcements

[to be supplied]

5 Additional information

5.1

Underwriting Agreement

Photon has entered into the Underwriting Agreement with the Underwriter pursuant to which the Underwriter has agreed to fully underwrite the Capital Raising.

The Underwriter may at its cost appoint sub-underwriters to sub-underwrite the Capital Raising at its absolute discretion.

(a) Fees

The Underwriter will receive market-based fees under the Underwriting Agreement.

(b) Indemnity

Subject to certain exceptions, Photon has agreed to indemnify the Underwriter, their affiliates, related bodies corporate, directors, officers, employees, agents and advisers (**Indemnified Parties**) from and against all losses incurred by an Indemnified Party in connection with the Capital Raising.

(c) Termination events

(i) Termination events which are not linked to materiality

The Underwriter may terminate the Underwriting Agreement with immediate effect if any of the following events occurs at any time before completion of the Capital Raising or such other time as specified below:

- **(Constitution)** The Constitution or any other constituent document of Photon is amended after the date of this agreement without the prior written consent of the Underwriter (which consent shall not be unreasonably withheld);

- **(Quotation of Shares)** Approval is refused or not granted to the quotation (or approval is granted subject to conditions other than customary conditions) on the ASX of all Shares to be issued under the Placement or Rights Issue or if such approval is granted, the approval is withdrawn or qualified;
- **(ASX actions)** ASX does any of the following:
 - (A) announces publicly or notifies Photon that Photon will be removed from the official list of ASX or Shares will be suspended from quotation, other than any announcement by ASX of a trading halt or suspension made before the date of the Underwriting Agreement or in accordance with the Timetable or otherwise with the agreement of the Underwriter;
 - (B) removes Photon from the official list of ASX; or
 - (C) suspends the trading of Shares for any period of time, other than any trading halt or suspension made before the date of the Underwriting Agreement or in accordance with the Timetable or otherwise with the agreement of the Underwriter;
- **(Insolvency event)** An insolvency event occurs in respect of a member of the Group;
- **(Stock market index)** From and including the date of the Underwriting Agreement until and including the settlement date of the Rights Issue, the S&P/ASX 200 Index stands:
 - (A) at the close of trading on any two consecutive Business Days; or
 - (B) on the Business Day immediately prior to the settlement date of the Rights Issue;at a level that is less than 85% of the level of the relevant index as at the close of trading on the Business Day before the date of this agreement;

- **(ASIC inquiry into Capital Raising)** ASIC issues or threatens to issue proceedings in relation to any aspect of the Capital Raising, or commences or threatens to commence any inquiry or investigation in relation to any aspect of the Capital Raising;
- **(Material adverse change)** There is a material adverse change, or there is a development involving a prospective material adverse change, in the financial position, business, assets, results, operations or prospects of the Group;
- **(Debt facilities)** Photon, or any other member of the Group, breaches, or defaults under, any provision, undertaking, covenant or ratio of a debt or financing arrangement or any related documentation to which that entity is a party which has a material adverse effect on the Group; or an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event, occurs under or in respect to any such debt or financing arrangement or related documentation which has a material adverse effect on the Group (except where such right has been waived by the lender or financier);
- **(Withdrawal)** The Company withdraws the Capital Raising or any component of the Capital Raising;
- **(Certificate)** Photon fails to deliver certificates required to be given to the Underwriter under the Underwriting Agreement or any such certificate has been or is untrue, incorrect, misleading or deceptive in a material respect as at the date of that certificate;
- **(Shortfall notice)** A statement in a shortfall notice given to the Underwriter is untrue or incorrect in any material respect;
- **(Cleansing notices)** The Company fails to lodge a notice under section 708A or 708AA of the Corporations Act in accordance with the Underwriting Agreement;
- **(Notifications)** Any of the following notifications are made:
 - (A) ASIC making a determination in relation to the Company under subsection 708A(2) or 708AA(3) of the Corporations Act; or
 - (B) an application is made by ASIC for an order under Part 9.5 in relation to the Capital Raising or any public document issued for the Capital Raising or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 1989* (Cth) in relation to the Capital Raising or any public document issued for the Capital Raising;
- (Timetable)** The Capital Raising is not conducted in accordance with the Timetable or any event specified in the Timetable is delayed without the prior written consent of the Underwriter (which must not be unreasonably withheld or delayed); or
- **(Alteration of capital)** Photon alters its share capital or attempts to dispose of a substantial part of the business or property of the Company without the prior consent of the Underwriter (which must not be unreasonably withheld or delayed).
- (ii) **Termination events which are linked to materiality**
The Underwriter may terminate the Underwriting Agreement with immediate effect if any of the following events occur at any time before completion of the Capital Raising or such other time as specified below:
 - **(Breach of agreement)** Photon is in default of any of the terms and conditions of the Underwriting Agreement or any representation or warranty given or made by it under that agreement proves to be, or has been, or becomes, untrue or incorrect;

5 Additional information continued

- **(Change in management)** A change in the senior management of Photon or in the Board of Directors of Photon occurs;
- **(Change in laws)** There is introduced into the Parliament of Australia, or any State in Australia, any law or prospective law (or any such law or prospective law is publicly contemplated):
 - (A) that is reasonably expected to adversely affect investors in Photon; or
 - (B) which does or is likely to prohibit, restrict, regulate or otherwise affect any aspect or component of the Capital Raising, capital issues or stock markets;
- **(Hostilities)** There is an outbreak or major escalation of hostilities in any part of the world, whether war has been declared or not, involving any one or more of Australia, the United States, the United Kingdom, the People's Republic of China, Japan, New Zealand, South Korea or any member country of the European Union, or a significant act or acts of terrorism is perpetrated anywhere in the world;
- **(Banking moratorium)** A general moratorium on commercial banking activities in Australia, the United States or the United Kingdom is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
- **(Market or trading disruption)** There occurs a suspension or material limitation in trading in securities generally on ASX, NYSE or LSE;
- **(Failure to comply)** A member of the Group fails to comply with any of the following:
 - (A) a provision of its constitutions;
 - (B) any applicable law;
 - (C) a requirement, order or request made by or on behalf of ASIC or any other governmental agency;
 - (D) ASX Listing Rules; or
 - (E) any material agreement entered into by it;
- **(Charges)** A member of the Group charges, or agrees to charge, the whole or a substantial part of the business or property of the Company other than:
 - (A) a charge over any fees or commissions to which the Company is or will be entitled; or
 - (B) as disclosed in the Offer Document; or
 - (C) as agreed with the Underwriter (acting reasonably); or
 - (D) as required to comply with the facility agreement in place with the Australia and New Zealand Banking Group;
- **(ASIC investigations)** ASIC or any other regulatory body commences or gives notice of an intention to commence:
 - (A) a prosecution of Photon or any Director or employee of Photon; or
 - (B) a hearing or investigation into Photon;

- **(Offence)** Any Director or member of senior management of Photon is charged with a criminal offence, or a Director of Photon is disqualified from managing a corporation under the Corporations Act; or
- **(New circumstance/Supplementary Offer Documents)** Any new circumstances arise or become known which, if known at the time of issue of any of the public documents released for the Capital Raising, would have been included in the public documents released for the Capital Raising, any such document is or becomes misleading or deceptive, any notice given by Photon for the Capital Raising under section 708A or 708AA of the Corporations Act is or becomes defective (within the meaning of the Corporations Act), or any amendment or update to any such notice is issued or is required to be issued under the Corporations Act.

However, if any of the termination events linked to materiality occurs, the Underwriter may not terminate the Underwriting Agreement unless it has reasonable grounds to believe and does believe that the event:

- (A) has, or could reasonably be expected to have, a material adverse effect on:
 - (i) the settlement of or the willingness of persons to apply for Shares to be issued under the Capital Raising (or would, in the absence of any contractual obligations, have or reasonably be expected to have such an effect); or
 - (ii) the price at which Shares are sold on the ASX; or
- (B) could be expected to give rise to a liability of the Underwriter or a contravention by the Underwriter of, or the Underwriter being involved in a contravention of, the Corporations Act or any other applicable law.

5.2

Commitments given by RG Capital and Hughes

RG Capital and Hughes have given an irrevocable commitment to the Underwriter to subscribe for their full Entitlement of approximately 16.95 million New Shares under the Rights Issue. They will be paid a fee of 2.0% of the value of their New Shares taken up, which will be paid by the Underwriter out of its underwriting fees.

5.3

Continuous disclosure

Photon is a disclosing entity for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These disclosure obligations require Photon to disclose to ASX any information that a reasonable person would expect to have a material effect on the price or value of the securities of Photon.

This document contains summary information only which does not purport to be complete. It should be read in conjunction with Photon's periodic and continuous disclosure announcements lodged with ASX which are available at www.asx.com.au or on Photon's website at www.photongroup.com.

Copies of documents lodged with ASIC in relation to Photon may be obtained from, or inspected at, an office of ASIC.

5 Additional information continued

5.4 Effect on control

In addition to undertaking the Rights Issue, Photon proposes to undertake the Placement which is fully underwritten by Morgan Stanley. Shares will be issued under the Placement on or about Monday, 24 August 2009 and these Shares will participate in the Rights Issue. Accordingly, the information which follows considers the effect of the Rights Issue on the control of Photon on the basis that the Placement Shares have been issued.

Given the underwriting arrangements with Morgan Stanley and irrevocable commitments given by RG Capital and Hughes, the potential effect the issue of the New Shares under the Rights Issue will have on the control of Photon is as follows:

- (i) if all Eligible Shareholders take up their Entitlements under the Rights Issue, then the Rights Issue will have no significant effect on the control of Photon;
- (ii) the proportional interests of Photon's major Shareholders may be maintained but cannot increase as a result of the Rights Issue;
- (iii) if particular Eligible Shareholders do not take up all of their Entitlements under the Rights Issue, then the shareholding interests of those Eligible Shareholders in Photon will be diluted;
- (iv) the proportional interests of Shareholders with registered addresses outside Australia and New Zealand (excluding Eligible Institutional Shareholders) may be diluted because (unless Photon determines otherwise) such Shareholders are not entitled to participate in the Rights Issue; and
- (v) although the issue of New Shares to the Underwriter under the Rights Issue may increase the shareholding interests of the Underwriter in Photon, it is not expected to have any material effect on the control of Photon.

5.5 Withdrawal of Rights Issue

The Directors reserve their right to withdraw all or part of the Rights Issue at any time prior to the issue of New Shares, in which case Photon will refund Application Monies in accordance with the Corporations Act without payment of interest.

6 Defined terms

These definitions are provided to assist persons in understanding some of the expressions used in this Offer Document.

AEST means Australian Eastern Standard Time.

Applicant means an Eligible Shareholder who has applied to subscribe for New Shares by submitting an Entitlement and Acceptance Form or arranging for payment through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form.

Application means the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies through BPAY® in accordance with the instructions on the Entitlement and Acceptance Form.

Application Monies means the aggregate amount of money payable for the New Shares applied for in a duly completed Entitlement and Acceptance Form or through BPAY®.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691.

Business Day has the same meaning as in the Listing Rules.

Capital Raising means the Placement and the Rights Issue.

Closing Date means 5.00pm (AEST) on 14 September 2009.

Co Manager means Southern Cross Equities.

Company or **Photon** means Photon Group Limited ACN 091 524 515.

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

Directors means the directors of the Company.

Eligible Institutional Shareholder means a Shareholder as at the Record Date with a registered address that is not in Australia or New Zealand to whom Photon determines to make the Offer.

Eligible Shareholder means a Shareholder as at the Record Date who is not a Non-participating Shareholder.

Entitlement means the entitlement to subscribe for New Shares pursuant to the Offer.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Offer Document.

FY09 means the financial year ending 30 June 2009.

FY09 Final Dividend means the final dividend for the year ended 30 June 2009 of 6.5 cents per Share payable on or about 11 September 2009.

Group means Photon and its related bodies corporate and controlled entities.

Hughes means Tim Hughes and certain entities associated with or controlled by him.

Investor Presentation means the "FY 2009 Results Presentation and Equity Raising" presentation released by Photon to ASX on 17 August 2009 and reproduced in section 4 of this Offer Document.

Issue Price means \$1.50 each per New Share.

Listing Rules means the official listing rules of ASX.

Morgan Stanley means Morgan Stanley Australia Securities Limited.

New Shares means Shares to be allotted and issued under the Offer.

Non-participating Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand or who is not an Eligible Institutional Shareholder.

Offer means the pro rata non-renounceable offer to the Eligible Shareholders to subscribe for New Shares on the basis of 1 New Share for every 2 Shares of which the Eligible Shareholder is the registered holder as at 7.00pm AEST on the Record Date at an Issue Price of \$1.50 each per New Share, pursuant to this Offer Document.

Offer Document means this document.

Opening Date means 27 August 2009.

6 Defined terms continued

Placement means the proposed placement of approximately 14.4 million Shares at \$1.85 per Share to certain institutional investors as announced to ASX on 17 August 2009.

Privacy Act means the *Privacy Act 1988* (Cth).

Record Date means 7.00pm AEST on 25 August 2009.

RG Capital means the RG Capital Group of companies.

Rights means the rights to subscribe for New Shares pursuant to this Offer Document.

Rights Issue means the issue of New Shares offered pursuant to the Offer.

Share Register is the register comprising all of the Company's Shareholders and Shares held.

Share Registry means Computershare Investor Services Pty Limited.

Shareholders means holders of Shares.

Shares means fully paid ordinary shares in the capital of the Company.

Southern Cross Equities means Southern Cross Equities Limited ABN 87 071 935 441.

Timetable means the indicative table set out on page 2 of the Offer Document.

Underwriter means Morgan Stanley.

Underwriting Agreement means the underwriting agreement dated 17 August 2009 between the Company and the Underwriter.

Corporate Directory

Offices and officers

Principal Registered Office

Level 9, 155 George Street
Sydney NSW 2000

Telephone: +61 2 8213 3031

Facsimile: +61 2 8213 3030

Directors

Tim Hughes (Executive Chairman)

Matthew Bailey (CEO)

Sue McIntosh

Brian Bickmore

Paul Gregory

Company Secretary

Eleni North

Location of Share Registry

Computershare Investor
Services Pty Limited

Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: 1300 855 080

Outside Australia: +61 3 9415 4000

Facsimile: +61 2 8234 5050

Securities Exchange

The Company is listed on the Australian Securities
Exchange (PGA)

The home exchange is Sydney.

Other Information

Photon Group Limited, incorporated and domiciled in
Australia, is a publicly listed company limited by shares.

Legal Adviser to Offer

Gilbert + Tobin

2 Park Street

Sydney NSW 2000

Auditors

KPMG

10 Shelley Street

Sydney NSW 2000

Underwriter

Morgan Stanley Australia Securities Limited

Level 39, Chifley Tower

2 Chifley Square

Sydney NSW 2000

Co Manager

Southern Cross Equities Limited

Level 32, 88 Phillip Street

Sydney NSW 2000

Photon Group Limited

Rights Issue Infoline

Tel: + [x]

Tel: + [x]

