

This is an important document and
requires your immediate attention

Cash offer

Photon Group is making a cash offer of
\$0.30 cash per share for all your shares
in Dark Blue Sea Limited (ACN 091 509 796)

Legal Advisor to the Offer



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Important information

Bidder's Statement and Offer

This is the Bidder's Statement dated 30 October 2009 given by Photon to DBS and each holder of DBS Shares under Part 6.5 of Chapter 6 of the Corporations Act.

This Bidder's Statement was approved by a resolution passed by the Directors of Photon. It includes an Offer for the DBS Shares dated 13 November 2009.

The Offer relates to all DBS Shares that exist or will exist on 2 November 2009 and extends to all DBS Shares issued between that date and the end of the Offer Period including DBS Shares issued on exercise of DBS Options.

ASIC

A copy of this Bidder's Statement was lodged with ASIC on 30 October 2009. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each DBS Shareholder or any other person. DBS Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

Disclaimer

Except for historical information contained in this booklet, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe Photon's future plans, strategies and expectations, are generally identifiable by the use of the words 'anticipate', 'will', 'believe', 'estimate', 'expect', 'intend', 'seek' or similar expressions. DBS Shareholders are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking information of Photon involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which DBS operates as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially.

All forward-looking statements attributable to Photon, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements in this Section. Except as expressly required by the Corporations Act, Photon undertakes no obligation to publicly update or revise any forward-looking statements provided in this Bidder's Statement, whether as a result of new information, future events or otherwise, or the list of risks affecting this information.

None of Photon's officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 8. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 8, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Sources of information

Information included in this Bidder's Statement relating to DBS and its business has been derived solely from publicly available sources published by DBS, including DBS' 2009 and 2008 annual reports, its announcements to ASX and its website.

Subject to the foregoing and to the maximum extent permitted by law, Photon and its Directors disclaim all liability for any information concerning DBS included in this Bidder's Statement. DBS Shareholders should form their own views concerning DBS from publicly available information.

Event	Date
Date of Bidder's Statement	30 October 2009
Date of Offer conditions notice*	7 December 2009
Close of Offer*	14 December 2009

* This date is indicative only and may be changed as permitted by the Corporations Act.

If you are in any doubt as to how to deal with this Offer, you should consult your financial or other professional advisor. Alternatively, you can call the offer information line on 1300 022 175 (within Australia) or +61 3 9938 4345 (outside Australia).

The Offer is dated 13 November 2009 and will expire at 7.00pm (Sydney time) on 14 December 2009 unless earlier withdrawn or extended. ASIC takes no responsibility for this Bidder's Statement.

How to accept this Offer

Sign and return the enclosed Acceptance Form in the prepaid envelope to:

Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 8060

or

Instruct your Controlling Participant to accept the Offer on your behalf if your DBS Shares are entered in the SCH (CHESS) subregister.

\$0.30 cash offer for DBS Shares

30 October 2009

Dear DBS Shareholder

I am pleased to provide you with Photon's cash offer to acquire all of your shares in DBS. This Offer was foreshadowed in an ASX announcement issued by Photon on 1 October 2009. A copy of that announcement is attached as Appendix B.

Photon is offering \$0.30 cash for each DBS Share that you hold. Photon is DBS' largest shareholder, with a shareholding of approximately 29.79%. DBS Shareholders will not incur any brokerage costs on accepting this Offer.

Photon believes that this Offer represents an attractive and fair price for DBS Shares and provides certainty of value today in cash to DBS Shareholders in a situation where DBS' future profitability remains highly uncertain.

The offer price of \$0.30 for each DBS Share represents:¹

- a 54% premium to DBS' VWAP of \$0.19 for the period of one month ended on the Announcement Date;²
- a 28% premium to DBS' VWAP of \$0.23 for the period of three months ended on the Announcement Date;² and
- a multiple of 16.0 times DBS' FY2009 earnings before interest, tax and impairment.³

Other reasons why Photon considers that you should accept this Offer include:

- Under current management there has been a significant deterioration in the business and future profitability is uncertain. In the last two years, there has been significant declines in the profitability and share price of DBS. In FY2009, reported net profit after tax fell by 74%. This followed a 24% decline in reported net profit after tax in FY2008.

- Notwithstanding this poor performance, the DBS Board has not provided DBS Shareholders with any clear direction or strategy for the recovery of the business. Further, DBS management has an unproven track record at executing any alternative business plans required for the recovery of the business.
- The DBS Board has stated that the business is highly leveraged to US economic online activity. The timing and extent of recovery of this market are highly uncertain and provide significant risk to DBS returning to acceptable levels of profitability.

Notes:

1. Photon has not included in this Bidder's Statement details of DBS Share trading prices for the period following the Announcement Date or of the premium that the Offer Consideration represents in comparison to DBS Share trading prices for the period following the Announcement Date as Photon considers that these trading prices reflect, among other things, the terms of this Offer.
2. Source: IRESS ASX data.
3. Dark Blue Sea Limited annual report 30 June 2009.

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- DBS transacts most of its business in US dollars and management has disclosed that it doesn't actively hedge exchange rate movements. In FY2009, DBS stated that every one cent movement in the US dollar had a \$100,000 impact on EBITDA. Since January 2009, the US dollar has fallen 23 cents against the Australian dollar, which is likely to have an adverse impact on DBS' financial results.
 - In light of the highly concentrated register of DBS and the historical low levels of liquidity of DBS Shares traded on ASX, the Offer provides an excellent opportunity for DBS Shareholders to realise their investment at an attractive premium to recent trading prices (preceding the announcement of the Offer).

The Offer is a straightforward full cash offer with a limited number of standard conditions, including a minimum acceptance condition of 50.1%. Huon Capital, the second largest holder of DBS Shares after Photon, has indicated that it intends to accept the Offer in the absence of a higher offer for all of the DBS Shares outstanding. If it does so, Photon will have a relevant interest in approximately 43.7% of DBS Shares.

The Offer will provide DBS Shareholders with the opportunity to realise their holding in cash for a premium on current value.

I encourage you to accept this attractive Offer as soon as possible. Details of Photon's Offer and its conditions are set out in this Bidder's Statement, which you should read in full. To accept this Offer, simply follow the instructions on the enclosed Acceptance Form.

The Offer is scheduled to close at 7.00pm (Sydney time) on 14 December 2009 unless extended.

If you have any questions or require assistance with your acceptance, please call the offer information line on 1300 022 175 (within Australia) or +61 3 9938 4345 (outside Australia) or consult your financial or other professional advisor.

Yours sincerely



Tim Hughes
Executive Chairman
Photon Group Limited

1

Attractive price

The offer price of \$0.30 for each DBS Share represents:¹

- a 54% premium to DBS' VWAP of \$0.19 for the period of one month ended on the Announcement Date;²
- a 28% premium to DBS' VWAP of \$0.23 for the period of three months ended on the Announcement Date;² and
- a multiple of 16.0 times DBS' reported FY2009 earnings before interest, tax and impairment.³

2

Underperforming share market returns

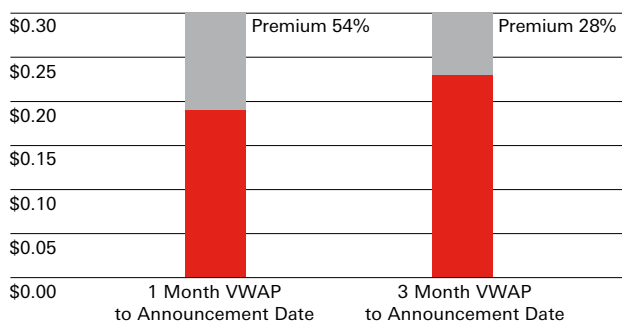
DBS' share price has significantly underperformed the market in the two-year period to the Announcement Date. During this period, DBS' share price decreased by approximately 79%, while the S&P/ASX Small Ordinaries index fell by approximately 36%.

3

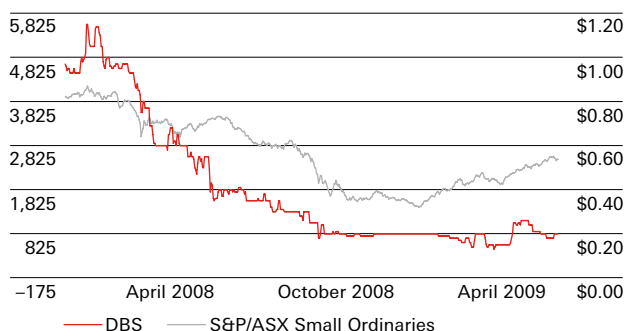
The Offer provides an excellent outcome for DBS' Shareholders

The DBS share register is highly concentrated (at 12 August 2009, the top five DBS Shareholders held 57.09% of all issued DBS Shares) and DBS Shares have historically traded on low volumes. Photon's Offer, if it becomes unconditional, provides an equal opportunity for all DBS Shareholders to realise their investment at an attractive premium to prices at which DBS Shares traded before the Offer was announced.

Comparison of the Offer to DBS' share price performance



Comparison of S&P/ASX Small Ordinaries Index and DBS' share price



Notes:

- 1 Photon has not included in this Bidder's Statement details of DBS Share trading prices for the period following the Announcement Date or of the premium that the Offer Consideration represents in comparison to DBS Share trading prices for the period following the Announcement Date as Photon considers that these trading prices reflect, among other things, the terms of this Offer.
- 2 Source: IRESS Australian Securities Exchange Data.
- 3 Source: Dark Blue Sea Limited annual report 30 June 2009.

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Adverse consequences of not accepting the Offer

The VWAP for DBS over the one month period prior to 30 October 2009 is equal to \$0.29. If the Offer does not proceed, and no competing offer is made for DBS Shares, it is likely that the trading price of DBS Shares on the ASX will fall.

If the Offer proceeds with Photon achieving compulsory acquisition and you do not accept, Photon may be entitled to acquire your DBS Shares compulsorily. If so, and Photon exercises this right, payment for your DBS Shares will occur later than payment to DBS Shareholders who accept the Offer.

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Simple cash offer with no brokerage payable

By accepting the Offer, you will be sent \$0.30 for each of your DBS Shares and pay no brokerage charges that you would otherwise be likely to pay if you sold your DBS Shares on-market. There are no hidden costs or charges.

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Huon Capital indication of acceptance

Huon Capital is the second largest holder of DBS Shares, after Photon. Huon Capital has indicated to Photon that it intends to accept the Offer for its entire relevant interest in approximately 13.9% of DBS Shares, in the absence of a higher offer for all of the DBS Shares outstanding. If it does so, Photon will have a relevant interest in approximately 43.7% of DBS Shares.

Key Offer Terms

The Offer	Photon Group Limited (Photon) is offering to acquire all of your DBS Shares on the terms set out in Appendix A.
Offer Price	\$0.30 cash for each ordinary share
Scheduled Closing Date	The Offer is scheduled to close at 7.00pm (Sydney time) on 14 December 2009 (but it may be extended).
Payment	If you accept this Offer, your Offer Consideration will be paid to you on or before the earlier of: <ul style="list-style-type: none">— one month after the later of this Offer being validly accepted by you and this Offer becoming unconditional; and— 21 days after the end of the Offer Period, provided that the Offer has become unconditional.
No fees	No brokerage will be payable by you on acceptance of this Offer.
Conditions	The Offer is subject to the Conditions set out in Clause 7.1 of Appendix A. These include: <ul style="list-style-type: none">— a minimum acceptance condition of 50.1%; and— a no Prescribed Occurrences condition. See Section 1.6 for a complete list of the Conditions. Photon may choose to waive any of the Conditions in accordance with the Offer.
Photon's existing shareholding in DBS	As at the date of this Bidder's Statement, Photon has a Relevant Interest in 23,941,988 DBS Shares, representing 29.79% of the issued capital of DBS.

The above information is a summary only of key elements of this Bidder's Statement. DBS Shareholders should read all of this Bidder's Statement before making any decision in relation to this Offer.

To accept the Offer

Sign and return the enclosed Acceptance Form in the prepaid envelope to:

Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 8060

or

Instruct your Controlling Participant to accept the Offer on your behalf if your DBS Shares are entered in the CHESS subregister.

The scheduled closing date is 7.00pm (Sydney time) on 14 December 2009, unless extended.

Further information

If you have any questions or require assistance with your acceptance, please call the offer information line on 1300 022 175 (within Australia) or +61 3 9938 4345 (outside Australia) or consult your financial or other professional advisor.

Section 1

1

This Section sets out a summary of the main features of the Offer. It is qualified by the detailed information contained in the remainder of the Bidder's Statement.

1.1 What is the Offer?

Photon is offering to buy all of your DBS Shares by way of an off-market takeover bid. Appendix A of this Bidder's Statement contains the terms of the Offer. The remainder of this Bidder's Statement contains other information known to Photon which is relevant to your decision as to whether to accept or reject the Offer.

1.2 What is Photon offering for my DBS Shares?

The Offer is:

\$0.30 cash for each DBS Share.

The Offer extends to DBS Shares on issue on 2 November 2009 and extends to all DBS Shares issued between 2 November 2009 and the end of the Offer Period, including DBS Shares issued on exercise of DBS Options.

1.3 How do I accept the Offer?

There are several ways to accept the Offer, depending on the nature and type of your shareholding, including:

- **for Issuer Sponsored Holdings** – complete and sign the attached Acceptance Form in accordance with the instructions on the form, and return the form in the enclosed reply paid envelope or to the address on the form; and
- **for CHESSE Holdings** – contact your Controlling Participant to initiate acceptance on your behalf, or complete and sign the enclosed Acceptance Form in accordance with the instructions on the form and return the form in the enclosed reply paid envelope to the address on the form, to authorise Photon to contact your Controlling Participant to initiate acceptance of the Offer on your behalf.

1.4 When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on 14 December 2009, unless extended or withdrawn in accordance with the Corporations Act.

1.5 Can Photon extend the Offer?

Yes, the Offer Period can be extended at Photon's election or otherwise in accordance with the Corporations Act. Photon will give notice of any extension of the Offer Period in accordance with the Corporations Act.

1.6 Are there any Conditions to the Offer?

Yes. The Offer is subject to the Conditions set out in Clause 7.1 of Appendix A. In summary, the Conditions of the Offer are:

- **50.1% relevant interest** – the number of DBS Shares in which Photon and its Associates have a Relevant Interest at the expiry of the Offer Period is not less than 50.1% of the DBS Shares then on issue; and
- **no Prescribed Occurrences** – no Prescribed Occurrences happen during the period commencing on the Announcement Date and ending on the expiry of the Offer Period. A list of the Prescribed Occurrences is set out in Clause 7.1(b) of Appendix A.

1.7 What if the Conditions are not satisfied?

If the Conditions are not satisfied or waived, the Offer will not proceed and you will continue to hold your DBS Shares.

Photon will inform you if the Conditions are satisfied or waived during the Offer Period.

1.8 If I accept, when will I be paid?

If you accept this Offer, Photon will pay you the Offer Consideration due for your DBS Shares on or before the earlier of:

- one month after the later of this Offer being validly accepted by you and this Offer becoming unconditional; or
- 21 days after the end of the Offer Period, provided that the Offer has become unconditional.

1.9 Can I accept the Offer for part of my holding?

No. You cannot accept for part of your holding. You may only accept the Offer for all of your DBS Shares (unless you hold as a trustee, nominee or otherwise on account of another person – see Clause 3.3 of the Offer terms set out in Appendix A).

1.10 Can I withdraw my acceptance?

Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted this Offer, Photon varies this Offer in such a way that postpones for more than one month the time when Photon has to meet its obligations under this Offer (for example, if Photon extends this Offer for more than one month while the Offer remains conditional).

1.11 What happens if I do not accept?

Photon believes that its Offer for DBS Shares is a fair offer. However, if you choose not to accept the Offer, there are certain risks of which you should be aware:

- if Photon becomes the majority shareholder in DBS, the market for your DBS Shares may be less liquid or active. Therefore, it could be more difficult for you to sell your DBS Shares later, should you choose to do so; and
- if Photon becomes entitled to acquire your DBS Shares compulsorily, it intends to exercise those rights. If this occurs, you will be paid the Offer Consideration of \$0.30 cash for each DBS Share at the conclusion of the process. You will be sent the Offer Consideration sooner if you accept this Offer and it has become unconditional.

You should consult your broker or financial advisor to ascertain the impact of the risks outlined above on the value of your DBS Shares.

1.12 What are the tax consequences of the Offer?

Photon's understanding of the major tax implications for DBS Shareholders resident for tax purposes in Australia are summarised in Section 5.

Your personal financial and other circumstances will influence your taxation position. You should read Section 5 carefully and seek professional taxation advice if necessary.

1.13 Will I pay any stamp duty or brokerage if I accept the Offer?

You will not pay any stamp duty on accepting the Offer.

If your DBS Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to Photon, you will not incur any brokerage in connection with your acceptance of the Offer.

If your DBS Shares are in a CHESS Holding or you hold your DBS Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker) or the bank, custodian or other nominee whether it will charge any transaction fees or services charges in connection with your acceptance of the Offer.

You may incur brokerage costs if you choose to sell your DBS Shares on ASX.

1.14 Questions

If you have any questions or require assistance with your acceptance, please call the offer information line on 1300 022 175 (within Australia) or +61 3 9938 4345 (outside Australia) or consult your financial or other professional advisor.

Section 2

2

2.1 Background

Photon was incorporated on 9 February 2000. The ordinary shares of Photon have been listed on ASX since 30 April 2004 and trade under the code "PGA". As at 29 October 2009, Photon has a market capitalisation of approximately \$312.2 million (based on the last price at which Photon shares traded on ASX on that date).

2.2 Overview of Photon

Photon is a specialist marketing and communication services company.

Photon operates five divisions, each focusing on a particular area of marketing and communications services:

- **Field Marketing** – provides outsourced sales execution and merchandising services to FMCG, telecommunications and other industries;
- **Internet & E-Commerce** – combination of digital services, innovative product sales and transaction based marketing;
- **Integrated Communications & Digital** – world class advertising agencies, recognised for creative talent;
- **Specialised Communications** – public relations and public affairs consultancies, corporate communications and events management; and
- **Strategic Intelligence** – independent communications advisory and consumer research.

Photon has been a beneficiary of structural changes currently taking place in the marketing and advertising industry. There has been a shift from mass media to direct-to-consumer channels, including internet, mobile and point of sale. Photon is a market leader in direct marketing and communications services, with over 85% of its earnings derived from non-traditional advertising services.

Photon provides specialist marketing services across 14 different geographic territories and today generates approximately 35% of its revenue outside Australia.

Photon has approximately 2,000 full-time employees and over 5,000 casual employees.

Every year since its inception in 2000, Photon has experienced strong revenue and earnings growth year on year. In FY2009, Photon's reported gross revenue was approximately \$653 million and reported underlying earnings before interest, taxation, depreciation and amortisation were \$93 million. Photon is the 14th largest marketing services group globally (ranked by revenue).

2.3 Directors of Photon

Tim Hughes – Executive Chairman

Tim has been a Director and the Executive Chairman of Photon since Photon was founded in 2000. He is also the Chairman of Carinya Investment Management and a Director of the Sporting Chance Cancer Foundation. Tim has had a 25-year business career in television production and distribution, television broadcasting, radio, investment management and marketing services. Tim earned a Bachelor of Business from the University of Technology, Sydney.

Matthew Bailey – Chief Executive Officer/ Executive Director

Matthew was appointed Chief Executive Officer of the company in 2004 and was appointed as a Director with effect from 25 March 2004. Before joining Photon, Matthew was the CEO of The Bailey Group, a sales, marketing and merchandising company, for 16 years. He has extensive experience in retail selling, sales force strategy and brand development. Matthew has a Bachelor of Business from Swinburne University.

Susan McIntosh – Non-Executive Director

Susan was appointed as a non-executive Director of the company with effect from 2 June 2000. A Chartered Accountant, Susan has more than 25 years' business experience in media (radio and television production and distribution) and asset management. She is also the Managing Director of RG Capital Holdings (Australia) Pty Ltd.

Brian Bickmore – Independent Non-Executive Director

Brian was appointed as a non-executive Director of the company with effect from 25 March 2004. In 1980, Brian was a founding executive of Austereo and served as a director of the company for almost 25 years until 2004. Brian was initially Austereo's Finance Director and from 1997, was the Group General Manager. He is also a director of oOH! Media Group Limited and was previously a director of RG Capital Radio Limited.

Paul Gregory – Independent Non-Executive Director

Paul was appointed as a Director of the company with effect from 25 March 2004. He has led a diverse range of medium-sized private retail companies, including Australian Geographic Pty Ltd and Red Earth Australia Pty Ltd, and has overseen the expansion of both companies in Australia and overseas. Currently, Paul is a business consultant providing management and strategic advice to several Australian and international retail groups.

2.4 Selected historical financial information of Photon

A summary of selected historical financial information of the Photon Group for the financial years ended 30 June 2007, 2008 and 2009 is set out below.

A\$'000s ¹	12 months to 30 June 2007	12 months to 30 June 2008	12 months to 30 June 2009
Gross revenue	307,328	574,375	653,455
Net revenue	194,596	376,829	440,639
EBITDA	45,053	78,244	89,304
Underlying EBITDA	45,053	78,244	92,975 ²
Underlying net profit before tax	26,508	36,701	45,869 ²
Underlying net profit after tax	17,531	22,646	29,186 ²
Underlying EPS (cps)	23.3	28.6	27.8 ²
Dividends paid (cps)	23.0	28.5	11.5

Notes:

- Based on audited consolidated financial statements for Photon and its controlled entities for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 included in the Photon annual reports and management presentations for those financial years.
- Underlying EBITDA, NBT, NPAT and EPS are before one-off restructuring and redundancy charges and non-cash impairment of investments in DBS incurred in FY2009

A\$'000s ¹	As at 30 June 2007	As at 30 June 2008	As at 30 June 2009
Total assets	399,023	722,528	776,563
Net assets	181,176	189,650	264,705
Net debt	82,088	285,416	249,548

Note:

- Based on audited consolidated financial statements for Photon and its controlled entities for the financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 included in the Photon annual reports for those financial years.

2.5 Publicly available information of Photon

Photon is listed on ASX and is subject to the periodic and continuous disclosure requirements of ASX. Further information regarding Photon can be obtained via the ASX website at www.asx.com.au or the Photon website at www.photongroup.com.

Section 3

3

3.1 General

This Section 3 sets out Photon's intention in relation to the:

- (a) continuation of the business of DBS;
- (b) any major changes to be made to the business of DBS, including any redeployment of fixed assets of DBS; and
- (c) the future employment of DBS' employees.

Photon's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Photon has reviewed information in the public domain concerning DBS, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of DBS' operations, Photon's intentions in relation to DBS are summarised below. Statements set out in this Section are statements of current intentions only which may change as new information becomes available or circumstances change.

3.2 Strategic review

As Photon does not have any representation on the DBS Board and does not currently have access to all material information, facts and circumstances which are necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon the successful completion of the acquisition of DBS, Photon will conduct a review of the strategy, operations, activities, assets and employees of DBS in light of the information which then becomes available to it (**Review**).

Out of the Review, it is expected that a number of strategies to achieve operating efficiencies and to maximise operating performance of DBS may be implemented. In particular, Photon will seek to enhance DBS' websites to increase the underlying value of the domains. However, final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change.

3.3 Photon's intentions if less than 50.1% acquired

This Offer is subject to a minimum acceptance condition that Photon has a relevant interest in not less than 50.1% of DBS Shares on issue on expiry of the Offer Period. As at the date of this Bidder's Statement, Photon is not in a position to determine, and has not determined, its intentions should the 50.1% minimum acceptance condition remain unsatisfied.

Photon reserves its right to declare the Offer free from the 50.1% minimum acceptance condition (or any other Condition to the Offer) at any time. As Photon does not currently intend to waive this Condition, it is not required to state what its intentions are concerning the businesses of DBS in circumstances other than where it acquires a Relevant Interest in more than 50.1% (by number) of all DBS Shares. In any event, Photon has not formed any intentions in the event that it acquires less than 50.1% of DBS.

3.4 Photon's intentions upon acquisition of between 50.1% and 90% of DBS Shares

If Photon acquires a Relevant Interest in 50.1% or more of DBS Shares and the Offer is declared or becomes free of all other conditions but Photon does not become entitled to compulsorily acquire the outstanding DBS Shares, then DBS will become a non-wholly owned subsidiary of Photon. In this event, Photon's current intentions are as set out below.

- (a) Subject to the Corporations Act and the Listing Rules, DBS Shares are likely to remain officially quoted on ASX as long as it meets the requirements of the Listing Rules (including a sufficient spread of shareholders).
- (b) Photon intends, subject to the Corporations Act and DBS' constitution, to seek to reconstitute the DBS Board to reflect Photon's majority ownership of DBS with a majority of directors nominated by Photon. Candidates who are likely to be considered by Photon for appointment to the DBS Board will include Matthew Bailey and Mark Dalgleish.

The qualifications and experience of Matthew Bailey are summarised in Section 2.3.

Mark Dalgleish is the Managing Director of Photon's Internet & E-Commerce division. Following a career as a journalist and television producer, and the establishment of a video and digital production company in the United Kingdom, Mark moved back to Australia to set up and run C4 Communication, an internet and digital business, which was acquired by the Photon Group in 2007. C4 is now one of Australia's largest digital agencies, producing and managing a number of major digital networks and websites for organisations such as the AFL, NRL, Cisco and Telstra.

In the role of Managing Director of Photon's Internet & E-Commerce division, Mark is responsible for the fastest growing of Photon's five divisions. Mark is responsible for defining Photon's entire internet and e-commerce strategy. As part of this role, Mark is a director of each of Photon's companies which operate in the internet and e-commerce sector, including C4 (digital agency), Geekdom (internet product development), Found (search engine marketing), iMega, Findology and OB Media (affiliate marketing), Returnity (email marketing) and MessageNet (SMS marketing).

Photon believes the experience, qualifications and skills of each of these persons are suitable and appropriate for the DBS business. Photon intends that DBS should in this circumstance retain directors who are independent of Photon. Photon will support the retention on the DBS Board of a number of the existing DBS directors. Photon will discuss with the DBS Board which DBS directors should remain on the DBS Board after the Offer is concluded.

- (c) Photon, through its nominees on the DBS Board, will propose for approval by the DBS Board a review of the business of DBS for the purpose of identifying ways in which DBS can enhance its business and the underlying value of its domains.

This review by Photon will be subject to Photon and DBS complying with the requirements of the Listing Rules, the Corporations Act and any other applicable legislation, as well as the legal obligations of the then DBS Board to act in good faith and in the best interests of DBS and for proper purposes.

- (d) DBS paid total dividends of 2 cents per DBS Share in respect of the 2008 financial year and did not pay any dividends in respect of the 2009 financial year. The following statement was made by DBS in its 2009 annual report, concerning DBS' capital management policy:

"The consolidated entity seeks to return excess cash/capital to shareholders either as dividends or via share buybacks when value opportunities exist in the parent entity's own shares ... When deciding on a dividend the consolidated entity takes into account the current trading performance, short to medium term profitability trends and cash reserves, debt facilities and exchange rates. A dividend will not be paid when the result of this analysis appears too risky."

Photon is not aware of whether DBS has adopted a formal dividend policy since the date of the 2009 annual report. Photon, through its nominees on the DBS Board, will attempt to ensure that any dividend policy adopted by DBS reflects an appropriate balance between ensuring that DBS retains sufficient funds to meet its ongoing activities and capital requirements and the payment of dividends to Shareholders.

- (e) Photon may in the future acquire further DBS Shares in accordance with the requirements of the Corporations Act.

3.5 Photon's intentions upon acquisition of 90% or more of DBS Shares

This Section sets out Photon's intentions if it acquires 90% or more of DBS Shares, if the Offer is declared free of all Conditions and Photon becomes entitled to proceed to compulsory acquisition under the Corporations Act for the DBS Shares. In such circumstances:

- (a) Photon intends to proceed to compulsory acquisition of the remaining DBS Shares in accordance with the provisions of the Corporations Act.
- (b) Photon intends to arrange for DBS to be removed from the official list of the ASX.
- (c) Photon intends to replace all members of the DBS Board with nominees of Photon whom it expects will be the current Directors of Photon and/or senior executives of Photon.

- (d) Photon intends to undertake the Review.
- (e) Subject to the outcome of the Review, Photon expects that strategies to achieve operating efficiencies and to maximise operating performance of the combined DBS and Photon Group may be implemented. In particular, Photon will seek to enhance and optimise DBS' websites to increase the underlying value of the domains. Photon will seek to retain members of DBS' current management team, having regard to the positions of DBS' employees and staff requirements of the combined business going forward.
- (f) Photon would also propose, through its nominees on the DBS Board, to review DBS' dividend policy having regard to the underlying cash requirements of DBS and its controlled entities.
- (g) Subject to completion of compulsory acquisition and receipt of any necessary approvals, Photon intends to procure that DBS and each of its controlled entities grants a fixed and floating charge over its assets to secure obligations of Photon to the Bank in respect of its existing debt facilities.

If Photon and its Associates have a Relevant Interest in at least 90% of DBS Shares at the end of the Offer Period, Photon will also be required by the Corporations Act to offer to buy out DBS Options that remain unexercised.

3.6 Intentions generally

Except for the changes and intentions set out in Section 3, Photon intends, based on the information presently known to it:

- (a) to continue the business of DBS;
- (b) not to make any major changes to the business of DBS or the deployment of DBS' assets; and
- (c) to continue the employment of DBS' employees.

3.7 Limitations on intentions

The intentions and statements of future conduct set out in this Section 3 must be read as being subject to:

- (a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and 'related party' transactions given that, if Photon gains control of DBS but does not acquire all of the DBS Shares, it will be treated as a related party of DBS for these purposes;
- (b) the legal obligation of the DBS directors at the time, including any nominees of Photon, to act in good faith and the best interests of DBS and for proper purposes and to have regard to the interests of all DBS Shareholders (in which regard the role of independent directors of DBS will also be important); and
- (c) the outcome of the Review.

Section 4

4.1 Consideration under the Offer

The total amount that Photon would be required to pay for DBS Shares if Photon acquires all of the DBS Shares currently on issue, and assuming that none of the DBS Options are exercised, is \$16,924,827.90.

The total amount that Photon would be required to pay for DBS Shares if Photon acquires all of the DBS Shares currently on issue, and assuming that all of the DBS Options currently on issue are exercised and Photon acquires all of the DBS Shares issued as a result, is approximately \$18,124,827.90.

4.2 Source of Photon funding

The funding for Photon to satisfy its payment obligations under this Offer will be sourced from drawing down funds under an existing cash advance facility (**Existing Facility**) provided by Photon's banker, the Australia and New Zealand Banking Group Limited (**Bank**). See Section 4.3 for details.

4.3 Existing Facility

Photon has undrawn capacity under its Existing Facility provided to it by the Bank of an aggregate amount which is in excess of the amount required for Photon to satisfy its payment obligations under this Offer. The material terms of the Existing Facility are summarised below.

Conditions precedent to availability of funds

There are no conditions precedents to drawdown under the Existing Facility other than conditions precedent which Photon considers to be procedural in nature and in the sole control of Photon.

Events of default

The events of default that are applicable to the Existing Facility are considered by Photon to be customary for facilities and arrangements of this nature. These events of default include (among other things):

- failure to pay any amount owing in respect of a facility when due;
- breach of financial covenants;
- breach of general negative undertakings;
- breach of representations and warranties;
- the occurrence of any cross default;
- the occurrence of an insolvency event in respect of Photon or any of its controlled entities;

- any change in control of the composition of the Board or of Photon;
- Photon or any of its controlled entities ceases or commences to cease business;
- the obligations of the borrowers or the guarantors are or become unlawful or any material provision of any finance documents becomes void, voidable or unenforceable or of limited force;
- repudiation, rescission or termination of a finance document by any person;
- a provision of a finance document is, or becomes, or is claimed to be, wholly or partly invalid, void, voidable or unenforceable in any material respect;
- the occurrence of a material adverse change to a material Photon Group company's business, operations, property, condition or ability to perform its obligations under the finance documents, or to the effective or priority of any security given under the finance documents or the validity or enforceability of any finance document;
- all or a material part of the property of Photon or a material Photon Group company is compulsorily acquired; or
- Photon's shares cease to be listed on the ASX for a period of five consecutive Business Days.

Representations and warranties

The representations and warranties given by Photon in the Existing Facility are considered by Photon to be customary for borrowing arrangements of this nature.

Undertakings

The undertakings by Photon contained in the Existing Facility are considered by Photon to be customary for banking arrangements of this nature.

These undertakings include the following negative undertakings:

- the Photon Group must not create any security interest over any of its property other than as permitted;
- the Photon Group must not dispose of any assets other than in the ordinary course of business or as permitted;
- the Photon Group must not make any substantial change to the business;
- the Photon Group must not incur any financial indebtedness other than as permitted;
- the Photon Group must not grant any financial accommodation other than as permitted;

-
- the Photon Group must not engage in any speculative derivative transactions;
 - the Photon Group must not enter into any partnerships of joint ventures other than with approval;
 - the Photon Group must not acquire its own shares, redeem any shares at its option, reduce its share capital, give financial assistance in connection with the acquisition of its shares, or allow share terms to be altered in a manner which would cancel or reduce the liabilities of shareholders in relation to the shares;
 - the Photon Group must not enter into any transaction other than on arm's length commercial terms;
 - the Photon Group must not amend its constitutive documents other than as permitted;
 - the Photon Group must not change its financial year;
 - the Photon Group must not appoint a controller or administrator without at least five Business Days' notice to the Bank;
 - the borrower and the guarantors must ensure that they have prudent risk management procedures, policies and internal control and reporting systems;
 - Photon must not make any distribution other than as permitted; and
 - the Photon Group must not enter into any amalgamation, demerger, merger or corporate reconstruction other than as permitted or approved by the Bank.

Repayment

Funds made available under the Existing Facility are due to be repaid at various dates between 30 April 2010 and 30 October 2011. Early repayment may be required if an event of default (see above) under the Existing Facility occurs.

Security

The obligations of Photon under the Existing Facility are secured by a first ranking fixed and floating charge over the assets of Photon and its wholly owned subsidiaries.

Any DBS Shares that Photon acquires pursuant to the Offer will form part of the assets granted as security pursuant to this change.

4.4 Provision of consideration

Photon is unaware of any reason which would prevent:

- (a) any condition precedent to drawdown under the Existing Facility from being satisfied; or
- (b) any representation or warranty being given,

in sufficient time to enable Photon to pay DBS Shareholders who accept the Offer, in accordance with the terms of the Offer.

On the basis of the arrangements described in this Section 4, Photon is of the opinion that it has a reasonable basis for holding the view, and it holds the view, that it will be able to provide the consideration required to satisfy its obligations under the Offer.

Section 5

5.1 Introduction

The following is a broad outline of the principal Australian income tax consequences for individual and company DBS Shareholders associated with acceptance of the Offer. This outline is not exhaustive of all possible income tax considerations that could apply to particular DBS Shareholders. There are a number of limitations to the outline, including that:

- (a) it does not cover the tax treatment for approved deposit funds, insurance organisations, non-complying superannuation funds, pooled superannuation trusts, pooled development funds, trusts or employees of DBS who acquired their DBS Shares in respect of their employment; and
- (b) it is based on Australian tax law in effect at the date of this Bidder's Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

Photon and its advisors do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves. All DBS Shareholders, and particularly those shareholders whose situation is not addressed in this outline as noted above and those non-resident DBS Shareholders, should consult their own independent professional tax advisors regarding the tax consequences of disposing of DBS Shares.

5.2 Acceptance of the Offer and disposal of DBS Shares

Capital gain or loss – Australian Resident DBS Shareholders

The disposal of DBS Shares by a DBS Shareholder pursuant to the Offer constitutes a capital gains tax (CGT) event for Australian income tax purposes.

DBS Shareholders may realise a capital gain or a capital loss in respect of the disposal of their DBS Shares.

In certain circumstances, DBS Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals, and 33 1/3% for complying superannuation funds.

The tax consequences of the disposal of DBS Shares should be as follows:

- a capital gain should arise to the extent that the capital proceeds from the disposal of DBS Shares (being the cash consideration) exceeds the cost base of the DBS Shares (or, in some cases, the indexed cost base); or
- a capital loss should be realised to the extent the capital proceeds received by a DBS Shareholder are less than the reduced cost base of the DBS Shares.

Any capital gain realised in respect of the disposal of the DBS Shares should be included in the DBS Shareholder's assessable income in the tax year in which the Offer is accepted (unless the resulting capital gains are completely offset against other capital losses of the DBS Shareholder). Capital losses may be applied against any other capital gains derived by the DBS Shareholder in the same year. Any unapplied capital losses may be carried forward to be applied against future capital gains. Companies may not be able to carry forward capital losses where there is a change in their ownership.

The availability of indexation or a CGT discount in calculating the amount of the capital gains included in assessable income depends on the date of acquisition of the DBS Shares and whether the DBS Shareholders are companies or individuals.

(a) DBS Shares acquired at or before 11.45am on 21 September 1999

The cost base of DBS Shares is generally equal to the amount paid by the DBS Shareholder for the DBS Shares plus certain incidental costs incurred (for example, brokerage fees). If DBS Shares were acquired at or before 11.45am on 21 September 1999, the cost base of the DBS Shares may be adjusted to include indexation. This is done by reference to changes in the Consumer Price Index from the quarter in which the DBS Shares were acquired until the quarter ended 30 September 1999. While indexation adjustments are taken into account for the purposes of calculating any capital gain, they are ignored when calculating the amount of any capital loss.

Instead of applying indexation to the cost base of their DBS Shares, individuals and complying superannuation funds may instead choose to apply the CGT discount to the net capital gain resulting from the disposal of DBS Shares (i.e. after any capital losses have been applied). The CGT discount is only available to individuals and complying superannuation funds that have held their DBS Shares for at least 12 months prior to the date the Offer is accepted.

Whether it is better for a company or individual DBS Shareholder to choose to include indexation or not will depend upon the particular DBS Shareholder's individual circumstances, including the cost base of the DBS Shares and whether the DBS Shareholder has any available capital losses. DBS Shareholders should consult their own tax advisors in this regard.

(b) DBS Shares acquired after 11.45am on 21 September 1999

If DBS Shares are held by an individual and:

- they were acquired after 11.45am on 21 September 1999; and
- have been held for more than 12 months before the date on which the DBS Shareholder accepted the Offer,

then the CGT discount referred to above should generally be available. The CGT discount applies to the net capital gain on the sale of the DBS Shares after deducting any current year or carried forward capital losses.

There is no entitlement to indexation of the cost base for the DBS Shareholder in these circumstances.

The CGT discount is not available where DBS Shares are held by a company.

DBS Shares held on revenue account – Australian resident DBS Shareholders

Where DBS Shares are held on revenue account such as trading stock or with an intention for resale at a profit, any gain made via the disposal of DBS Shares will be on revenue account and included in the assessable income as ordinary income and taxed at the relevant rate applicable to the particular investor.

If, on the other hand, the cost of the DBS Shares exceeds the cash proceeds received in respect of the DBS Shares, then a loss equal to the excess will be incurred. Any loss will be an allowable deduction from any other assessable income or net capital gains.

Capital gain or loss – non-Australian resident DBS Shareholders

If a DBS Shareholder is not a resident of Australia for Australian income tax purposes, the DBS Shareholder will not be subject to Australian capital gains tax on the disposal of the DBS Shares unless:

- the DBS Shareholder and any associates held or hold, or had an option to hold, 10% or more of the shares in DBS at any time during the two years prior to the disposal of the DBS Shares; and

- more than 50% of the value of DBS (and therefore the value of a DBS Shareholders' DBS Shares) is attributable to Australian real property.

If a DBS Shareholder is not a resident of Australia for Australian income tax purposes and is subject to Australian income tax on capital gains, then the calculation of the capital gain or loss from the disposal of the DBS Shares will be the same as discussed above in relation to Australian resident DBS Shareholders. However, different rates of tax may apply.

DBS Shares held on revenue account – non-Australian resident DBS Shareholders

Non-resident DBS Shareholders should consider their position, as there may be an Australian source to the transaction. The DBS Shareholders should confirm whether the jurisdiction in which they are tax resident has a double tax agreement with Australia and whether that agreement precludes Australia from taxing the profits.

5.3 Stamp duty

All Australian States and Territories currently exempt the transfer of shares quoted on a recognised stock exchange from stamp duty. Therefore, no stamp duty should be payable on the transfer of DBS Shares pursuant to the Offer for so long as DBS remains listed. If DBS is removed from the official list of ASX, stamp duty will be payable on a transfer of DBS Shares by the transferee.

5.4 GST

No GST will be payable on the transfer of the DBS Shares under the Offer.

5.5 Tax file numbers

You need not quote a tax file number when accepting the Offer.

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Section 6

6.1 DBS capital structure

As at the date of this Bidder's Statement, there are 80,358,081 DBS Shares on issue.

As at the date of this Bidder's Statement, there are 4,000,000 DBS Options on issue. Of these DBS Options, 2,400,000 have an exercise price of \$1.20 and the remaining 1,600,000 have an exercise price of \$0.65.

6.2 DBS Share trading

During calendar year 2009 up the Announcement Date, DBS Shares have traded in the range between \$0.13 (30 June 2009) and \$0.27 (7 August 2009). An average daily trading volume of 37,463 DBS Shares has been evident over this period.

The following table summarises DBS share trading over the last two calendar years:

Calendar year	High	Low	Average daily volume	VWAP
2009 ¹	\$0.27	\$0.13	37,463	\$0.21
2008	\$0.97	\$0.18	76,973	\$0.45

Source: IRESS Australian Securities Exchange Data.

Note:

- Reflects trading period from 1 January 2009 to the Announcement Date.

Photon has not included in this Bidder's Statement details of DBS Share trading prices for the period following the Announcement Date as Photon considers that these trading prices reflect, among other things, the terms of this Offer.

6.3 Substantial shareholders

As at the date of this Bidder's Statement, substantial shareholder notices received by DBS and released to the market through ASX disclose the following substantial shareholders:

Name	Number of DBS Shares	Percentage of issued capital
Photon and its controlled entities	23,941,988	30.55% ¹
MMC Contrarion Limited MMC Asset Management Ltd Officium Capital Limited	13,388,881	17.05%

Note:

- Following the issue of 2,000,000 DBS Shares on 2 October 2009, this percentage has decreased to 29.79%.

6.4 Details of Photon's Relevant Interests in DBS Shares and Voting Power in DBS

At the date of this Bidder's Statement, Photon and its Associates had a Relevant Interest in 23,941,988 DBS Shares.

Photon's Voting Power in DBS as at the date of this Bidder's Statement is 29.79%. Photon's Voting Power in DBS immediately before the first Offer is sent is 29.79%.

6.5 Consideration provided for DBS Shares during previous four months

Except as set out below, neither Photon nor any Associate of Photon has provided, or agreed to provide, consideration for a DBS Share under a purchase or agreement during the four months before the date of this Bidder's Statement:

Date of purchase	Number of DBS Shares acquired	Consideration per DBS Share (\$)
1 July 2009	36,227	0.14
3 July 2009	73,550	0.15
6 July 2009	51,000	0.15
23 July 2009	5,714	0.16
24 July 2009	66,447	0.18
27 July 2009	100,000	0.20
28 July 2009	5,000	0.20
4 August 2009	94,550	0.24
5 August 2009	1,277,214	0.25
6 August 2009	95,000	0.25

6.6 No collateral benefits

Neither Photon nor any Associate of Photon has given, or offered or agreed to give, a benefit to another person in the four months prior to the date of this Bidder's Statement or between the date of this Bidder's Statement and the date of the Offer likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of DBS Shares,

which benefit was not offered to all DBS Shareholders under the Offer.

6.7 No escalation agreements

Neither Photon nor any Associate of Photon has entered into any escalation agreement that is prohibited by Section 622 of the Corporations Act.

Section 7

7.1 Material contracts

A number of contracts held by DBS may contain provisions entitling the contract counterparty to terminate the contract in the event of a change of control of the relevant DBS entity.

Photon has not engaged in any discussions with any party with whom DBS or a controlled entity of DBS has a substantive contract for the provision of goods or services to assess the impact of a change of control of DBS on any contract.

7.2 Approvals for payment of Offer Consideration

Photon is not aware of any DBS Shareholder who requires any approval referred to in Clause 6.3 of Appendix A in order to be entitled to be sent any consideration under the Offer.

As far as Photon is aware, as at the date of this Bidder's Statement, the persons to whom Clause 6.3 of Appendix A will apply are: prescribed supporters of the former government of Yugoslavia; ministers and senior officials of the government of Zimbabwe; persons associated with the former government of Iraq (including senior officials, immediate family members of senior officials, or an entity controlled by any of those persons); the Taliban; members of the Al-Qaida organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

7.3 Date for determining holders of DBS Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 2 November 2009.

7.4 ASIC modifications and exemptions

ASIC has published various other class order instruments providing for modifications and exemptions that apply generally to all persons, including Photon. Photon may rely on class order relief granted by ASIC.

7.5 Consents

Watson Mangioni Lawyers Pty Limited has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as solicitors to the Offer in the form and context in which it is named.

Watson Mangioni Lawyers Pty Limited:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Pursuant to ASIC Class Order 01/1543, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement.

7.6 Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Photon and has not previously been disclosed to the holders of DBS Shares), other than as disclosed in this Bidder's Statement.

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Section 8

8.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

\$	Australian dollars.
Acceptance Form	The transfer and acceptance form for the Offer accompanying this Bidder's Statement.
Announcement Date	The date on which the Offer was announced to ASX, namely 1 October 2009.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).
ASTC Settlement Rules	The operating rules of the settlement facility provided by ASTC.
ASX	ASX Limited (ABN 98 008 624 691).
Bank	Australia and New Zealand Banking Group Limited.
Bidder's Statement	The contents of this booklet.
Board	The board of Directors of Photon.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CGT	Capital gains tax.
CHESS	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
CHESS Holding	A holding of DBS Shares on the CHESS subregister of DBS.
Condition	A condition of the Offer being a condition set out in Clause 7.1 of Appendix A.
controlled entity	Has the meaning given in the Corporations Act.
Controlling Participant	Has the meaning given in the ASTC Settlement Rules.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
DBS	Dark Blue Sea Limited (ACN 091 509 796).
DBS Board	The board of directors of DBS.
DBS Group	DBS and its controlled entities.
DBS Option	An option to be issued a DBS Share.
DBS Share	An ordinary share in the capital of DBS.
DBS Shareholder	A registered holder of DBS Shares.
Director	A director of Photon.

EBITDA	Earnings before interest, tax, depreciation and amortisation.
Encumbrance	An interest or power: (a) reserved in or over an interest in any asset including any retention of title; or (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above.
Existing Facility	The existing cash advance facility between Photon and the Bank to be used by Photon to fund the obligations of Photon under this Offer.
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
General Settlement Participant	Has the meaning given to that term in the ASTC Settlement Rules.
GST	Goods and services tax.
Issuer Sponsored Holding	A holding of DBS Shares on DBS' issuer sponsored subregister.
Offer	The offer to acquire DBS Shares set out in Appendix A sent or to be sent to the holders of DBS Shares (or persons entitled to be sent those offers pursuant to the Corporations Act).
Offer Consideration	Consideration offered by Photon for DBS Shares.
Offer Period	The period for which the Offer remains open as set out in Section 2 of Appendix A.
Photon	Photon Group Limited (ACN 091 524 515).
Photon Group	Photon and its controlled entities.
Prescribed Occurrences	The matters set out in Clause 7.1(b) of Appendix A.
Relevant Interest	Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
Review	The strategic review referred to in Section 3.2.
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from DBS Shares directly or indirectly after the date of this Bidder's Statement, including all dividends, distributions, and all rights to receive dividends or distributions, or to receive or subscribe for Securities, stock shares, notes, bonds, options or other securities, declared, paid or issued by DBS or any of its controlled entities.
Security	Has the meaning as given in section 92 of the Corporations Act.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.
VWAP	Volume weighted average price.

8.2 Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the Section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement, including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes a right;
- (j) the terms **includes, included, including** and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including an order, regulation, or instrument;
- (l) 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;
- (m) a reference to an asset includes all property or title of any nature including a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise;
- (n) a statement made in this Bidder's Statement is made as at the date of this Bidder's Statement;
- (o) a term referred to in this Bidder's Statement or the Offer that relates to CHESS and is not specifically defined in this Bidder's Statement has the meaning given to it in the Corporations Act or the ASTC Settlement Rules (if any) as the context requires; and
- (p) a reference to the Corporations Act is a reference to the Corporations Act as modified in its application to this Offer or Photon by ASIC under section 655A of the Corporations Act.

Section 9

This Bidder's Statement has been approved by resolution of the Directors of Photon.

Dated
30 October 2009

Signed
For and on behalf of Photon



Tim Hughes
Executive Chairman

Appendix A



1. Photon's Offer

- 1.1 Photon offers to acquire your DBS Shares on the terms and conditions of this Offer. You may only accept this Offer in respect of all of your DBS Shares.
- 1.2 The consideration being offered by Photon is \$0.30 for each DBS Share.
- 1.3 If you accept this Offer and Photon acquires your DBS Shares, Photon is also entitled to any Rights in respect of your DBS Shares.
- 1.4 If you wish to accept this Offer and you are not resident in the Commonwealth of Australia or your acceptance is for any reason governed by a Foreign Law, then you should ensure you comply with any relevant Foreign Law. It is your sole responsibility to satisfy yourself as to full compliance with the Foreign Law and to obtain any necessary governmental or other consents. This Offer is not registered in any jurisdiction outside Australia (unless that registration is treated by a Foreign Law as occurring by reason of the lodgement of the Bidder Statement with the ASIC).

2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on the date of this Offer and ending at 7.00pm (Sydney time) on 14 December 2009, subject to any extension of that period in accordance with sections 650C and 650D of the Corporations Act.

3. Who may accept

- 3.1 An offer in the form of this Offer is being made to:
 - (a) each holder of DBS Shares registered, or entitled to be registered, in the register of members of DBS at 7.00pm (Sydney time) on 2 November 2009; and
 - (b) each other holder of DBS Shares who becomes so registered before the end of the Offer Period.
- 3.2 If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of, or entitled to be registered as the holder of, some or all of your DBS Shares (transferred shares), Photon is deemed, in place of this Offer, to have made at that time a corresponding Offer:
 - (a) to the other person, relating to the transferred shares; and
 - (b) to you, relating to your DBS Shares other than the transferred shares (if any).

- 3.3 If at any time during the Offer Period and before this Offer is accepted, you hold your DBS Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act:
 - (a) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your DBS Shares;
 - (b) to accept any of those corresponding Offers, you must specify:
 - (i) by written notice accompanying your Acceptance Form; or
 - (ii) if the notice relates to DBS Shares in a CHESS Holding, in an electronic form approved by the ASTC Settlement Rules, that your DBS Shares consist of distinct portions and the number of the DBS Shares to which the acceptance relates; and
 - (c) otherwise, section 653B of the Corporations Act applies to this Offer in respect of your DBS Shares and any acceptance of this Offer by you.

4. How to accept this Offer

- 4.1 You may only accept this Offer in respect of all of your DBS Shares.
- 4.2 You may only accept this Offer during the Offer Period.
- 4.3 If your DBS Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASTC Settlement Rules.
- 4.4 To accept this Offer, you should proceed as follows:
 - (a) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and return it, so that the envelope in which it is sent is received by Photon in accordance with the Acceptance Form before the end of the Offer Period; and
 - (b) if your DBS Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form), you may either:
 - (i) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period; or
 - (ii) if you are a General Settlement Participant, initiate acceptance of the Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

5. Effect of acceptance

5.1 By accepting the Offer in accordance with Clause 4.4, you will have:

- (a) accepted this Offer in respect of all of your DBS Shares;
 - (b) agreed to transfer your DBS Shares to Photon (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
 - (c) represented and warranted to Photon that your DBS Shares will at the time of acceptance of this Offer and at the time of their transfer to Photon be fully paid up and that Photon will acquire good title to and beneficial ownership of your DBS Shares free from all Encumbrances and other adverse third party interests of any kind;
 - (d) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Photon and each of its Directors, secretaries and officers severally from time to time as your attorney to do all things which you could lawfully do in relation to your DBS Shares or in exercise of any right derived from the holding of such DBS Shares, including:
 - (i) attending and voting at any general meeting of DBS;
 - (ii) notifying DBS that your address in the records of DBS for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Photon; and
 - (iii) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Photon as the registered holder of your DBS Shares.

Photon must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Clause 5.1(d);
 - (e) agreed that in exercising the powers conferred by the power of attorney under Clause 5.1(d) the attorney may act in the interests of Photon as the intended registered holder and beneficial holder of those DBS Shares;
 - (f) after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional, agreed not to attend or vote in person at any general meeting of DBS or to exercise or purport to exercise any of the powers conferred on an attorney under Clause 5.1(d);
 - (g) represented and warranted to Photon that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;
 - (h) agreed to indemnify Photon and DBS fully in respect of any claim, demand, action, suit or proceeding made or brought against DBS and any loss, expense, damage or liability whatsoever suffered or incurred by Photon, in each case as a result of any representation or warranty made by you not being true; and
 - (i) irrevocably authorised and directed DBS to pay to Photon or to account to Photon for all dividends and other distributions and entitlements which are declared, paid or made or which arise or accrue after the Announcement Date in respect of the DBS Shares which Photon acquires pursuant to this Offer, subject if your acceptance of this Offer is validly withdrawn pursuant to Section 650E of the Corporations Act or the contract resulting from that acceptance becomes void, to Photon accounting to you for any such dividends, distributions and entitlements received by it.
- 5.2 By completing, signing and returning the Acceptance Form, you will also have:
- (a) authorised Photon and each of its Directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
 - (i) to make the Acceptance Form an effectual acceptance of this Offer; and
 - (ii) to enable registration of the transfer to Photon of your DBS Shares; and
 - (b) authorised Photon and each of its Directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASTC Settlement Rules.
- 5.3 Photon may at any time in its absolute discretion:
- (a) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although all of the other requirements for a valid acceptance have not been complied with; and
 - (b) where you have satisfied the requirements for acceptance in respect of only some of your DBS Shares, treat the acceptance as a valid acceptance only in respect of those DBS Shares.
- In respect of any part of an acceptance treated by Photon as valid, Photon must provide you with the relevant consideration in accordance with Clause 6.1.

6. Provision of consideration

- 6.1 Photon must provide the consideration for your DBS Shares no later than the following times:
- (a) if you give the necessary transfer documents with your acceptance under Clause 4.4 – no later than one month after this Offer is accepted or this Offer (or the contract resulting from its acceptance) becomes unconditional, whichever is the later, but in any event not later than 21 days after the end of the Offer Period;
 - (b) if you have given the necessary transfer documents after delivery of your acceptance under Clause 4.4 but during the Offer Period – not later than one month after delivery of the necessary transfer documents; or
 - (c) if you have given the necessary transfer documents after delivery of your acceptance under Clause 4.4 but after expiry of the Offer Period – not later than 21 days after Photon receives the necessary transfer documents.
- 6.2 If you accept this Offer, Photon is entitled to all Rights in respect of your DBS Shares. Photon may require you to give it any documents necessary or desirable to vest in it title to those Rights. If you do not do so, or if you have received the benefit of those Rights before Photon has sent the consideration to you, Photon may deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by Photon) of those Rights.
- 6.3 If at the time you accept this Offer:
- (a) any authority or clearance of the Reserve Bank of Australia or the Australian Taxation Office is required for you to receive any consideration under this Offer; or
 - (b) you are resident of a place to which, or you are a person to whom, any other law of Australia or elsewhere would make it unlawful for Photon to provide consideration for your DBS Shares, then your acceptance of this Offer does not create or transfer to you any right to receive the consideration specified in this Offer unless and until you obtain all requisite authorities or clearances.
- 6.4 Payment of any cash amount to which you become entitled by accepting this Offer will be made by cheque in Australian currency.
- 6.5 Photon will send any relevant cheques by pre-paid mail (airmail in the case of overseas shareholders) to your address as shown in the Acceptance Form.

7. Conditions of this Offer

- 7.1 Subject to Clauses 7.2 and 7.4, this Offer and the contract that results from acceptance of this Offer are each conditional on the following occurrences:
- (a) the number of DBS Shares in which Photon and its Associates have a Relevant Interest at the expiry of the Offer Period is not less than 50.1% of the DBS Shares then on issue; and
 - (b) none of the following happens during the period commencing on the Announcement Date and ending on the expiry of the Offer Period (each being a separate condition):
 - (i) DBS converts all or any of its shares into a larger or smaller number of shares;
 - (ii) DBS or a subsidiary of DBS resolves to reduce its share capital in any way;
 - (iii) DBS or a subsidiary of DBS:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) DBS or a subsidiary of DBS issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) DBS or a subsidiary of DBS issues, or agrees to issue, convertible notes;
 - (vi) DBS or a subsidiary of DBS disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) DBS or a subsidiary of DBS charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) DBS or a subsidiary of DBS resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of DBS or of a subsidiary of DBS is appointed;
 - (x) a court makes an order for the winding up of DBS or of a subsidiary of DBS;
 - (xi) an administrator of DBS, or of a subsidiary of DBS, is appointed under Section 436A, 436B or 436C of the Corporations Act;
 - (xii) DBS or a subsidiary of DBS executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of DBS or of a subsidiary of DBS.

- 7.2 The conditions in Clause 7.1 are conditions subsequent. Subject to section 650G of the Corporations Act, the non-fulfilment of any of the conditions subsequent does not prevent your acceptance of this Offer resulting in a contract to sell your DBS Shares but entitles Photon by a notice given to DBS to rescind that contract.
- 7.3 Subject to the Corporations Act and Clause 7.4, Photon alone is entitled to the benefit of the Conditions or to rely on the non-fulfilment of any Condition.
- 7.4 Subject to the Corporations Act, Photon may declare the Offers free from any of the Conditions by giving notice in writing to DBS. If at the end of the Offer Period (or, in the case of the Conditions referred to in Clause 7.1(b), at the end of three Business Days after the end of the Offer Period), in respect of any Condition, Photon has not declared the Offer (and it has not become) free from that Condition and that Condition has not been fulfilled, all the contracts resulting from acceptance of the Offer are automatically void.
- 7.5 The date for publication of the notice under section 630(1) of the Corporations Act is 7 December 2009 (subject to extension in accordance with section 630(2) if the Offer Period is extended under section 650C of the Corporations Act).

8. Withdrawal of Offers

- 8.1 This Offer may be withdrawn by Photon, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- 8.2 Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Photon given to DBS.
- 8.3 Subject to any conditions imposed by ASIC on its consent, where Photon withdraws this Offer:
- this Offer, if not previously accepted, automatically becomes incapable of acceptance; and
 - any contract resulting from an acceptance of this Offer before the withdrawal (and for this purpose this Offer is treated as having continued in existence notwithstanding that acceptance) is automatically void.

9. Variation

Photon may vary this Offer in accordance with the Corporations Act.

10. Photon's Relevant Interests

At the date of this Offer, there are 80,358,081 DBS Shares on issue. Immediately before this Offer was sent, Photon had a Relevant Interest in 23,941,988 DBS Shares.

11. No stamp duty

Photon must pay all stamp duty (if any) payable on the transfer of your DBS Shares to it if you accept this Offer.

12. Interpretation

- 12.1 Terms defined in Section 8.1 of the Bidder's Statement have the same meaning in this Offer.
- 12.2 The interpretation provisions set out in Section 8.2 of the Bidder's Statement apply to this Offer and the Acceptance Form as if set out in full in this Offer and the Acceptance Form.
- 12.3 This Offer and any contract that results from an acceptance of it are governed by the laws of the State of New South Wales.

This Offer is dated 13 November 2009.

Appendix B

B

1 October 2009

ASX/MEDIA RELEASE

TAKEOVER OFFER FOR DARK BLUE SEA AT 30 CENTS PER SHARE

Photon Group Limited (ASX Code: PGA) today announced that it intends to make a takeover offer for all of the ordinary shares issued in ASX-listed Dark Blue Sea Limited (DBS) for 30 cents per share.

Photon has a relevant interest in 30.55% of all issued ordinary shares in DBS.

In announcing the takeover offer, Photon's Executive Chairman Mr Tim Hughes, said "Photon believes the bid is an extremely attractive offer for DBS Shareholders, representing a 56% premium to the average trading price of DBS Shares in the last month."

Michael Birch, Managing Director of DBS' second largest shareholder, Huon Capital, said "We intend to accept Photon's offer for our entire relevant interest in approximately 14.25% of DBS Shares, in the absence of a higher offer for all of the DBS Shares outstanding."

Photon's offer is free of conditions other than a minimum acceptance condition of 50.1% and a condition that certain prescribed occurrences do not occur. Full details of these conditions are set out in Annexure A.

Photon will prepare a Bidder's Statement for dispatch to DBS Shareholders as soon as possible.

For any other enquiries please contact:

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Executive Chairman
Photon Group Limited
0419 555 733

Matthew Bailey
CEO
Photon Group Limited
0413 337 722

Tim Allerton
City PR
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0412 715 707

Annexure A – Conditions to the offer

The offer is subject to the following conditions:

1. 50.1% minimum acceptance condition

The number of DBS ordinary shares in which Photon Group Limited and its associates have a relevant interest at the expiry of the offer period is not less than 50.1% of the DBS ordinary shares then on issue.

2. No prescribed occurrences

None of the following events happen before the end of the offer period (each being a separate condition):

- (a) DBS converts all or any of its shares into a larger or smaller number of shares;
- (b) DBS or a subsidiary of DBS resolves to reduce its share capital in any way;
- (c) DBS or a subsidiary of DBS:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) DBS or a subsidiary of DBS issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) DBS or a subsidiary of DBS issues, or agrees to issue, convertible notes;
- (f) DBS or a subsidiary of DBS disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) DBS or a subsidiary of DBS charges, or agrees to charge, the whole, or a substantial part, of its business or property;
- (h) DBS or a subsidiary of DBS resolves to be wound up;
- (i) a liquidator or provisional liquidator of DBS or of a subsidiary of DBS is appointed;
- (j) a court makes an order for the winding up of DBS or of a subsidiary of DBS;
- (k) an administrator of DBS, or of a subsidiary of DBS, is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) DBS or a subsidiary of DBS executes a deed of company arrangement;
- (m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of DBS or of a subsidiary of DBS.

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Directory

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Website: www.photongroup.com

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Mr Tim Hughes (Executive Chairman)
Mr Matthew Bailey (CEO, Director)
Mr Brian Bickmore (Non Exec. Director)
Mr Paul Gregory (Non Exec. Director)
Ms Susan McIntosh (Non Exec. Director)

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