MERCURY MOBILITY

prospectus

MERCURY MOBILITY LTD
ACN 125 736 914

For an underwritten 3 for 16 non-renounceable pro rata Offer of approximately 15 million shares at an Offer Price of 20 cents per Share to raise approximately $3 million

And for invitations to Eligible Employees to subscribe for Shortfall Shares at an Offer Price of 20 cents per Share

This is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this Prospectus, you have any questions about the securities being offered under this Prospectus, you should contact your stockbroker, accountant or other professional adviser. An investment in New Shares offered under this Prospectus should be considered high risk.

Sponsoring Broker
SHAW Stockbroking Limited

Underwriter
CVC Limited

IMPORTANT INFORMATION

This Prospectus is dated 25 June 2007 and was lodged with ASIC on that date. Neither ASIC nor ASX take any responsibility for the content of this Prospectus or the merits of the investment to which it relates. Mercury Mobility Ltd (Company) will apply for admission to the Official List of ASX and quotation of all Shares on the Official List of ASX within 7 days after the date of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

You should read this Prospectus in its entirety before deciding to complete and lodge an Application Form and, in particular, in considering the prospects of the Company, you should consider the risk factors that could affect the Company's financial performance. You should consider these factors in the light of your personal circumstances (including financial and taxation issues). Some of the risk factors that should be considered by potential investors are outlined in Section 6. If you have any questions you should seek professional advice from your stockbroker, accountant or other professional adviser before deciding to invest.

Eligible Shareholders will receive a copy of the Prospectus together with a personalised Entitlement and Acceptance Form which accompanies the Prospectus. A copy of the Prospectus without an Entitlement and Acceptance Form will be available on the Company's website at www.mercurymobility.com.au. No applications may be made pursuant to the electronic version of this Prospectus.

Restrictions on foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares being offered under the Offer or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia, New Zealand, the United Kingdom and the province of Prince Edward Island, Canada.

The New Shares being offered under this Prospectus are offered in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

This prospectus does not constitute an offer of securities in the United States or to any US Person. The New Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, a US person, except in a transaction exempt from the registration requirements of the Securities Act and applicable United States state securities laws.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, the Directors, or the Underwriter.

Exposure Period

This Prospectus will be made generally available to Australian residents during the Exposure Period by being posted on the Company's Internet site at www.mercurymobility.com.au. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the raising of funds. Applications under this Prospectus received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period. A free paper copy of this Prospectus is available on request to the Company during the Exposure Period.

Definitions and abbreviations and financial amounts

Defined terms and abbreviations used in this Prospectus are explained in the Glossary at the end of this document. The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise.

KEY INVESTMENT DETAILS

Key Offer statistics

Offer Price per New Share	20 cents
Offer ratio	3 New Shares for every 16 Shares held at midnight Brisbane time on 8 June 2007
Number of Shares offered	15,000,089
Total Shares on issue on completion of the Offer *	105,000,568
Approximate market capitalisation at the Offer Price	$21,000,000

* Assumes that the 10 million options granted to the Managing Director are exercised on or before the Closing Date - see sections 1.5 and 8.7.

Key dates

Prospectus lodged with ASIC	25 June 2007
Offer Opening date	2 July 2007
Offer Closing date	23 July 2007
Allotment date	27 July 2007
Shares expected to commence trading on ASX	1 August 2007

These dates are indicative only. The Company in consultation with the Underwriter may close the Offer early or extend the Offer period without prior notice.

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WHAT YOU SHOULD DO

1. **Read** — Read this Prospectus taking particular note of the Risks outlined in Section 6.

2. **Consider** — Consider all risks and other information with regard to your particular investment objectives and circumstances

3. **Consult** — Take the advice of your stockbroker, accountant, solicitor or other professional adviser if you require any further information

4. **Decide** — If you decide to accept your Entitlement to take up New Shares, then either:

   - complete and lodge the personalised Entitlement and Acceptance Form accompanying this Prospectus with the applicable Application Monies (cheque or bank draft); or
   - make your payment via BPAY®. Where you pay by BPAY® there is no need to submit the personalised Entitlement and Acceptance Form.

   Additional details of how to accept Entitlements are set out in Section 2.2 of this Prospectus.

   If you decide to apply for Shares under the Employee Offer, then either:

   - complete and lodge the appropriate Application Form accompanying this Prospectus with the applicable Application Monies (cheque or bank draft); or
   - make your payment via BPAY®. Where you pay by BPAY® there is no need to submit any Application Form.

   Additional details of how to apply for Shares under the Employee Offer are set out in Section 2.3 of this Prospectus.

LETTER FROM THE CHAIRMAN

25 June 2007

Dear Investor

Mercury Mobility is a mobile phone personalisation, entertainment and technology company which provides quality content to end users through relationships with leading telecommunications carriers and content providers.

Following its recent demerger from the Cellnet Group, Mercury Mobility Ltd is seeking to raise approximately $3 million by making a fully underwritten non-renounceable pro-rata Offer and an Employee Offer.

The funds raised will be used to develop technology for further carrier managed solutions, carry out research and development and further develop local and international business - see section 1.4.

The details of the Offer are set out in this Prospectus. The Offer comprises an Entitlement Offer to Eligible Shareholders and an Employee Offer to Eligible Employees.

Under the terms of the Entitlement Offer, Eligible Shareholders are entitled to subscribe for 3 New Shares at 20 cents per New Share for every 16 Shares held at midnight (Brisbane time) on 8 June 2007. This entitlement is non-renounceable, which means that Entitlements may not be sold. The Entitlement Offer is fully underwritten by CVC Limited, an ASX listed diversified investment company and an existing shareholder.

Entitlements not taken up will lapse on the Closing Date and will form part of the shortfall. Shortfall Shares will then be made available to Eligible Employees under the Employee Offer before being made available to the Underwriter to be dealt with in accordance with the Underwriting Agreement.

This Prospectus contains information about Mercury's operations, financial position, financial performance and prospects. The Prospectus should be read carefully and in particular, investors should be aware of the investment risks described in Section 6.

The Offer provides an opportunity for you to share our exciting future. On behalf of the Board, I commend this investment opportunity to you.

Yours faithfully,

Mel Brookman

Chairman

OFFER AT A GLANCE

Question	Answer	Where to find more information
Who is Mercury?	Mercury Mobility is a mobile phone personalisation, entertainment and technology company which provides quality content to end users through relationships with leading telecommunications carriers and content providers.	Section 3
What is the purpose of the Offer?	The funds raised under the Offer will be used to: • develop technology for carrier managed solutions • carry out research and development innovation for products • develop local and international business • develop direct to customer products • work on content production to generate higher content sales • pay the costs of the Offer	Section 1.4
How much will be raised through the Offer?	Approximately $3 million	Section 2.1
What is the Offer Price?	20 cents per New Share	Sections 2.2 and 2.3
How can I participate?	There are 2 Offers: • an Entitlement Offer for Eligible Shareholders • an Employee Offer of Shortfall Shares for Eligible Employees	Section 2.1
Who is eligible to participate in the Entitlement Offer?	Eligible participants in the Entitlement Offer are those persons who: • were registered as Shareholders as at midnight (Brisbane time) on 8 June 2007 (**Record Date**); and • have registered addresses in Australia, New Zealand, the United Kingdom and any other country in which the Offer may be lawfully made.	Section 2.2

Question	Answer	Where to find more information
What is an Entitlement?	An Eligible Shareholder's Entitlement is the number of New Shares the Eligible Shareholder is entitled to purchase under the Entitlement Offer. For every 16 Shares an Eligible Shareholder held at midnight (Brisbane time) on 8 June 2007, an Eligible Shareholder is entitled to apply for 3 New Shares. If you are an Eligible Shareholder, your Entitlement is set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus.	Section 2.2
What can I do with my Entitlement?	Eligible Shareholders can either: • take up your Entitlement in full; • take up your Entitlement in part; or • not take up your Entitlement.	Section 2.2
What do I do if I want to take up my Entitlement in full?	If you wish to take up your Entitlement and pay by **cheque or bank draft** you should: • complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on the form; and • attach payment for the full amount payable (being 20 cents multiplied by the number of New Shares comprising your Entitlement) to the form; and • return the Entitlement and Acceptance Form to the Registry. If you wish to take up your Entitlement and pay **via BPAY®**, you should follow the payment instructions on the reverse of the Entitlement and Acceptance Form. Where you pay by BPAY® there is no need to submit the personalised Entitlement and Acceptance Form.	Section 2.2

Question	Answer	Where to find more information
What do I do if I want to take up my Entitlement in part?	If you wish to take up your Entitlement in part and pay by **cheque or bank draft** you should: • complete the personalised Entitlement and Acceptance Form accompanying this Prospectus with the number of New Shares you wish to accept in accordance with the instructions set out on the form; and • attach payment for the appropriate amount payable (being 20 cents multiplied by the number of New Shares you wish to apply for) to the form; and • return the Entitlement and Acceptance Form to the Registry. If you wish to take up part of your Entitlement and pay **via BPAY®**, you should follow the payment instructions on the reverse of the Entitlement and Acceptance Form. Where you pay by BPAY® there is no need to submit the personalised Entitlement and Acceptance Form.	Section 2.2
What do I do if I don't want to take up any of my Entitlement?	If you do not want to take up your Entitlement, you should do nothing. If you do nothing, New Shares of an equivalent number to the New Shares represented by your Entitlement will be offered to the Underwriter in accordance with the terms of the Underwriting Agreement. If you do not take up New Shares under your Entitlement, you will continue to own your existing Shares. However, your percentage shareholding in Mercury will be reduced following the issue of all the New Shares under the Offer.	Section 2.2
What are the tax implications of taking up or not taking up my Entitlement?	A summary of the potential general tax implications of the Entitlement Offer for Australian investors are set out in Section 8.8. The discussion is in general terms and is not intended to provide specific advice in relation to the circumstances of any particular Shareholder or investor. Eligible Shareholders should seek their own tax advice before deciding how to deal with their Entitlement.	Section 8.8

Question	Answer	Where to find more information
What is being offered to employees?	The Employee Offer comprises 2 parts: • the Employee Share Plan Offer; and • the General Employee Offer.	Section 2.3
Who is eligible to participate in the Employee Share Plan Offer?	Any employee of the Company or its controlled entities who, at the date of this Prospectus has been an employee for at least 12 months and who remains employed by a Group company as at the Closing Date, is eligible to participate. The Board may also determine that an employee is an eligible employee.	Section 2.3
What is the Employee Share Plan Offer?	This is an invitation to Eligible Employees to subscribe for Shortfall Shares, if any, to be issued under the Employee Share Plan. Eligible Employees can apply for a maximum of 5,000 Shortfall Shares (being $1,000 worth at the Offer Price). There are no Application Monies payable in respect of these Shares but conditions apply to shares issued under the Employee Share Plan.	Section 2.3
What is the General Employee Offer?	This is a general invitation to subscribe for any Shortfall Shares not taken up in the Employee Share Plan Offer. Any employee of the Group can apply for Shortfall Shares at the Offer Price up to a maximum of a total of 500,000 Shortfall Shares for all employees.	Section 2.3
What are the key dates of the Offer?	Key dates of the Offer include: Lodgement of prospectus — 25 June 2007 Offer opens — 2 July 2007 Offer closes — 23 July 2007 Despatch date for holding statements — 27 July 2007 Expected date for new shares to commence trading on ASX — 1 August 2007	Key Dates section

Question	Answer	Where to find more information
What are the risks associated with Shares in Mercury?	Investors should refer to Section 6 for a more detailed list of the risks associated with investing in Mercury. Some of these risks include: • Start up business risk • Commercialisation risk • Managing growth and funding • Competition • Reliance on key customers • Relationship with content providers • Intellectual property • Technological change • Overseas business risk	Section 6
Is the Offer underwritten?	Yes, the Offer is fully underwritten by CVC Limited, as existing shareholder.	Section 7.3
What fees are payable to the Underwriter in relation to the Offer?	An underwriting fee of 4% of the Underwritten Amount	Section 7.3
How can further information be obtained?	If you would like more information, you should contact your stockbroker, accountant, solicitor or other professional adviser.	
Further contact details	For further contact details, see the Corporate Directory at the back of this Prospectus	Corporate Directory

1 INVESTMENT OVERVIEW

1.1 Overview of Mercury

Mercury Mobility is a mobile phone personalisation, entertainment and technology company which provides quality content to end users through key relationships with leading telecommunications carriers and content providers.

1.2 Key investment features

✓ Track record – Mercury is an established leader in mobile phone content creation, licensing, and its management and delivery technology, with a proven record of providing reliable, profitable content solutions to major telecommunications carriers, content providers and end-users.

✓ Large potential market – Mercury has achieved its successful innovation and profit record despite focusing almost exclusively in the small but leading edge Australasian market. Mercury's content and technology solutions are fully operational and readily portable to other markets. For the last 2 years, Mercury has focused on international expansion and in the last 12 months Mercury has secured accounts in Europe and North America. Continuing this expansion is a key focus for the future.

✓ Innovation – Mercury has consistently identified new opportunities for high quality content and as a result has been the first to market with innovative content and technology on numerous occasions.

✓ People – In a relatively new field with a limited talent pool, Mercury has a strong established operational team with a proven ability to deliver profitable content solutions.

1.3 The Offer

This Prospectus contains information on:

- a fully underwritten pro rata non-renounceable Entitlement Offer of 15,000,089 New Shares; and
- an Employee Offer of Shortfall Shares for Eligible Employees.

1.4 Purpose of the Offer and use of proceeds

The Directors believe that in order to grow the Mercury business, it needs to upscale and invest in the business to consolidate its position as a leading provider of mobile phone content, personalisation products and entertainment.

The purpose of the Offer is to:

- establish a financial and ownership structure that will facilitate the continued expansion of the Company's business;
- achieve listing on the ASX;
- fund the Company's business objectives; and
- pay the Offer expenses.

Mercury's present expenditure program over the next 12 months is summarised in the following table.

Use of Funds	Amount
Further enhancements to the existing Mercury technology platforms and the development of new technology platforms to allow Mercury to service and secure more telecommunications carrier clients.	$1,200,000
Local and international business development initiatives	$500,000
Capital expenditure on content production equipment, computer hardware and fit out for new business premises	$200,000
Offer costs	$440,000
Repayment of loan	$145,000
Working capital	$515,000
***Total**	**$3,000,000**

** As no Application Monies are payable to apply for shares under the Employee Share Plan component of the Employee Offer, the total gross amount raised may be less than $3,000,000, but the difference is not expected to be material.*

These figures do not take into account other funds available or expected to be available to the Company, such as earnings from existing business.

The Directors consider that, upon close of the Offer and receipt of the proceeds, the Company will have enough working capital to carry out its immediate business objectives as stated in section 3.12 of this Prospectus.

1.5 Capital structure

The effect of the Offer on the capital structure of Mercury is set out in the table below:

Share Capital	Number of Shares
Ordinary Shares on issue at the date of this Prospectus	80,000,479
New Shares offered under this Prospectus	15,000,089
Total Shares before exercise of *options	**95,000,568**
Shares expected to be issued on or before 30 June 2007 on exercise of *options	10,000,000
Total Shares on issue on completion of the Offer	**105,000,568**

** 10 million options have been issued to the Managing Director, Ben Grootemaat, under the Executive Share and Option Plan and are expected to be exercised on or before 30 June 2007. Information on the Executive Share and Option Plan and the options granted is included in sections 8.6 and 8.7. The Shares issued upon exercise of the options will not carry any Entitlement to Shares under the Entitlement Offer because they will have been issued after the record date for the Entitlement Offer.*

The Directors intend to issue further Shares or options under the Executive Share and Option Plan to eligible executives, in addition to the 10 million options already on issue. The Directors' present intention is that the further Shares or options which may be issued will not represent more than 15% of the fully diluted share capital of the Company from time to time.

1.6 Selected financial information

The following table is a summary of:

- The Historical Financial Information for Mercury Mobility (Australia) Pty Ltd (the principal operating subsidiary) for the financial years ended 30 June 2005 and 30 June 2006; and
- The proforma forecast consolidated income statement for the Group for the year ending 30 June 2007.

	Actual	Actual	Forecast
$ million	Year ended 30 June 2005 (A-IFRS)	Year ended 30 June 2006 (A-IFRS)	Year ending 30 June 2007 (A-IFRS)
Revenue ($m)	6.3	8.0	5.8
EBITDA ($m)	2.2	3.1	(1.2)
NPAT ($m)	1.5	2.0	(1.6)

Notes:

(1) The Historical Financial Information is based on the unaudited management accounts for Mercury Mobility (Australia) Pty Ltd for the years ended 30 June 2005 and 30 June 2006 which were prepared in accordance with the accounting policies detailed in Section 5.9. Mercury Mobility (Australia) Pty Ltd is the principal operating company in the Group.

(2) The forecast consolidated income statement for the Group is based on unaudited management accounts for the Mercury Group for the 11 months to 31 May 2007, a Directors forecast for the month of June 2007.and the proforma adjustments set out in section 5.3. Further details of the specific assumptions underlying the forecast information are disclosed in Section 5.3.

(3) Mercury Mobility (Australia) Pty Ltd adopted A-IFRS for the year ended 30 June 2006, and at the same time restated the 30 June 2005 financials as though AIFRS applied for that year.

(4) The results for the years ending 30 June 2005 and 30 June 2006 included one-off revenue items of $0.8m and $1.3m respectively

(5) The forecast consolidated income statement for the Group for the year ending 30 June 2007, includes:

- a one-off $1.75m expense for the issue of options to the Managing Director;
- expenditure incurred in the setting up of operations in international markets; and
- a reduction in revenue, but not profits, due to a trend where the telecommunication carrier customers of the Company pay it amounts net of content licence holder royalties rather than gross amounts.

Mercury has a track record of an ability to generate positive earnings and is positioned for further growth.

This information is intended as a summary only. More detailed information and commentary can be found in Section 5.

1.7 Risks

An investment in Mercury is subject to general and specific risks which may affect the value of its Shares and the financial performance, financial position, cash flows, dividends, growth prospects and share price of Mercury. Many of these risks are outside the control of Mercury and the Directors. There can be no guarantee that Mercury will achieve its stated objectives or that any forecasts will be met. Prior to deciding whether to invest in Mercury, potential investors should read the entire Prospectus and, in particular, should carefully consider the assumptions underlying the FY2007 Forecast Financial Information set out in Section 5 and the risk factors in Section 6.

1.8 Underwriting

All of the New Shares offered under this Prospectus have been underwritten by CVC Limited, an existing shareholder and ASX listed diversified investment company. The Underwriting Agreement provides that CVC Limited may terminate the Underwriting Agreement in certain circumstances. The Underwriting Agreement is summarised in section 7.3.

1.9 Rights attaching to Shares

New Shares issued pursuant to this Prospectus will rank equally in all respects with existing Shares from the date of allotment. The rights attaching to Shares are:

- set out in the Constitution (which may be examined from 9:00am to 5:00pm during business days at the registered office of the Company);
- in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law; and
- Summarised in Section 8.3.

2 DETAILS OF THE OFFER

2.1 Description of the Offer

The Offer comprises:

- a fully underwritten pro rata non-renounceable Entitlement Offer of 15,000,089 New Shares;
- an Employee Offer of Shortfall Shares for Eligible Employees.

Subject to the successful completion of the Offer, approximately $3 million will be raised under the Offer, before costs.

2.2 The Entitlement Offer

Description of the Entitlement Offer

Mercury is offering to Eligible Shareholders, by way of a non-renounceable pro-rata entitlement offer, 3 New Shares for every 16 Shares recorded in their name in the Register as at midnight (Brisbane time) on 8 June 2007 (the **Record Date**), at an Offer Price of 20 cents per New Share.

An Eligible Shareholder is a Shareholder who at the Record Date has a registered address in Australia, New Zealand, the United Kingdom or any other country in which the Entitlement Offer may be lawfully made.

Fractional entitlements to New Shares will be rounded down to the nearest whole number. The Entitlement of each Eligible Shareholder under the Entitlement Offer is shown on the personalised Entitlement and Acceptance Form accompanying this Prospectus. If you are an Eligible Shareholder and did not receive your personalised Entitlement and Acceptance Form, please call the Registry on 1300 552 270 or your stockbroker or professional adviser.

Entitlement Offer is non-renounceable

The Entitlement Offer is non-renounceable, which means that your Entitlement cannot be sold.

Entitlement Offer is underwritten

The Entitlement Offer is fully underwritten by CVC Limited (**CVC** or **Underwriter**). Any portion of the Entitlements that is not accepted will lapse and, subject to applications received under the Employee Offer and to the Underwriting Agreement, the Underwriter will subscribe for the New Shares not accepted.

The terms and conditions of the underwriting, including termination rights, the potential effect on the control of the Company and the intentions of the Underwriter are summarised in section 7.3 of this Prospectus.

The Underwriter is an ASX listed investment company and an existing Shareholder. A Mercury director, Mr Sandy Beard is also a director of CVC. The Directors (with Mr Beard not being present) resolved to appoint CVC as the underwriter, because the proposed underwriting terms and conditions were considered to be commercially attractive to the Company.

How to accept the Entitlement Offer

Acceptance of the Entitlement Offer must be made on the Entitlement and Acceptance Form attached to or accompanying this Prospectus. Acceptance of your Entitlement may be for any number of New Shares but must not exceed your Entitlement as shown on that form. If it does, your acceptance is deemed to be for your full Entitlement.

To accept your Entitlement in full:

- complete the Entitlement and Acceptance Form, filling in the details in the spaces provided;
- attach your cheque for the amount indicated on the Entitlement and Acceptance Form; and
- use the addressed envelope enclosed with this Prospectus to post the Entitlement and Acceptance Form with full payment to the Registry so it is received by the Closing Date, **5.00 pm Brisbane time 23 July 2007.**

To accept your Entitlement in part:

- fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form;
- attach your cheque for the appropriate Application Monies (at 20 cents per New Share); and
- use the addressed envelope enclosed with this Prospectus to post the Entitlement and Acceptance Form with full payment to the Registry so it is received by the Closing Date, **5.00 pm Brisbane time 23 July 2007.**

Applications received after the Closing Date may not be accepted.

If you **do not wish to accept** all or part of your Entitlement, you do not have to do anything in respect of the Entitlement you are not accepting, and any Entitlement not taken up will automatically lapse. You will receive no payment for your lapsed Entitlement. You cannot sell or transfer your Entitlement to another person.

The Underwriter and the Company reserve the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

2.3 The Employee Offer

Overview

The Employee Offer of Shortfall Shares comprises two parts:

- an Employee Share Plan Offer of Shortfall Shares (if any) and up to a maximum of 5,000 Shares per Eligible Employee; and
- a General Employee Offer of Shortfall Shares (if any) up to a maximum of 500,000 Shares in total for all Eligible Employees.

Eligible Employees

The Employee Share Plan Offer is open to Eligible Employees, being any employee of the Company or its controlled entities who, at the date of this Prospectus, has been an employee for at least 12 months and who remains employed by a Group company as at the Closing Date and such other person determined by the Board to be an eligible employee. Participation in the Employee Offer is completely voluntary.

Shortfall Shares

If Eligible Shareholders do not take up all of their Entitlements under the Entitlement Offer, the Shares not taken up will comprise the Shortfall Shares.

Description of the Employee Share Plan Offer

Under the Employee Share Plan Offer, Eligible Employees (**Employee Share Plan Applicants**) are invited to apply for 5,000 Shortfall Shares (being $1,000 worth at the Offer Price). Employee Share Plan Applicants are also entitled to apply for additional Shortfall Shares under the General Employee Offer, as described below.

Employee Share Plan Applicants are not required to pay for Shares applied for under the Employee Share Plan Offer, but conditions apply and the Shares are subject to the rules of the Employee Share Plan - see below and section 8.5.

Applicants should note:

- if there are no Shortfall Shares or insufficient Shortfall Shares to meet the Shares applied for by all Employee Share Plan Applicants, each applicant will either not receive any Shares applied for or be scaled back on a pro rata basis.
- the Shares issued under the Employee Share Plan Offer are issued and must be held by Employee Share Plan Applicants in accordance with the Rules of the Employee Share Plan - see section 8.5 - Employee Share Plan Applicants agree to be bound by the Plan Rules in force from time to time;
- one of the Plan Rules is that Shares must remain in the Employee Share Plan for a minimum of 3 years from the date of issue, unless the employee leaves Mercury earlier. During this period, participants may not sell, transfer, grant a security interest over or otherwise dispose of their Shares. Under the Plan Rules, the Company is entitled to implement such arrangements as it determines are necessary to enforce this restriction including placing a holding lock on the issued Shares.

- The allocation of $1,000 in Shares is tax free, provided the Employee Share Plan Applicant completes a valid tax election form for the financial year ending 30 June 2008.
- Mercury will post a 'tax election' form to the Employee Share Plan Applicant at the end of the 2008 financial year. The Employee Share Plan Applicant needs to make a 'tax election' at the same time as or before lodging an income tax return for the year ending 30 June 2008. The 'tax election' does not have to be sent to the ATO with the tax return, but should be retained as part of the Employee Share Plan Applicant's income tax records.
- Capital gains tax payable by the Employee Share Plan Applicant on any capital growth on the Employee Share Plan Applicant's investment is triggered when the Employee Share Plan Applicant's Shares are sold.
- The Employee Share Plan has been established taking into account Australia's current taxation laws. Tax law is subject to change, and the concessional treatment currently afforded to employee share plans may be withdrawn.

  This taxation summary is not intended to be an authoritative or complete statement of the law applicable. As the precise tax consequences of participation in the Employee Share Plan Offer will be affected by a participant's personal circumstances, it is recommended that Employee Share Plan Applicants obtain independent professional advice before applying for Shares.

General Employee Offer

Under the General Employee Offer, all employees of the Company or its controlled entities (**General Employee Offer Applicants**) are invited to apply for such Shortfall Shares which are not required to meet applications under the Employee Share Plan Offer at the Offer Price of 20 cents per Shortfall Share. The maximum number of Shortfall Shares in total which will be allocated to General Employee Offer Applicants is 500,000 Shares.

How to apply under the Employee Offer

Employee Share Plan Offer - Eligible Employees must complete an Employee Share Plan Application Form in accordance with the instructions on that form.

General Employee Offer - Eligible Employees must complete a General Employee Share Plan Application Form in accordance with the instructions on that form.

If participating in both the Employee Offers, the Applicant must complete both the Employee Share Plan Offer Application form and the General Employee Offer Application Form.

Completed Application Forms and Application Monies under the Employee Offers, must be made and will only be accepted on the appropriate Application Form attached to or accompanying this Prospectus.

Completed Application Forms must be mailed or delivered to the Registry as set out below:

By delivery	**By post**
Computershare Investor Services Pty Ltd	Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street	GPO Box 523
BRISBANE QLD 4000	BRISBANE QLD 4000

Regardless of the method of lodgement, all Applications must be received by the Registry no later than the Closing Date.

2.4 Allocation policy under the Employee Offers

Allocations of Shares under the Employee Offers are at the discretion of the Company, in consultation with the Underwriter. The present intention of the Directors however is that Shortfall Shares if any, will be allocated first to meet Applications under the Employee Share Plan Offer and second, to meet Applications under the General Employee Offer. If there are insufficient Shortfall Shares to meet Applications under either the Employee Share Plan Offer or the General Employee Offer, Applications will be scaled back in proportion to the Shares applied for. This allocation policy may change without notice.

2.5 Payment

If paying by cheque or bank draft, use the enclosed envelope to post your completed Entitlement and Acceptance Form or Application Form, accompanied by full payment of the appropriate Application Monies in Australian currency by a cheque drawn on an Australian bank or bank draft, in each case payable to **'Mercury Mobility Ltd – Share Issue Account'** and crossed **'Not Negotiable'** to the following address:

By delivery
Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
BRISBANE QLD 4000

By post
Computershare Investor Services Pty Ltd
GPO Box 523
BRISBANE QLD 4000

2.6 Closing Date

Completed Application Forms and payment must reach the Registry no later than 5.00 pm Brisbane time on **23 July 2007**.

The Company reserves the right, subject to the Corporations Act, the Listing Rules and any requirements of ASX, and with consent of the Underwriter, to accept late Applications or to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless the Company decides to accept late Applications or extend the Closing Date, Applications received after 5.00pm Brisbane time on 23 July 2007 may be rejected and Application Monies refunded without interest.

2.7 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants under the Offer.

2.8 Application Monies

All Application Monies received under this Prospectus will be banked in a separate account. Refunds, if any, will be paid out of that account. Any refund which is due to an Applicant (see above) will be sent to the relevant Applicant by post. Cheques will be made payable to the relevant Applicant's name, and will be posted to the address (or one of the addresses, in the case of joint Applicants), set out in their Applications.

The Company is entitled to retain any interest paid on Application Monies, whether or not allotment and issue of the New Shares takes place. If quotation of the Company's Shares is not granted by ASX, no New Shares will be allotted and Application Monies will be refunded to Applicants without interest within the time prescribed under the Corporations Act.

2.9 Allotment of New Shares

Allotment and issue of New Shares will only be made once the Application Monies (including any due from the Underwriter on a shortfall) have been received and ASX has granted permission for quotation of all Shares.

If permission is granted, it is expected the New Shares will be allotted on 27 July 2007 and holding statements for the New Shares will be despatched on that day. All New Shares will rank equally with the Shares already on issue.

2.10 ASX quotation

The Company will apply for the quotation of its Shares on ASX within seven business days after the date of this Prospectus. If official quotation of its Shares is not granted by ASX within three months after the date of this Prospectus (or any longer period permitted by law), the Offer will be cancelled and Application Monies will be returned (without interest) to Applicants as soon as practicable.
It is expected that the New Shares will be issued on or about 27 July 2007 and trading of the shares on ASX will commence on or about 1 August 2007.

2.11 CHESS and holding statements

The Company will apply to participate in CHESS, and, in accordance with the Listing Rules and the ASTC Settlement Rules, will maintain an electronic issuer-sponsored sub-register and an electronic CHESS sub-register.

Following the issue of New Shares, shareholders will be sent an initial holding statement that sets out the number of Shares that they have been issued. Holding statements are expected to be despatched on 27 July 2007.

This statement will also provide details of a shareholder's identification number or, where applicable, the security holder reference number for each of the sponsored holders. It is the responsibility of applicants to determine their allocation prior to trading Shares. Shareholders will receive subsequent statements showing changes to their shareholding in the Company. No share certificates will be issued.

2.12 Taxation

The Australian taxation consequences of any investment in Shares will depend upon each investor's particular circumstances. It is an obligation of potential investors to make their own enquiries concerning the taxation consequences of an investment in Mercury. If you are in doubt as to the course you should follow, you should consult your stockbroker, lawyer, accountant or other professional adviser. A general summary of the taxation implications of the Entitlement Offer is found in Section 8.8.

2.13 Privacy

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

The Company and the Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth), the Underwriter in order to assess your Application, printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail and as otherwise authorised under the Privacy Act.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Company or the Registry by writing or telephoning the Company through the Registry at GPO Box 523, Brisbane, Qld 4001 or 1300 552 270 (within Australia) or +617 3237 2100 (outside Australia).

2.14 Withdrawal or Early Close of the Offer

The Company, in consultation with the Underwriter, reserves the right to close the Offer early or withdraw the Offer. If the Offer does not proceed, Application Monies will be refunded, without interest, to Applicants in accordance with the Corporations Act.

2.15 Enquiries

If you require assistance to complete the Entitlement and Acceptance Form or any Application Form or require additional copies of this Prospectus, you should contact the Registry on 1300 552 270 (if calling within Australia) or +617 3237 2100 (if calling from outside Australia). If you are uncertain about any matter, including whether the Offer is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

3 INDUSTRY, MARKET AND BUSINESS REVIEW

3.1 Industry and market overview

The mobile content market is now one of the fastest growing industries in the world and, from a minimal base just a few years ago, is already estimated to be worth $19 billion, or around 10% total of mobile phone billings, globally.

The market is expected to continue to grow with potential revenues as high as $1 trillion annually, representing as much as 90% of customers' billed revenue, by 2015.

The key drivers of this growth are:

- Faster mobile technologies (3G) and superior handsets that allow users to experience a richer multi-media experience with their phones.
- A new wave of services such as full track music, mobile TV and location based services (GPS).
- Content providers and intellectual property owners having an established, reliable, cost-effective, billing platform to collect revenues and commercialise their products.
- End-users already accepting the practice of paying for voice calls, text messages and ringtones. This is distinctly different to other internet delivery models which have had to apply billing after the event and derive revenue from other sources including advertising.

In order to continue to share in this fast growing industry, Mercury intends to continue to focus on the development of innovative technology and content to ensure it continues to deliver high-quality services that meet the market's needs.

Australia's mobile content market, a market in which Mercury has predominately focused to date, and in which it has created an established profitable business, is a leading edge market but only amounts to around 3% of the global content spend. North America and Europe, markets in to which the Company is currently expanding, represent over 50% of the global content market.

3.2 Business overview

Telecommunications carriers

Mercury has developed relationships with many of the major telecommunications carriers in the Australasian market place and demonstrated a track record of providing them with quality content and reliable and profitable content management solutions.

Mercury Mobility has proven a successful model of managing total solutions for carriers for specific 'categories', like ringtones, ring back tones, images and music, that includes the following:

- Aggregation and licensing of content;
- Development of content in Mercury's studios;
- Editing and formatting of content;
- Programming of content;
- Technology solutions for the integration, delivery and management of content;
- Reporting to third parties; and
- Settlement of revenues.

To grow its business beyond just the growth in the Australasian market, Mercury intends to leverage off its successful and profitable Australian model and its existing relationships with the global telecommunication carriers, through their Australian operations, to take its technology and skill sets to the bigger markets of Europe and North America.

Other revenues and opportunities

In addition to carrier managed solutions, Mercury also has other business revenues and opportunities:

- **(Servicing content providers)** Mercury represents leading content providers by providing them with a managed solution bridging the space between their content and the major carriers and their customers.
- **(Aggregating and developing content)** Mercury aims to develop the latest in mobile content for a large range of handsets. Mercury believes it has one of the largest catalogues of content for the widest range of handsets in Australasia.

- **(Direct to consumer market)** Mercury intends to expand into the direct to consumer market. For this new market, Mercury will aim to develop products such as 'You Me Now', a planned mobile social networking website where mobile phone users can upload their own pictures and videos and share income.
- **(New products)** Mercury will continue to develop new revenue-generating opportunities in order to differentiate themselves from their competitors and improve profitability.

3.3 History

Mercury was co founded in Brisbane in 2001 by Managing Director Ben Grootemaat. Mercury built its business locally, gaining a track record with telecommunications carriers for delivering to them revenue and product innovation.

In 2001, Mercury was one of the first to market in Australia with a polyphonic ringtone and in 2004 one of the first to market in Australia with a realtone.

Cellnet Group Limited **(Cellnet)** established a relationship with Mercury from its inception, initially assisting in the distribution of pre paid ringtone cards to its telecommunication customer base. Cellnet acquired the Mercury business with effect from 1 July 2004.

In the last 18 months to 2 years, Mercury has expanded internationally and has secured major accounts in Europe and North America.

Recognising the differences in the types, stages, needs and cultures of the businesses, Mercury de-merged from Cellnet on 7 June 2007 and details relating to the de-merger were set out in Cellnet's notice of meeting and explanatory statement dated 30 April 2007 and announced to ASX on that day.

3.4 Products and services

Mercury's business model is about the licensing, aggregation and creation of quality content. It uses state of the art technology to manage and deliver a wide range of content.

Its content products include:

- Monophonic and polyphonic ringtones
- Created and licensed true tones, video assets, ringback tones, wallpapers and animations
- Mobile music download services
- A range of mobile television services
- You Me Now (User Generated Platform)

3.5 Distribution

Mercury's channels to market include:

- Carrier Managed Solutions - Mercury fully manages content as a total solution for key carriers globally.
- Content production capability - Mercury produces quality content itself which can be sold to carriers, aggregators or direct to consumers.
- Brand Managed Solutions - For content owners such as Australian Broadcasting Commission, Mercury provides the bridge to the carriers and consumers.
- Direct to Consumer - Mercury is able to sell content to the market directly via premium SMS.

3.6 Customers

Mercury currently operates in both the Australian and New Zealand markets with a strong presence in Canada and the United Kingdom. It prides itself on its strong relationships with many of the largest carriers in the industry.

Some of Mercury's key carrier clients include Hutchison 3, who became one of the first 3G operators in the world, Telecom New Zealand and Bell Canada.

Moving forward Mercury's strategy is all about enhancing its core technology so it can further develop its ability to engage with end users through its current and new carrier relationships and through direct to consumer channels in Australia and globally.

3.7 Suppliers - content providers

Mercury deals with hundreds of content providers and currently has a catalogue in excess of one million items. Some of Mercury's key content suppliers include record labels, film distributors, publishers, photographic agencies, designers and animators.

3.8 Revenue model

Mercury earns income from carriers on a revenue share basis. This means each time an end user purchases an item of content Mercury receives a revenue share from the carrier. This revenue share varies significantly depending of the nature of the content, whether content is licensed or proprietary, the overall relationship with the customer and where it is sold.

3.9 Core competencies

Attributes which position Mercury for growth include:

- Licensed or developed joint ventures with some of Australia and New Zealand's leading content providers and organisations;
- Various commercial relationships with record industry participants in Australia, New Zealand, Canada and the United Kingdom.
- Mercury is one of the largest mobile aggregator of full track video, audio and true tone downloads in the Australian and New Zealand marketplace.
- A large internal production team, including experienced musicians, artists and developers which have the ability, through an in-house studio, to provide clients with specific content, sourced or created. Mercury's ability to produce original content provides its clients with a unique selling point in the market.
- Mercury's Content Management Platform and hosted content distribution systems are fully operational, readily scaleable and portable.

3.10 Competitive analysis

This is a relatively new market and Mercury is one of a small number of providers who have been effective in this space since its inception.

Mercury's success to date has come from its strong relationships within the mobile industry worldwide and its ability to develop the latest in mobile content for a large range of handsets.

However the mobile industry is fast becoming a more competitive market and Mercury will need to use its reputation and ability/ experience to drive business.

3.11 Employees

Mercury has grown organically from a small company of just five staff to a significant entity of approximately 40 staff. Mercury believes it has a unique strong and innovative team with significant experience in the mobile business, which is difficult to replicate given the short history of the industry and its consequent limited talent pool.

3.12 Business objectives

Mercury's objective is to secure a position at the forefront of mobile content and entertainment delivery worldwide.

Mercury's immediate business objectives are:

- to develop a new enhanced technology platform for carrier managed solutions;
- to carry out research and further development for products such as 'You Me Now', Mercury's new user generated platform;
- local and international business development;
- to develop direct to consumer products;
- to generate higher content sales and margins by producing more of its own content; and
- to consider future strategic acquisitions.

4 MANAGEMENT AND CORPORATE GOVERNANCE

4.1 Board of Directors

The Board comprises:

Director	Qualifications and experience
Mel Brookman **Non-executive Chairman**	Mel was a co-founder of Cellnet in 1992 and its managing director from 1992 to 2002. In that time, Cellnet grew to become one of the leaders in a multi-billion dollar market. Mel has more than 20 years experience in the telecommunications industry and is one of the pioneers of mobile telecommunications in Australia.
Ben Grootemaat **Managing Director**	Ben was a co founder of the Mercury business in 2001, and since its inception has pursued his vision for Mercury to be at the forefront of mobile content and entertainment delivery worldwide. Ben is a key driver of the business: developing and maintaining carrier relationships, formulating and implementing business strategies and overseeing internal operations. He orchestrated the recent expansion of Mercury overseas, and the opening of offices in Canada and the United Kingdom. Prior to starting Mercury, Ben worked for Cable and Wireless companies in the United Kingdom and operated a successful multi-media business in Australia. He is recognised nationally and internationally for his expertise in the industry.
Alexander (Sandy) Beard **Non-executive Director**	Sandy Beard is a Director and the Chief Executive Officer of ASX listed diversified investment company, CVC Limited. Mr Beard has been an Investment Manager with CVC since 1995 and was appointed Director and Chief Executive Officer in August 2000. He has represented CVC on the boards of many ASX-listed, public, and private companies including Green's Foods Limited and Cellnet Group Limited.

The Directors believe that the appointment of an additional director with appropriate skills and experience to complement those of the existing Board, would be beneficial to the Company and their present intention is to identify and appoint a suitable person as soon as practicable.

4.2 Senior management team

The members of the senior management team are:

Name	Title	Qualifications and experience
Jeff Coe	**Director of Sales and Marketing**	Jeff has been a part of the mobile content industry since 2003, when he started working in licensing and content development for Mercury. He is currently the director of Sales and Marketing and oversees the development of new partners globally and the continuing development of new products for the wireless entertainment market. Over the past 3 years Jeff has been responsible for the development and deployment of many wireless content innovations, most notably the development of Mobile Music TV on Australia's first and biggest 3G network. Before working for Mercury he founded a pioneer online music store in Europe which gave him a key background in intellectual property licensing and the behaviour of users in the 'new music' landscape.

Name	Title	Qualifications and experience
David Wright	Technology Manager	David has worked as a technology advisor in the consumer wireless media industry for the past 7 years. Prior to this, he worked as a webmaster for various London based ecommerce stores. Previous roles include, Mobile Media Development Manager for Telecom New Zealand Ltd and a Director of Actv8.tv (an interactive TV company).
Paul Paoliello	Content & Marketing Manager	Paul entered the music business as label manager for BMG. Paul was promoted quickly over the 4 years he spent at BMG, eventually becoming Marketing & Artist and Repertoire manager at BMG Africa. Paul was then employed to run the Zomba/Jive Asia Pacific regional operation. In his position as Managing Director of Zomba APRO Pte Ltd and regional marketing director, Paul was responsible for the successful promotion of a number of high profile acts including Backstreet Boys and Britney Spears across various key markets, including Australasia. Paul helped establish Zomba Records Australia and soon thereafter, Zomba Records New Zealand. Paul ran the Australasian operation until early 2003, when the company was sold to BMG worldwide. Paul then established his own label BIG Records with ex-Southern Sons guitarist and renowned producer Peter "Reggie" Bowman. Paul sold the label to Rajon/ Destra Corp at the end of 2005 and was then employed to head up their new audio division combining BIG and Rajon content and called Rajon Music. Paul joined Mercury in 2007.
Lee Parker	Production and Studio Manager	Lee has been with Mercury for over three years. Lee manages three departments; Audio, Graphics, and Video, ensuring that training, deliveries and testing meet high standards. He is also an integral part of the Product Development Team. Lee originally joined Mercury as a polyphonic ringtone composer. He then helped to develop innovative 'real' mobile audio formats in Australia, launching the Hutchison 3 Real Tone product. His role involved the control of mobile testing and the development of multiple formats, for many handsets, to optimize the customer experience. Prior to joining Mercury, Lee's background was in post production, specifically as a mixer and sound designer, having worked on many high profile films and television programs in North America such as the Chris Isaac Show and Stargate.

The Company is currently in the process of recruiting a suitably qualified person to act as chief financial officer and intends to identify and make that appointment as soon as practicable. In the interim, Cellnet has agreed to provide, on commercial terms, essential finance, reporting and administrative functions on a contract basis at least until November 2007.

4.3 Corporate governance

This section summarises the main corporate governance practices that have been adopted by the Company.

The Board has adopted a Corporate Governance Charter, Code of Conduct and a comprehensive set of Board policies regarding Independence and Conflicts of Interest, Risk Management, Board Performance Evaluation, CEO Performance Evaluation, Continuous Disclosure, Securities Trading and an Audit Committee Charter to assist it discharge its corporate governance responsibilities. Copies are available from the Company's website.

4.3.1 Board role and composition

The Board is responsible for ensuring the existence of an effective corporate governance environment to safeguard the interests of the Company, its shareholders and other stakeholders. The Board will meet regularly and will be responsible for providing strategic direction, identifying significant business risks, approving major investment proposals and acquisitions, establishing goals and monitoring the achievement of these goals.

The full Board is responsible for establishing criteria for Board membership, reviewing Board membership and nominating directors for appointment to the Board. Candidates initially appointed by the Board must stand for election at the next general meeting of shareholders.

None of the non-executive directors meet the ASX's Corporate Governance Guidelines of independence.

The Company also has a Code of Conduct that sets out standards to which each Director will adhere whilst conducting his duties. The code requires a Director, amongst other things, to:

- act honestly, in good faith and in the best interests of the Company as a whole;
- perform the functions of office and exercise the powers attached to that office with a degree of care and diligence that a reasonable person would exercise if he were a Director in the same circumstances; and
- consider matters before the board having regard to any possible personal interests, the appropriate amount of information to properly consider the subject matter and what is in the best interests of the Company.

4.3.2 Audit Committee

The Board has established a separate committee that operates under its own Audit Charter. The Committee comprises Messrs Brookman and Beard.

All Committee members are financially literate (i.e. able to read and understand financial statements) and have an understanding of the industry in which the Company operates.

The role of the Audit Committee is to assist the Board in discharging its obligations with respect to ensuring the correctness and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The Committee also assists the Board in ascertaining the integrity of the Company's internal controls affecting the preparation and provision of that financial information.

The Audit Committee will:

- be the focal point of the communication between the Board, management and the external auditor;
- recommend and supervise the engagement of the external auditor and monitor auditor performance;
- review the effectiveness of management information and other systems of internal control;
- review all areas of significant credit, market, operational and compliance risk as well as review those arrangements in place to contain such risks to acceptable levels;
- review significant transactions that are not a normal part of the Company's business;
- review the year end and interim financial information and ASX reporting statements;
- monitor the internal controls and accounting compliance with the Corporations Act, and ASX Listing Rules, review external audit reports and ensure prompt remedial action;
- review the Company's financial statements (including interim reports) and accounting procedures; and
- review and approve the framework for the management of operational risks including compliance with the provisions of relevant legislation.

4.3.3 Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises the entire Board and is responsible for determining remuneration packages applicable to the board members and the chief executive officer. The chief executive officer determines the remuneration packages for the senior executives of the Company in accordance with compensation guidelines set by the Board. The Board remuneration policy has been developed to ensure that remuneration packages properly reflect each person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The Board will undertake an annual review of its performance. When a Board vacancy occurs or where it is considered that the Board would benefit from the services of a new director with particular skills, directors are asked to nominate suitable candidates having regard to the director selection process established by the Board. The Board reviews potential candidates, with advice from external consultants if necessary, and then appoints the most suitable candidate.

The Company's remuneration policy will link the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance.

4.3.4 Shareholder communication

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of information necessary to assess the performance of the Directors. Information on major developments affecting the Company is communicated to the shareholders through the annual and half yearly reports, general meetings and notices of the general meetings, and by general correspondence from the Board.

Shareholders will be encouraged to participate in the annual general meeting and other general meetings to ensure a high level of accountability and identification with the Company's strategies and goals. Important issues are presented to shareholders as single resolutions.

All shareholder communications can be accessed on the Company's website.

4.3.5 Securities trading policy

The Company has adopted a policy that imposes certain restrictions on directors, officers and employees trading in the securities of the Company. The restrictions have been imposed to prevent inadvertent contraventions of the insider trading provisions of the Corporations Act.

The key aspects of the policy are:

- trading whilst in the possession of material price sensitive information is prohibited; and
- trading in all circumstances is only permitted for directors and key officers if the person is personally satisfied that they are not in possession of inside information and they have obtained the requisite approval. Permission will be given for such trading only if the approving person is satisfied that the transaction would not be contrary to law, for speculative gain or to take advantage of inside information.

4.3.6 Market disclosure

The Company has adopted a market disclosure policy so as to comply with its continuous disclosure obligations once listed on the ASX. The aims of this policy are to:

- assess new information and co-ordinate any disclosure or releases to the ASX, or any advice required in relation to that information, in a timely manner;
- provide an audit trail of the decisions regarding disclosure to substantiate compliance with the Company's continuous disclosure obligations;
- report to the Board on continuous disclosure matters; and
- ensure that employees, consultants, associated entities and advisers of the Company understand the obligations to bring material information to the attention of the company secretary.

The company secretary is responsible for communications with the ASX. Responsibilities include compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing information going to the ASX, shareholders and other interested parties.

5 FINANCIAL INFORMATION

5.1 Introduction

This Section contains a summary of the historical and forecast financial information for Mercury (**Financial Information**). All Financial Information presented in this Section should be read in conjunction with the other information contained in this Section 5, the risk factors in Section 6, and other information contained in this Prospectus.

The Financial Information comprises:

- Historical income statements for the years ended 30 June 2005 and 30 June 2006 for Mercury Mobility (Australia) Pty Ltd prepared on the basis described in section 5.2 (**Historical Financial Information**). Mercury Mobility (Australia) Pty Ltd is the principal operating subsidiary in the Mercury Group; and
- A proforma forecast consolidated income statement for the Mercury Group for the full financial year ending 30 June 2007 and a proforma forecast consolidated balance sheet for the Mercury Group as at 30 June 2007 prepared on the basis described in section 5.3 (**Proforma Forecast Financial Information**).

5.2 Basis of preparation of Historical Financial Information

The Historical Financial Information is based on the unaudited management accounts for Mercury Mobility (Australia) Pty Ltd for the years ended 30 June 2005 and 30 June 2006 which were prepared in accordance with the accounting policies detailed in section 5.9. None of the proforma adjustments contemplated in section 5.3 of this prospectus affect the Historical Financial Information.

Mercury Mobility (Australia) Pty Ltd adopted A-IFRS for the year ended 30 June 2006, and at the same time restated the 30 June 2005 financials as though AIFRS applied for that year.

5.3 Basis of preparation of Proforma Forecast Financial information

Basis of preparation

The Directors of Mercury are responsible for the preparation and presentation of the Forecast Financial Information, including the assumptions on which the Forecast Financial Information is based.

The Forecast Financial Information is based on the Directors' assessment of current economic and operating conditions and on a number of assumptions regarding future events and actions, which, at the date at which the Forecast Financial Information was adopted, the Directors consider will take place. These events or actions may or may not take place.

The Forecast Financial Information is, by its very nature, subject to uncertainties and unexpected events, many of which are outside the control of the Company and its Directors. Events and circumstances often do not occur as anticipated and therefore actual results may differ from the Forecast Financial Information and these differences may be material. Accordingly, the Directors cannot and do not give any guarantee that the Forecast Financial Information will be achieved.

Events and outcomes may differ in quantum and timing from the best estimate assumptions, with material consequential impact on the Forecast Financial Information.

The Forecast Financial Information is based on unaudited managements accounts for the Mercury Group for the 11 months to 31 May 2007 and a Directors forecast for June 2007.

The Forecast Financial Information should be read in conjunction with the best estimate general assumptions and specific assumptions underlying the Forecast Financial Information set out below, the Risk Factors in Section 6 and other information contained in this Section and this Prospectus.

General assumptions

The material best estimate general assumptions made by the Directors in preparing the Forecast Financial Information are as follows:

- no loss of key management personnel;
- no significant changes in the nature of the competitive environment in which the Group operates or in the strategy or performance of major competitors during the year ending 30 June 2007 and there are no material beneficial or adverse effects on the financial performance of the Group arising from the actions of competitors;
- operating and financial performance of the Group is influenced by a variety of general economic and business conditions, including the levels of consumer spending, levels of inflation, interest rates and exchange rates, government fiscal, monetary and regulatory policies. The Forecast Financial Information assumes that there will be no material changes in these conditions;

- no material amendments to any material agreement relating to the Group's business;
- no material acquisitions or disposals;
- the Offer is fully subscribed and, except as explained in the specific assumptions below, there are no further issues of securities during the year ending 30 June 2007;
- no change to the Group's funding or capital structure other than as outlined in this Prospectus;
- no changes to the statutory, legal or regulatory environment (including taxation), which would be detrimental to the Group or its key suppliers in any of the jurisdictions in which it operates;
- The Group's accounting policies remain consistent with those adopted in preparing the Historical Financial Statements, as set out in section 5.9, with the exception of the adoption of reverse acquisition accounting principles - see section 5.9; and
- no material changes in Australian Accounting Standards, Statements of Accounting Concepts or other mandatory professional reporting requirements, being Urgent Issues Group Consensus Views and the Corporations Act, which would have a material effect on the Forecast Financial Information.

Specific assumptions underlying the Forecast Financial Information

The major specific assumptions used in the preparation of the Forecast Financial Information included in the Prospectus are:

- before 30 June 2007, Mr Ben Grootemaat will exercise the 10 million options granted to him under the Director's Executive Share and Option Plan and the Company will issue to him 10 million shares in accordance with the terms and conditions of grant of the options, which are set out in section 8.7. In accordance with accounting standards, the excess of the fair value of these options above their exercise price, of $1,750,000, has been expensed in the forecast income statement for the year ending 30 June 2007, and offset against retained earnings in the forecast balance sheet as at 30 June 2007.
- in accordance with the terms and conditions of grant of the options, payment of the total exercise price of the options of $250,000 will be deferred and until paid in full, the total amount payable on exercise of the options will be treated as a loan to Mr Grootemaat and is included as a non-current receivable in the Forecast Financial information.
- a dividend of $1,424,000 is paid from Mercury Mobility (Australia) Pty Ltd to Cellnet Group Limited during June 2007.
- the loan from Cellnet Limited, a New Zealand subsidiary of Cellnet Group Limited, to Mercury Mobility (Australia) Pty Ltd valued at approximately $104,000 is repaid prior to 30 June 2007.
- that there is no material change in revenue and gross profit derived from that revenue compared to actual year to date levels;
- there is no loss of significant customer contracts prior to 30 June 2007;
- that no material foreign exchange gain or loss will be derived for the forecast period;
- that no bad debts will be required to be written off during the forecast period;
- there will be no material change in the salary and wage costs of the Group;
- that the Group's overseas sourced revenue will not be significantly exposed to any risk (either favourable or unfavourable) arising from changes in exchange rates;
- income tax expense has been determined by applying the prevailing income tax rate to the profit for the period ;
- that there is no impairment of assets (including intangible assets) during the period to 30 June 2007 and accordingly, that no write down of tangible or intangible assets will be required.

Proforma adjustments

The forecast consolidated balance sheet for the Group as at 30 June 2007 has been adjusted for the following proforma adjustments:

- raising of $3,000,000 in accordance with the Offer of approximately 15,000,000 New Shares at an Offer Price of 20 cents per share;
- payment of expenses of the Offer **(Offer Costs)** of approximately $400,000 (net of GST) to be offset against contributed equity;
- recognition of a deferred tax asset in relation to the Offer Costs of $120,000, to be included as a component of contributed equity; and
- repayment of the loan from Cellnet Group Limited to Mercury Mobility (Australia) Pty Ltd, estimated to be $145,000. The terms of this loan are discussed further at section 5.7.

5.4 Summary of historical and forecast income statements

The following table sets out a summary of the historical income statements for Mercury Mobility (Australia) Pty Ltd and the forecast consolidated income statement for the Mercury Group.

	Actual	Actual	Forecast
$ '000	Year ended 30 June 2005	Year ended 30 June 2006	Year ended 30 June 2007
Revenue	6,258	7,958	5,767
COGS	(1,972)	(2,650)	(1,535)
EBITDA	2,226	3,058	(1,160)
Depreciation and Amortisation	(78)	(174)	(348)
Interest	(25)	(70)	29
Income Tax Expense	(639)	(849)	(90)
NPAT	1,484	1,965	(1,570)

Notes:

(1) The Historical Financial Information is based on the unaudited management accounts for Mercury Mobility (Australia) Pty Ltd for the years ended 30 June 2005 and 30 June 2006 which were prepared in accordance with the accounting policies detailed in Section 5.9. Mercury Mobility (Australia) Pty Ltd is the principal operating company in the Group.

(2) The forecast consolidated income statement for the Group is based on unaudited management accounts for the Mercury Group for the 11 months to 31 May 2007, a Directors forecast for the month of June 2007 and the proforma adjustments set out in section 5.3. Further details of the specific assumptions underlying the forecast information are disclosed in Section 5.3.

(3) Mercury Mobility (Australia) Pty Ltd adopted A-IFRS for the year ended 30 June 2006, and at the same time restated the 30 June 2005 financials as though AIFRS applied for that year.

(4) The results for the years ending 30 June 2005 and 30 June 2006 included one-off revenue items of $0.8m and $1.3m respectively

(5) The forecast consolidated income statement for the Group for the year ending 30 June 2007, includes:

- a one-off $1.75m expense for the issue of options to the Managing Director;
- expenditure incurred in the setting up of operations in international markets; and
- a reduction in revenue, but not profits, due to a trend where the telecommunication carrier customers of the Company pay it amounts net of content licence holder royalties rather than gross amounts.

5.5 Management discussion and analysis of the Historical Financial Information

In line with the general growth of the Group and the scaleability and portability of its operations, the Group has experienced strong underlying growth in its base recurring revenues and earnings over the last 3 years.

However, this is not readily discernable from a simple presentation of 'headline' financial information, as the trend can be lost in an aggregation of underlying results with significant one-off transactions and changes in accounting treatments.

Therefore, in interpreting the above financial information it is important to understand the following key issues:

- Included within the year ending 30 June 2007 earnings forecast is an expense item of $1.75 million for the issue of options to the managing director. This is a one-off, non-recurring and non-cash item. The grant of options was designed to align the interests of the Managing Director with shareholders and to provide an incentive to the Managing Director to drive the future results of Mercury. But, for accounting purposes the item has to be shown as an expense item in full in the 2007 financial year.
- At the start of contracts, or for major product offerings, with telecommunication carriers, Mercury may receive a large one-off revenue amount for the initial provision of technology solutions and content. Alternatively it may be recovered through higher margins on end-user content sales. In the years ended 30 June 2005 and 30 June 2006, Mercury received $0.8 million and $1.3 million of these lump sum one-off revenues.

- Over time there has been a trend for telecommunication carriers to change their accounting and reporting processes such that they make payments to underlying content providers directly and pay Mercury a net revenue amount. Previously, Mercury would have been entitled to receive the full amount but be responsible for paying the content providers. This change has not affected business activity or earnings, and has made administration simpler, but has reduced headline revenue figures.
- During the year ended 30 June 2006 and the year ending 30 June 2007, Mercury has invested heavily into the upgrade of key IT systems and platforms to drive the business for the future. In line with Mercury's accounting policy for depreciation and amortisation this has impacted reported results in this period.
- During the year ended 30 June 2006 and year ending 30 June 2007, Mercury has expended significant amounts on driving the expansion of its operations overseas and, in particular, has established offices in the UK and Canada. These amounts are approximately $0.3 million and $0.7 million for the year ended 30 June 2006 and year ending 30 June 2007 respectively and, whilst they have been shown as expense in each of those years in the financial information above, will form a base for Mercury to drive earnings growth in these markets for the future.

5.6 Proforma Forecast Consolidated Balance Sheet of the Mercury Group

In thousands of AUD	Forecast as at 30 June 2007	Pro-forma adjustments	Pro-forma forecast as at 30 June 2007
Current Assets			
Cash & cash equivalents	122	2,415	2,537
Trade & other receivables	1,954	-	1,954
Total Current Assets	**2,076**	**2,415**	**4,491**
Non-Current Assets			
Deferred tax assets	(13)	120	107
Plant & equipment	227	-	227
Intangible assets	1,322	-	1,322
Receivables	250	-	250
Total Non-Current Assets	**1,786**	**120**	**1,906**
TOTAL ASSETS	**3,862**	**2,535**	**6,397**
Current Liabilities			
Trade & other payables	852	(40)	812
Employee benefits	192	-	192
Interest bearing loans and borrowings	145	(145)	-
Total Current Liabilities	**1,189**	**(185)**	**1,004**
Non-Current Liabilities			
Employee benefits	38	-	38
Total Non-Current Assets	**38**	**-**	**38**
TOTAL LIABILITES	**1,227**	**(185)**	**1,042**
NET ASSETS	**2,635**	**2,720**	**5,355**
Equity			
Issued Capital	354	2,720	3,074
Retained Earnings	2,281	-	2,281
TOTAL EQUITY	**2,635**	**2,720**	**5,355**

Note:

The proforma forecast consolidated balance sheet for the Group is based on unaudited management accounts for the Mercury Group for the 11 months to 31 May 2007, a Directors forecast for the month of June 2007 and the proforma adjustments set out in section 5.3. Further details of the specific assumptions underlying the forecast information are disclosed in Section 5.3.

5.7 Debt Facilities

The Group has no debt facilities with banking institutions.

The Group has loan facilities with Cellnet Group Limited and Cellnet's New Zealand subsidiary, Cellnet Limited.

The loan from Cellnet Group Limited is for the purpose of short term funding for the Company up to the date of receipt of the proceeds from the Offer. The loan has an interest rate of 10 % p.a. and is repayable upon receipt of the proceeds from the Offer by the Company. The Forecast Financial Information includes a proforma adjustment that on completion of the Offer, the Group will repay this loan in an amount of $145,000.

The loan from Cellnet Limited (NZ) is repayable at call, with an interest rate of 10% p.a. The Company intends to repay this loan in full prior to 30 June 2007 for approximately $104,000.

5.8 Dividend policy

As the Company is in a growth phase, the Directors anticipate that any earnings will be retained in the Company to fund the further development of the Company. Prospective investors should not expect to receive dividends in the short term.

It is not possible to predict when it will be in a position to pay dividends and there is no guarantee that it will be able to pay any dividend at all. Any dividends will depend on the Company's operational and financial performance and the foreseeable working capital and investment requirements of the Company's business at any given time.

Mercury currently has no franking credits and even if Mercury is in a position to pay dividends, there is no assurance that Mercury will have sufficient franking credits to frank any dividends which it may pay.

5.9 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Information reported under Australian Equivalents to International Financial Reporting Standards (A-IFRS) are set out below.

(a) Basis of preparation

The financial information has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The Financial Information is presented in Australian dollars and prepared on an historical cost basis.

The preparation of the Financial Information in conformity with Australian Accounting Standards requires the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Principles of consolidation

The formation of the Mercury Group of companies has been accounted for as a business combination and financial information is presented for the consolidated Mercury Group of companies including all subsidiaries as at 30 June each year.

Subsidiaries are all those entities controlled by the Group. Control exists when there is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its activities. The financial information for subsidiaries is included in the consolidated financial information from the date that control commences to the date that control ceases.

The purchase method of accounting is used to account for all business combinations (acquisitions). Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

For all business combinations an acquirer is identified as the entity that obtains control of the combining entities. The acquirer for accounting purposes need not be the legal parent entity. In situations where a number of existing entities are combined with a new legal parent entity, an existing entity can be the acquirer where the relevant factors indicate that it has control. This is referred to as a reverse acquisition.

Mercury has identified a reverse acquisition, such that:

- The newly formed Mercury Mobility Ltd is the legal parent entity of the Group and presents consolidated financial information; but
- The operating entity, Mercury Mobility (Australia) Pty Ltd, which is a legal subsidiary of Mercury Mobility Ltd, is deemed to be the accounting parent of the group.

Accordingly, the consolidated financial information incorporates the assets and liabilities of all entities deemed to be acquired by Mercury Mobility (Australia) Pty Ltd, including Mercury Mobility Ltd, and the results of these entities for the periods shown as if the Group were headed by Mercury Mobility (Australia) Pty Ltd. The assets and liabilities of the entities acquired by Mercury Mobility (Australia) Pty Ltd are recorded at fair value while the assets and liabilities of Mercury Mobility (Australia) Pty Ltd are maintained at their book value.

(c) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to a translation reserve.

(d) Plant and equipment

Owned assets

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Subsequent costs

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

- Leasehold improvements 3 1/3 - 40 years
- Plant and equipment 2 1/2 - 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(e) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date.

Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

- Website and system development costs 3 - 5 years
- Content development costs 2 years

(f) Impairment of non-financial assets other than goodwill

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Group has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(h) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank balances.

(j) Employee benefits

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated using undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long-term service agreements

The net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Commonwealth Government bonds at the balance sheet date which have maturity dates approximating the terms of the Group's obligations.

(k) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on average 45-day terms.

(l) Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) Revenue

Revenue from goods sold comprises revenue from the sale of mobile phone content. Sales revenue is recognised on an accrual basis in accordance with the substance of agreements with relevant customers. Service revenue is recognised as services are provided in accordance with the relevant service agreement. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, or the costs incurred or to be incurred cannot be measured reliably.

(n) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

(o) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Capital gains tax, if applicable, is provided for in establishing period income tax expense when an asset is sold.

(p) Share-based payment transactions

Mercury provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of Mercury (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

6 RISK FACTORS

6.1 Introduction

The future operating and financial performance of the Company may be influenced by a broad range of risk factors, both specific to the Company and of a general nature. There can be no guarantee that the Company will achieve its stated objectives, that the Forecast Financial Information will be met, that forward looking statements will be realised or that past performance will be repeated.

This section describes a range of risks associated with an investment in the Company. Each of the risks set out below, either individually or in combination could, if they eventuate, have a materially adverse impact on the Company's business, financial condition and/or results from operations. Some of these risks can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside the control of the Company and cannot be mitigated. Before deciding whether to invest in the Company, potential investors should read the entire Prospectus, including these risk factors.

Potential investors should specifically consider each of the factors contained in this section in light of their investment objectives and financial circumstances in order to fully appreciate the risks associated with an investment in the Company. If investors are in any doubt about what to do, investors should seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

6.2 Risks specific to an investment in Mercury

In addition to the general risks set out in Section 6.3, the Directors believe that there are a number of specific factors that should be taken into account before investors decide whether or not to apply for Shares. These include the following.

Start up business risk

Mercury's future prospects must be considered in light of the difficulties commonly encountered in the early stages of a company's development, particularly those companies involved in the development and commercialisation of technology. In Mercury's case, these include establishing its own financial management team and management systems generally.

Commercialisation risk

A key part of Mercury's strategy to grow sales is to develop and market new products and services. There can be no assurance that it will successfully develop and commercialise new products. There is also no guarantee that Mercury's research and development activities will be successful or that any products or services if introduced will achieve market acceptance or will be commercialised.

Managing growth

As Mercury and its operations expand, it will be required to continue to improve, and where appropriate, upscale its operational and financial systems, procedures and controls and expand, retain, manage and train its employees. There is a risk of a material adverse impact on Mercury's financial performance if it is not able to manage its expansion and growth efficiently and effectively.

Competition

Mercury operates in a competitive market. Mercury's business or financial performance could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors or products enter the market, and Mercury is unable to counter these actions.

Reliance on key customers

Mercury relies on a small number of key customers which account for approximately 90% of sales revenue. There would be a materially adverse effect on Mercury's financial performance if any of these key customers are lost and not replaced. A general description of the key customer contracts is set out in section 7.1.

Relationship with content providers

Mercury relies on key content providers in Australia and overseas. Any loss of these key suppliers may have an adverse effect on Mercury's sales and/or terms of trade. Any such change could have an adverse impact on Mercury's prospects. A general description of the content provider contracts is set out in section 7.2.

Reliance on key personnel

Mercury relies on the managing director and founder of the business, Mr Grootemaat and the senior executives named in section 4.2. Apart from Mr Grootemaat, who is engaged on a long term contract, the other executives are entitled to terminate their employment by giving notice ranging from 14 days to 3 months. There can be no assurance that Mercury will be able to retain Mr Grootemaat or other key personnel. The loss of key personnel, in particular Mr Grootemaat, or the inability to recruit and retain high calibre staff could have a material adverse effect on Mercury. The additions of new employees and the departures of existing employees, particularly in key positions, can be disruptive and could also have a material adverse affect on Mercury.

Information technology

Mercury relies heavily on its computer hardware, software and information technology systems. Should these not be adequately maintained, secured or updated, or Mercury's disaster recovery processes not be adequate, system failures may negatively impact on its performance.

Intellectual property

Mercury sells both its own content and licensed content to Mercury's customers. A description of the general nature of these contracts is set out in sections 7.1 and 7.2.

From a legal perspective, it is desirable if the rights and liabilities as between Mercury and content providers 'match' the rights and liabilities as between Mercury and its customers. However, in practice, contracts are negotiated separately with content providers and customers and the rights and liabilities of those contracts may not precisely match. Examples of potential legal risks for Mercury follow.

There is a risk of Mercury being exposed to claims by content providers for breach of their intellectual property if what Mercury provides to its customers exceeds what Mercury is permitted to provide under its licence with the content provider. This may occur inadvertently.

Mercury may be exposed to liability if Mercury is required to provide intellectual property indemnities or warranties to its customers but does not have the same level of protection from its content providers.

In addition, Mercury creates ringtone impersonations of celebrities or well known characters. Mercury may have an exposure if consumers are misled that the impersonation is connected to the character or celebrity or where it could be argued that the character or celebrity's rights have been infringed by the impersonation or where it could be falsely thought to have endorsed the Mercury created ringtone. Recording impersonations of celebrities or character may also give rise to claims for breach of copyright, trade mark infringement, liability under the laws of passing off or under the Trade Practices Act 91974) (Cth) for misleading or deceptive conduct.

Mercury has taken legal advice on these risks and takes steps to manage and minimise them. However, there is a risk of such claims being made with the resultant uncertainties of dispute and potentially litigation.

Technological change

Mercury operates in an industry where there can be rapid technological change. Such changes may have an adverse effect on Mercury's ability to deliver commercially viable products and services if it is unable to keep pace with these changes.

Funding risk

If Mercury requires access to further funding at any stage in the future, Mercury may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this might result in dilution to the then shareholders. The pricing of future share issues will also depend upon the results of Mercury's activities, market factors, investor demand for shares and the need for capital by either debt or equity capital raisings.

Overseas business risk

Mercury's business plan involves expansion of its business overseas, particularly in the United Kingdom and Canada. Mercury will face the usual risks of doing business overseas.

Additional ongoing costs

Mercury will be an independent public company listed on the ASX and it will incur additional costs to maintain a separate board and management, share registry, information technology systems and software and additional reporting and other compliance costs. There is a risk that these additional costs could adversely impact on the financial performance of Mercury.

Dividends

There is no guarantee as to future earnings of Mercury or that Mercury will be profitable and there is no guarantee that Mercury will be in a financial position to pay dividends. Mercury currently has no franking credits and even if Mercury is in a position to pay dividends, there is no assurance that Mercury will have sufficient franking credits to frank any dividends which it may pay.

6.3 General risk factors

Liquidity and Share market risk

The market for Shares and the price at which Shares trade on ASX may be affected by the financial performance of Mercury and by external factors over which the Mercury directors and Mercury have no control. These factors include movements on international share and commodity markets, local interest rates and exchange rates, domestic and international economic conditions, government taxation, market supply and demand and other legal, regulatory or policy changes.

Liquidity and realisation risk

On completion of the Offer and listing of Mercury, its shares may trade on ASX at higher or lower prices than the Offer Price. There can be no guarantee that an active market in Shares will develop or that the price of Shares will increase after listing. There may be relatively few, or potentially many, buyers or sellers of Shares on the ASX at any given time. This may increase the volatility of the market price of Shares. It may also affect the prevailing market price at which shareholders are able to sell their Shares. This may result in shareholders receiving a market price for their Shares that is less or more than the price that shareholders paid.

Dependence on general economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest rates and exchange rates, access to debt and capital markets, government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on the Company's business or financial condition. Changes to laws and regulations or accounting standards which apply to the Company from time to time could adversely impact on the Company's earnings and financial performance.

Tax risk

Any change to the rate of company income tax in jurisdictions in which the Company operates will impact on shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

There is also a general risk of dispute with taxation authorities in relation to the Company's tax affairs generally. Even if the Company is successful in any dispute, it may incur material cost in that dispute including but not limited to external tax advisory costs, management time and the costs generally of responding to a tax audit or undertaking administrative or Court proceedings.

Legislative and regulatory changes

Legislative or regulatory changes, including property or environmental regulations or regulatory changes in relation to product sold by the Company, could have an adverse impact on the Company.

7 MATERIAL CONTRACTS

7.1 Contracts with carriers

Mercury has various contracts to supply content and associated services to various telecommunications carriers. These contracts are on the customer's standard commercial terms and conditions and contain detailed representations, warranties and indemnities by Mercury relating to intellectual property rights. The contracts require renewal on a regular basis (usually yearly) and are generally terminable by the carrier by giving notice ranging from 30 - 90 days.

7.2 Contracts with content owners

Mercury has various contracts with content owners to distribute their content to telecommunications carriers and to provide associated services. These contracts are on the customer's standard commercial terms and conditions and generally provide limited protection to Mercury in relation to intellectual property issues. The contracts require renewal on a regular basis (usually yearly) and are generally terminable by the content owner by giving notice ranging from 30 - 90 days.

7.3 Underwriting Agreement

The Company and the Underwriter have entered into an Underwriting Agreement under which the Company appointed the Underwriter as the underwriter of the Entitlement Offer. The Underwriter agrees, subject to certain conditions and termination events, to provide the Company with underwriting support in relation to the allocation of the New Shares. The Underwriter may at any time appoint sub-underwriters to sub-underwrite any part of the Entitlement Offer.

The material terms of the Underwriting Agreement are summarised below.

Fees and expenses

The Company must pay the Underwriter an underwriting fee of 4% of the Underwritten Amount by bank cheque or electronic funds transfer on the allotment date.

The Company must also pay the costs, charges and expenses of and incidental to the Entitlement Offer, including:

- any stamp duty payable in respect of the Underwriting Agreement;
- all costs, charges and expenses associated with the issue of the New Shares;
- expert's fees in connection with the preparation of this Prospectus;
- all costs, charges and expenses in connection with the conduct of any continuing due diligence investigations and the preparation of this Prospectus; and
- all costs, charges and expenses incurred in connection with any review of this Prospectus by ASIC, ASX or any other regulatory body.

To the extent that the costs, charges and expenses which the Company is required to meet have been borne by the Underwriter, the Company must reimburse the Underwriter for such costs.

Indemnities

Subject to certain exclusions relating to, among other things, fraud, wilful misconduct and gross negligence, the Company has undertaken that the Underwriter and certain indemnified parties will be indemnified from loss suffered in connection with the Entitlement Offer.

Termination events

Subject to the Underwriting Agreement, the Underwriter may at any time by notice given to the Company immediately, without cost or liability to the Underwriter, terminate the underwriting Agreement so that the Underwriter is relieved of all its obligations under the Agreement if any of the following events occurs before completion of the Entitlement Offer:

(a) **(lodgement of Prospectus)** the Company fails to lodge the Prospectus with ASIC by the lodgement date except where the sole reason for failing to lodge is an act or omission of the Underwriter;

(b) (**Quotation approval**) approval is refused or not granted, other than subject to customary conditions, to the official quotation of all of the Company's Shares on ASX on or before the quotation approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld before the allotment and issue of any New Shares;

(c) (**market fall**) the S&P / ASX 200 Index of ASX is on any two consecutive trading days prior to the allotment date of the New Shares more than 10% below the level of that index at the close of normal trading on the trading day before the date of signing the Underwriting Agreement;

(d) (**market conditions**) any adverse change or disruption to the existing financial markets, political or economic conditions of any of Australia, Japan, the United Kingdom, the United States of America or the international financial markets or any change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the reasonable opinion of the Underwriter reached in good faith, impracticable to market the Entitlement Offer or to enforce contracts to issue and allot the New Shares or is reasonably likely to adversely affect the success of the Entitlement Offer;

(e) (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) or political or civil unrest involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, Israel, Japan or the Peoples Republic of China, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or

(f) (**adverse change**) any actual or potential adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Mercury (insofar as the position in relation to an entity in the Mercury group affects the overall position of the Company) from those disclosed in the Prospectus, including any:

- change in the earnings, future prospects or forecasts of the Company or an entity in the Mercury Group;
- change in the nature of the business conducted by the Company or an entity in the Mercury Group; or
- insolvency or voluntary winding up of the Company or an entity in the Mercury Group or the appointment of any receiver, receiver and manager, liquidator or other external administrator;

(g) (**disclosures in Prospectus**) a statement contained in the Prospectus is misleading or deceptive, or a matter required by the Corporations Act is omitted from the Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act);

(h) (**new circumstance**) there occurs a new circumstance, in relation to any Group member, that has arisen since the Prospectus was lodged that would, in the reasonable opinion of the Underwriter, have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged;

(i) (**withdrawal**) the Company withdraws either the Prospectus or the Entitlement Offer;

(j) (**Supplementary or replacement prospectus**) the Company lodges a supplementary or replacement prospectus or, in circumstances where the Underwriter reasonably believes that the Company is prohibited by section 728(1) of the Corporations Act from offering the New Shares under the Prospectus, fails to lodge a supplementary or replacement prospectus in a form acceptable to the Underwriter in accordance with the Underwriting Agreement;

(k) (**repayment**) any circumstance arises after lodgement of the Prospectus that results in the Company being required to either repay the money received from applicants or offer applicants an opportunity to withdraw their acceptances for New Shares and be repaid their application money;

(l) (**Prospectus to comply**) the Prospectus or any aspect of the Entitlement Offer does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;

(m) (**notifications**) any of the following notifications are made:

- ASIC issues an order under section 739 of the Corporations Act;
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
- any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus (or any supplementary or replacement prospectus) or to be named in the Prospectus withdraws that consent;
- any person gives a notice under section 730 of the Corporations Act in relation to the Prospectus; or
- the Company or an entity in the Mercury Group issues a public statement concerning the Entitlement Offer except as permitted in the Underwriting Agreement;

(n) (**disclosures in Due Diligence Report**) any information supplied by or on behalf of the Company to the Underwriter in relation to the Mercury Group or the Entitlement Offer as part of the due diligence process is misleading or deceptive;

(o) (**Material Agreements**) there is a termination or material amendment of any material agreements;

(p) (**suspends payment**) the Company or an entity in the Mercury Group suspends payment of its debts generally;

(q) (**insolvency**) the Company or an entity in the Mercury Group is or becomes insolvent within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act;

(r) (**arrangements**) the Company or an entity in the Mercury Group enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditor or any class of them;

(s) (**judgment or process**) any judgement, distress, attachment, execution or other competent process is issued against, levied or enforced upon any of the assets of the Mercury Group and is not challenged, set aside or satisfied within five business days;

(t) (**receiver etc**) a receiver, receiver and manager, trustee, administrator or similar external manager is appointed, or steps are taken for such appointment, over any significant asset or undertaking of the Mercury Group;

(u) (**Timetable**) an event specified in the agreed timetable is delayed for more than three business days other than as the direct result of actions taken by the Underwriter (unless those actions were requested by the Company) or taken by the Company with the prior written consent of the Underwriter in which the Underwriter expressly acknowledges and consents to the risk of a potential delay of more than 3 business days;

(v) (**key clients**) termination or a material alteration to an agreement or relationship between any member of the Mercury Group and any of its significant customers;

(w) (**material contract breach**) any person commits a substantial breach of a material contract of the Mercury Group;

(x) (**change in management**) a change in the board of Directors or senior management of the Company occurs;

(y) (**legal proceedings and offence by Directors**) any of the following occurs:

- a Director is charged with an indictable offence;
- the commencement of legal proceedings against the Company or any Director; or
- any Director is disqualified from managing a corporation under section 206A of the Corporations Act;

(z) (**change to constitution**) prior to the allotment date, a change to the constitution of the Company or the Company's capital structure occurs without the prior written consent of the Underwriter;

(aa) (**Encumbrances**) an Encumbrance over all or any of the assets of the Mercury Group is created or comes into existence without the prior written approval of the Underwriter;

(bb) (**buy back**) the Company or another entity in the Mercury Group takes any steps to undertake a proposal contemplated under section 257A of the Corporations Act without the prior written consent of the Underwriter;

(cc) (**financial assistance**) the Company or another entity in the Mercury Group passes or takes any steps to pass a resolution under section 260B of the Corporations Act without the prior written consent of the Underwriter;

(dd) (**compliance with regulatory requirements**) a contravention by the Company or any entity in the Mercury Group of its constitution, the Corporations Act, the Listing Rules or any other applicable law or regulation;

(ee) (**representations and warranties or breach**) any representation or warranty contained in the Underwriting Agreement on the part of the Mercury Group is not true or correct when given or if there is any other breach by the Company of its obligations under the Underwriting Agreement;

(ff) (**prescribed occurrence**) except as set out in the Prospectus, an event specified in section 652C(1) or section 652C(2) of the Corporations Act, amended by replacing 'target' with 'Company'; or

(gg) (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia, Queensland, New South Wales or Victoria a new law, or the Reserve Bank of Australia, or any Commonwealth, Queensland, New South Wales or Victoria authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), any of which does or is likely to have an adverse effect on the success of the Entitlement Offer or could result in the Underwriter becoming liable under any law or regulation.

Allocation of Shortfall Shares to the Employee Offer

The Underwriter must make any Shortfall Shares available to the Company for the purposes of meeting applications made under the Employee Offer, before exercising any right to take up those Shortfall Shares.

Underwriter's potential voting power in the Company

The Underwriter currently has voting power in the Company of approximately 22.86%. There are no shareholders who are associates of the Underwriter.

There are currently 10 million options on issue to the Managing Director. The Company expects him to exercise all of those options on or before 30 June 2007. On the issue of an additional 10 million Shares pursuant to the exercise of the options, the Underwriter's voting power in the Company will fall to approximately 20.31%.

If no Shares were taken up by any Eligible Shareholder or Eligible Employee, and the Underwriter was required to take up the entire Offer, the maximum number of New Shares that the Underwriter could acquire under the Underwriting Agreement and the effect on the Underwriter's voting power would be as follows:

CVC's current Shareholding	Total Shortfall Shares	CVC's total Shares if all Shortfall Shares taken up	Total Mercury Shares on issue	CVC's voting power if total Shortfall Shares taken up
18,284,896	15,000,089	33,284,985	105,000,568	31.70%

The acquisition of the New Shares in these circumstances would be permitted by section 611 item 13 of the Corporations Act without obtaining Shareholder approval.

The Directors cannot speculate as to the extent that Entitlements will be accepted by Eligible Shareholders or the level of voting power the Underwriter will have after completion of the Offer.

Underwriter's intentions

The Underwriter has advised the Company that the Underwriter's present intention is to exercise its voting power to cause the Company to continue its current business in the ordinary course and to pursue the business objectives and strategies outlined in this Prospectus.

The Underwriter has no present intention to change the direction or business of the Company (other than as contemplated in this Prospectus), to enter into any related party transactions with the Company, to materially restructure the employment arrangements of the Company, or to redeploy any of its fixed assets.

Shareholder approval to acquire up to 40% of Mercury

Mercury intends to seek Shareholder approval to enable CVC to acquire further shares in the Company, in addition to the New Shares that CVC will acquire by exercising its Entitlement and by taking up Shares in any shortfall, up to a maximum of 40% of the total issued shares in the Company.

Mercury Directors (with Mr Beard abstaining) consider that at this stage of the Company's development, there are strategic advantages to Mercury shareholders as a whole in having CVC as a cornerstone investor. CVC and its associates will be excluded from voting on the proposed resolution.

7.4 Managing Director's service contract

The Company has entered into an executive service contract with the managing director, Ben Grootemaat for a fixed term of 3 years. After the term, the Company may terminate the contract by giving 3 months notice or paying 3 months remuneration. In addition the Company may terminate the executive's employment at any time for misconduct or non-performance.

The base yearly remuneration is $222,500 inclusive of superannuation and other benefits. In addition, Mr Grootemaat is entitled to a total yearly bonus of $50,000, payable semi-annually, subject to achievement of key performance indicators to be agreed with the Board. The remuneration is reviewed yearly.

Mr Grootemaat has agreed that during his employment and for a period of up to 12 months afterwards, he will not in Australia compete with the Company, canvass, solicit, induce or encourage any person who is or was an employee of the Company at any time during the employment period to leave the Company or interfere in any way with the relationship between the Company and its clients, customers, employees, consultants or suppliers.

7.5 Escrow Agreement

Mr Grootemaat has agreed to a voluntary escrow arrangement with the Company under which he will be restricted from dealing in the 10 million options granted to him (except by way of exercising the options) and any Shares issued on exercise of those options until the date which is 3 years from the date of grant.

The restrictions will only cease to apply in the event that:

- a takeover bid is made for all Shares and holders of at least half of the Shares not subject to the restrictions have accepted the offer under the takeover bid;
- a scheme of arrangement relating to Shares becomes effective;
- the transferee of the Shares is an associate or related body corporate of Mr Grootemaat, provided the transferee enters into similar escrow arrangements prior to any transfer; or
- if Mr Grootemaat either dies or suffers a permanent disability which prevents him from undertaking the duties performed by him for the Company as at the date of entering into the escrow arrangements.

8 ADDITIONAL INFORMATION

8.1 Incorporation and corporate structure

The Company was incorporated as a public company on 1 June 2007. It is a holding company which operates through a number of operating subsidiaries, Mercury Mobility (Australia) Pty Ltd (head office and distributes mobile phone content), Mercury Canada, Inc (negotiates the supply of mobile phone content to Canadian telecommunications carriers) and Mercury Mobility Europe Ltd (negotiates the supply of mobile phone content to UK and European telecommunications carriers).

8.2 Company balance date

The Company's balance date will be 30 June.

8.3 Constitution

General

The rights and liabilities attaching to Shares are set out in the Constitution, and are regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law. Set out below is a summary of the principal rights and liabilities attaching to Shares. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of shareholders.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares every shareholder present at a general meeting, in person or by proxy, representative or attorney has one vote on a show of hands and on a poll, one vote for each Share.

The holder of partly paid shares has a vote in respect of the share on a poll that has the same proportionate value as the proportion that the amount paid (excluding any amount paid or credited as paid in advance of a call) on the shares bears to the total issue price of the share. A shareholder is not entitled to vote at a general meeting unless all calls and other sums presently payable by the member in respect of a share have been paid.

Where a Share is jointly held, only one of the joint holders may vote.

General meeting and notices

Each shareholder is entitled to receive notice of, and to attend and vote at the Company's general meetings and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Dividends

Subject to the Corporations Act and the rights of persons (if any) entitled to shares with special rights to dividends, the Company's profits which the Directors determine to distribute by way of dividends are divisible amongst the holders of shares in proportion to the amounts paid (excluding any amount paid or credited as paid in advance of a call) on the Shares.

Variation of class rights

At present, the Company only has one class of Shares on issue and has no current plans to create further classes of shares. The rights and restrictions attaching to a class of shares can only be altered with the consent of a special resolution passed at a separate meeting of the holders of that class of shares by 75% of those holders, who being entitled to do so, vote at that meeting or with the written consent of members with at least 75% of votes in that class.

Further issues of Shares and options

The Directors may, subject to the Corporations Act, the Listing Rules or any special rights conferred on the holders of any Share or class of shares, issue or dispose of shares or grant options over shares to any person at any time and on any terms and conditions as they think fit.

Pre-emptive rights

Shareholders do not have any pre-emptive rights under the Constitution. Under the Listing Rules, certain restrictions apply to a listed company offering its Shares otherwise than pro rata among shareholders.

Winding up

Subject to the rights of holders of shares issued on special terms and conditions, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the Company's property. The liquidator may set such value as it deems fair on any property to be so divided and may determine how the division is to be carried out as between shareholders or different classes of shareholders.

Small holdings

Subject to the Listing Rules and ASTC Settlement Rules, the Company may sell the Shares of a shareholder who holds less than a marketable parcel of shares.

Buy backs

Subject to applicable laws, in particular the Corporations Act and the Listing Rules, the Company may buy back Shares on such terms and conditions as the Board may determine from time to time.

Transfer of Shares

Subject to the Listing Rules and the Constitution, the Shares are transferable in accordance with CHESS (for CHESS Approved Securities), by instrument in writing in any usual or common form or in any other form that the Directors approve. The Directors may, subject to the requirements of the Listing Rules, request ASTC to apply a holding lock to prevent a transfer of Shares in the Company.

Forfeiture after failure to pay calls on partly paid shares

If a shareholder fails to pay a call or another amount that is payable on the Shares on the due date, then after notification, and before payment, the Directors may resolve that the shareholder has forfeited those Shares. A forfeited Share shall be deemed to be the property of the Company, and subject to the Listing Rules and the ASTC Settlement Rules, may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit.

Holding statements

The Company will not issue share certificates to shareholders. As outlined in Section 2.11 , the Company will apply to participate in CHESS in accordance with the Listing Rules and the ASTC Settlement Rules. On admission to CHESS, the Company's Shares will be maintained on an electronic issuer sponsored sub register and an electronic CHESS subregister. These two subregisters together will make up the register of Shares of the Company.

Following the issue of Shares to successful Applicants, shareholders will be sent an initial statement of holding (similar to a bank account statement) that sets out the number of Shares which have been allocated to them in the Offer. That statement will also provide details of a shareholder's holder identification number (HIN) in the case of a holding on the CHESS sub register, or security holder reference (SRN) in the case of holding on the issuer-sponsored subregister. Shareholders will be required to quote their HIN or SRN, as applicable in all dealings with a stockbroker or the Registry. An updated holding statement will be sent to a shareholder at the end of each month where the balance of the shareholder's holding of Shares changes.

Directors

The minimum number of Directors is three and the maximum seven. The Board may appoint new directors subject to the number of Directors not being more than the permitted maximum of seven. The Company may by resolution increase or decrease the minimum and maximum number of directors but the minimum must never be less than 3. At each of the Company's annual general meetings, one-third of the Directors (or if the number of Directors is not a multiple of three, then the number nearest one-third) and any other Director who has held office for three years or more must retire from office. The Managing Director is exempted from retirement by rotation. A retiring Director is eligible for re-election.

Indemnities and insurance

The Company must to the extent permitted by law and subject to the Corporations Act, indemnify current and past Directors, secretaries and executive officers of the Company and of any subsidiary of the Company against a liability incurred by the person acting in that capacity and against all legal costs incurred in connection with proceedings in which the person becomes involved because of that capacity. The Company may pay the premium on a policy of insurance in respect of a person who is or has been an officer of the Company to the full extent permitted by the Corporations Act.

Proportional takeover provisions

The Company is prohibited from registering a transfer giving effect to a contract resulting from the acceptance of an offer made under a proportional takeover bid (being an off-market bid for a specific proportion of a class of shares) unless and until an ordinary resolution approving the proportional takeover bid is passed by the holders of the bid class shares. In accordance with the Corporations Act, the proportional takeover provisions will automatically cease to have effect on the third anniversary of the date of the adoption of the Constitution or as of the most recent renewal term, but can be renewed by the Company in general meeting.

Amendment of the Constitution

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the members of the Company. The Company's Constitution does not impose any further requirements to be complied with to effect a modification of the Constitution, or to repeal it.

8.4 Legal proceedings

There is no litigation pending or threatened that may significantly affect Mercury or its business.

8.5 Exempt Employee Share Plan

The Mercury Mobility Employee Share Plan is a general employee share plan pursuant to which the Employee Plan Offer will be made to Eligible Employees - see Section 2.3. Solely at the discretion of the Board, similar offers may be made in future years to employees as determined by the Board.

In accordance with current Australian tax legislation, Shares acquired under the plan must be held for a minimum of three years (or earlier cessation of employment), during which time the Shares are subject to a disposal restriction such that the participant cannot deal in (i.e. sell or transfer) the Shares.

A summary of the terms and conditions of the plan is set out below.

Eligibility

The Board may at any time invite employees to participate in the plan, by specifying the total number of Shares being made available to the employee or the method for calculating that number, the closing date for applications and the last date for acceptances by the Company, the issue price payable on acceptance of the application by the Company and issue of the Shares and any other specific terms and conditions of issue of the Shares. The Board has the discretion to determine the specific terms and conditions applying to each offer, and has the right to reject any application by an employee without having to give reasons.

Maximum Shares which may be issued and held

The Company must not issue any Shares under the plan if an issue of Shares under the plan would result in a participant owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all Shares then on issue.

Ranking of Shares

Shares issued under the Plan will rank equally with all Shares.

Restrictions on transfers

Unless otherwise determined by the Board, participants who receive Shares under the plan will not be entitled to sell, transfer, assign, encumber, dispose of or otherwise deal with in any way those Shares until the earlier of the end of three years from the date of acquisition of the Shares or the time at which that person ceases to be an employee of a Group company. The Company will implement such arrangements as it determines are necessary to enforce this restriction.

Administration

The plan is administered by the Board, who must operate the plan and on a non-discriminatory basis.

Amendment

The rules governing the operation of the plan may be amended, or the application of any rules in relation to any participant waived or modified, at any time by resolution of the Board provided there is no reduction of rights of participants in respect of Shares, dividends or other money issued under the plan. If an amendment reduces the rights of employees, it requires written consent of three-quarters of affected participants.

Termination

The plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding Shares issued under the plan at that time. Termination will not affect the rights under the plan of participants in respect of applications to participate which have been accepted by the Company and notified to the participant.

8.6 Directors and Executive Share and Option Plan

The Company has established the Mercury Directors and Executive Share and Option Plan (**Plan**) to assist in the recruitment, reward, retention and motivation of directors and executives of Mercury (**Participants**).

Eligibility

Directors of Mercury and employees determined by the Board to be in an executive position are eligible to participate in the Plan (**Executives**).

Maximum Shares which may be issued and held

If an issue of Shares under the Plan would result in a Participant owning (legally or beneficially) or controlling the exercise of voting power attached to 5% or more of all Shares then on issue, the Company must not issue any Shares to the Participant under the Plan.

Share and Option Issues

The Board may at any time make invitations to Executives to participate in the Plan specifying the total number of Shares or options being made available or the manner for determining that number, the closing date for applications, in the case of options, the exercise period, exercise price and exercise conditions (if any) and in the case of shares, the issue price and any other specific terms and conditions of issue.

Options

Subject to any adjustment in the event of a bonus issue, rights issue or reconstruction of capital, each option is an option to subscribe for one Share. Upon the exercise of an option by a Participant, each Share issued will rank equally with other Shares of the Company. Options issued under the Plan are personal to the Participant and may not be transferred unless to a legal personal representative or unless the Board resolves otherwise. The Company will not apply for quotation of the options on ASX. However, the Company must apply to ASX for official quotation of Shares issued on the exercise of the options.

A Participant is not entitled to exercise any option if the exercise of that option would require the Company to be in breach of this rule or if to do so could contravene the Constitution, Listing Rules or the Corporations Act.

Bonus Issues

Subject to the Listing Rules, if there is a bonus issue to the holders of Shares (other than an issue in lieu of dividends or by way of dividend reinvestment), the number of Shares over which an option is exercisable will be increased by the number of Shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

Rights Issues

Subject to the Listing Rules, if the Company undertakes a pro rata rights issue of Shares (except a bonus issue), the exercise price of the options will be reduced to reflect the diluting effect of the rights issued.

Reconstructions

If any reconstruction of the capital of the Company takes place (including consolidation, subdivision, reduction, capital return, buy back or cancellation), the number of options to which each Participant is entitled and/or the exercise price of the options must be reconstructed in accordance with the Listing Rules, in a manner which will not result in any benefits being conferred on Participants which are not conferred on shareholders.

Takeovers and compromises and arrangements

If a takeover bid or other offer is made to acquire some or all of the issued Shares of the Company, the Board must give written notice to Participants of the takeover bid (**Takeover Notice**) specifying a period of no less than 5 business days during which options may be exercised. Participants will be entitled in the period referred to in the Takeover Notice, to exercise all or any of their options and to receive from the offeror the consideration payable on acceptance of the takeover bid or offer.

If, under Part 5.1 of the Corporations Act 2001, the Court sanctions a compromise or arrangement proposed for the purpose of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies which, if implemented, would result in a change in the control of the Company, the Board must give written notice to Participants of the compromise or arrangement **(Reconstruction Notice)** specifying a period of not less than 5 business days during which options may be exercised. Participants will be entitled, in the period referred to in the Reconstruction Notice, to exercise all or any of their Options.

Lapse of Options

Subject to the Board's discretion and the specific terms and conditions of grant, an option not exercised will lapse on the earliest of:

- the date 10 years from the date the option was granted or if Special Circumstances have arisen, 12 months after the date those special circumstances arose **(the Last Exercise Date)**;
- a determination of the Board that the Participant has, in the Board's opinion, been dismissed or removed from office for a reason which entitles a company in the Group to dismiss the Participant without notice or has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of that company (whether or not charged with an offence); or done any act which brings the Group into disrepute;
- the date on which the Participant ceases to be employed by any member of the Group (other than due to the occurrence of a Special Circumstance); or
- the receipt by the Company of notice from the Participant (after a Special Circumstance has arisen with respect to the Participant) that the Participant has elected to surrender the option.

The Board may in its discretion allow a Participant to exercise all or any of their options, whether or not the exercise conditions have been satisfied and whether or not the options would otherwise have lapsed, provided that no options will be capable of exercise later than the Last Exercise Date.

Special Circumstances means with respect to a Participant, Total and Permanent Disablement, the death of the Participant, the redundancy of the Participant or such other circumstances as the Board may at any time determine (whether before or after the date of grant).

Total and Permanent Disablement means, in relation to a Participant, that the Participant has, in the reasonable opinion of the Board, become permanently incapacitated to such an extent as to render the Participant unlikely to engage in the Participant's usual occupation again.

Board Discretion

The Board may make regulations and determine procedures to administer and implement the Plan and may also terminate or suspend the operation of the Plan at its discretion.

Administration

The Plan is administered by the Board, who must operate the Plan and on a non-discriminatory basis.

Amendment

The rules governing the operation of the Plan may be amended, or the application of any rules in relation to any Participant waived or modified, at any time by resolution of the Board provided there is no reduction of rights of Participants in respect of Shares, dividends or other money issued under the Plan. If an amendment reduces the rights of employees, it requires written consent of three-quarters of affected Participants.

Termination

The Plan may be terminated or suspended at any time by a resolution of the Board, provided the termination or suspension does not materially adversely affect the rights of persons holding Shares issued under the Plan at that time. Termination will not affect the rights under the Plan of Participants in respect of applications to participate which have been accepted by the Company and notified to the Participant.

8.7 Options granted under the Executive Share and Option Plan

Managing director's options

Ben Grootemaat has been granted 10 million options under the Executive Share and Option Plan on the following specific terms and conditions:

- The options and any Shares issued pursuant to the exercise of an option (**Plan Shares**) are subject to a 3 year escrow period - see section 7.5.
- The options can be exercised immediately;
- The options expiry date is 25 September 2007;
- The exercise price is 2.5 cents per option;
- The exercise price is payable immediately without need for any demand on the earlier of:
  - the date which is 2 months after the Share issued on exercise of an option is free from the restrictions in the Escrow Agreement (see section 7.5); or
  - if Special Circumstances have arisen, 3 months after the date those Special Circumstances arose; or
  - the date on which Mr Grootemaat ceases to be an employee of a group company or director of the Company (other than due to the occurrence of a Special Circumstance);
- Until the total exercise price is paid in full, the unpaid exercise price (**Amount Owing**) is a debt owed by Mr Grootemaat to the Company and repayable on the terms and conditions of grant of the option;
- Mr Grootemaat must pay the Company all dividends and distributions to which he is entitled on the Plan Shares by way of interest on the Amount Owing to the Company;
- the Company is entitled to:
  - sell any bonus shares, rights or further shares issued in respect of the Plan Shares and to apply all or any of the proceeds thereof in reduction of the Amount Owing; and
  - pay to itself on behalf of Mr Grootemaat and for the purposes of reducing the Amount Owing or to meet any interest charge on the Amount Owing, all or any moneys that may from time to time become payable in respect of the Plan Shares or other shares referred to above, including dividends.
- If Mr Grootemaat fails to repay the Amount Owing when due or otherwise fails to comply with his obligations under these terms and fails to remedy that non-compliance to the reasonable satisfaction of the Company within a period of 30 days after receipt of a notice from the Company setting out the details of the non-compliance and requiring it to be remedied, the Company may, as agent and attorney on behalf of Mr Grootemaat, sell the Plan Shares and all the bonus shares, rights and further shares issued

in respect of those Plan Shares and apply all or any of the proceeds thereof in reduction of the Amount Owing. Mr Grootemaat appoints the Company as its agent and attorney for this purpose (including the power for the Company to execute all necessary documentation to complete any sale) and agrees to indemnify and keep indemnified the Company in relation to any of the acts or omissions carried out in good faith in reliance of this provision.

Future issues under the Executive Share and Option Plan

The Directors' present intention is to issue further Shares or options under the Executive Share and Option Plan to eligible Participants, in addition to the 10 million options already on issue. The Directors' present intention is that the further Shares or options which may be issued will not represent more than 15% of the fully diluted share capital of the Company from time to time.

8.8 Australian taxation implications of the Entitlement Offer

The comments below only address the general Australian taxation implications for Eligible Shareholders under the Entitlement Offer accepting Shares on capital account. They do not apply to taxpayers carrying on a business of trading in shares. The comments are general in nature and are based on the law in force in Australia at the date of this Prospectus. A Shareholder's taxation implications will depend on each Shareholder's specific circumstances.

Accordingly, you should seek your own independent taxation advice before reaching any conclusions as to the possible Australian taxation consequences of the Entitlement Offer on you.

Neither Mercury, nor the Underwriter, nor any of their officers, nor their taxation or other advisers, accept any liability or responsibility in respect of any statements concerning the Australian taxation consequences of the Entitlement Offer.

Grant of Entitlement

Historically, rights to acquire Shares offered by companies have generally been treated as not giving rise to any assessable ordinary income for the shareholder. However, in the recent High Court decision of *Federal Commissioner of Taxation v McNeil*, a majority held that the value of such rights would be regarded as ordinary income in the hands of the issuer's shareholders at the time the rights were provided.

The implications of the *McNeil* case is being considered by the ATO. One possible outcome under consideration is that:

- the receipt of rights to take up shares, where the rights can be dealt with independently of the shareholding in respect of which they are issued, for example by trading, selling or assigning the right (sometimes called a *'renounceable right'*), will be characterised as income from property in the hands of shareholders and will give rise to an amount of assessable ordinary income in the hands of shareholders equal to the market value of the rights; but
- the receipt of a right which has neither a commercial existence outside of the contract to purchase a new share or any inherent value in the hands of shareholders (sometimes called a *'non-renounceable right'*) will not be characterised as income from property. A receipt of such right will not give rise to assessable ordinary income in the hands of shareholders.

If that outcome is the one finally accepted by the ATO, then the receipt of the Entitlement Offer should not give rise to an amount of assessable income because under the Entitlement Offer, if an Eligible Shareholder does not accept the Entitlement Offer to acquire New Shares, the Entitlement Offer to that shareholder lapses. There is no ability for non-accepting Eligible Shareholders to deal with their Entitlement outside of taking it up to acquire New Shares.

Taking up the Entitlement

On taking up your Entitlement you should not make a capital gain, or otherwise derive assessable income for Australian taxation purposes.

Acquisition of New Shares

Your cost base for the New Shares that you acquire under the Entitlement Offer will be equal to the amount you paid to acquire the New Shares plus any non-deductible incidental costs you incurred to acquire them.

Disposal of New Shares

If you dispose of your New Shares, a capital gain will arise if the capital proceeds received from the disposal exceed the cost base of the New Shares that are disposed of. The disposal will give rise to a capital loss if the capital proceeds received from the disposal are less than your reduced cost base of the New Shares.

The New Shares that you acquire as a result of taking up your Entitlement will be treated as having been acquired by you on the day on which the New Shares you have acquired under the Entitlement Offer are issued to you. This is expected to occur on Friday, 27 July 2007. If the New Shares are held by you for 12 months after acquisition, Shareholders who are entitled to access the capital gains tax discount will be able to apply the applicable CGT discount factor to their capital gain on disposal of their New Shares.

If you are not an Australian resident for tax purposes and you do not take up your Entitlement or you dispose of any New Shares that you acquire pursuant to the Entitlement Offer, you should have no Australian capital gains tax liability.

8.9 Disclosure of Directors' interests

Except as disclosed in this Prospectus, no Director:

- Holds or has held in the last two years before the lodgement of this Prospectus with ASIC any interest in:
  - the formation or promotion of the Company; or
  - any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or
  - the Offer under this Prospectus, or
- Has been paid or has agreed to be paid or has received or has agreed to receive any benefits:
- to induce them to become or to qualify as a Director; or
- for services rendered by them in connection with the formation or promotion of the Company or the Offer under this Prospectus.

Shareholdings and option holdings of Directors

The Directors are not required under the Constitution to hold any Shares in Mercury.

The following table sets out the relevant interests in Shares held by each Director as at the date of this Prospectus and after the Offer:

Director	Interest in Shares as at date of this Prospectus	Anticipated interest in Shares after the Offer
Mel Brookman (1)	6,556,724	7,786,110
Ben Grootemaat	Nil	10,000,000
Alexander (Sandy) Beard (2)	Nil	Nil

Notes:

(1) Mr Brookman intends to take up his full entitlement under the Entitlement Offer.

(2) Whilst Mr Beard does not have a relevant interest in Shares personally, he is a director of CVC Limited which is a substantial shareholder in the Company - see section 7.3 for further details.

Remuneration of non-executive Directors

The constitution of the Company provides that non-executive Directors are entitled to receive remuneration for their services as determined by the Company in a general meeting. The Company has resolved that the maximum aggregate amount of directors' fees (which does not include remuneration of executive directors and other non-director services provided by directors) is $75,000 per annum. The Directors may divide that remuneration among themselves as they decide. Directors are entitled to be reimbursed for their reasonable expenses incurred in connection with the affairs of the Company. A Director may also be remunerated as determined by the Directors if that Director performs additional or special duties for the Company.

Directors' deed of indemnity, insurance and access

The Company has entered into deeds of indemnity, insurance and access with each Director. To the extent permitted by law and subject to the restrictions in Section 199A of the Corporations Act, the Company must continuously indemnify each Director against liability (including liability for costs and expenses) for an act or omission in the capacity of Director. However this does not apply in respect of any liability:

- to the Company or a Related Body Corporate;
- to some other person that arises from conduct involving a lack of good faith;
- for costs and expenses incurred by the Director in defending civil or criminal proceedings in which judgment is given against the officer or in which the officer is not acquitted; or
- for costs and expenses incurred by the Director in connection with an unsuccessful application for relief under the Corporations Act in connection with the proceedings referred to above.

The Company has also agreed to insure the Directors and provide to the Directors access to board documents circulated during the Director's term in office.

Executive contracts

Mr Grootemaat is entitled to the benefits under his executive service contract with the Company. The terms of his contract are summarised in Section 7.4.

8.10 Disclosure of interests of advisers

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

- has any interest, or has had any interest during the last two years, in the formation or promotion of the Company, or in property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the offer of the Shares; and
- no amount has been paid, or agreed to be paid, and no benefit has been given, or agreed to be given, to any such person in connection with the services provided by the person in connection with the formation or promotion of the Company, or the offer of the Shares.

DLA Philips Fox have advised the Company generally in relation to the Offer and the Company's admission to the official list and are entitled to receive $130,000 plus outlays and GST in respect of these services. Prior to its demerger from Cellnet Group Limited, DLA Philips Fox also advised Cellnet in relation to the demerger and are entitled to receive approximately $90,000 plus outlays and GST in respect of these services. Further amounts may be paid to DLA Philips Fox in accordance with their usual time based charge-out rates.

CVC Limited has acted as Underwriter to the Offer. CVC Limited is entitled to the fees and expenses contained in the Underwriting Agreement which is summarised in section 7.1 including a fee of 4% of the Underwritten Amount.

SHAW Stockbroking Limited has agreed to act as sponsoring broker to the Offer and is entitled to receive $60,000 plus outlays and GST in respect of these services.

8.11 Consents and disclaimers

None of the persons named below has authorised or caused the issue of this Prospectus. None of the persons named below have made any statement that is included in this Prospectus, or any statement on which a statement made in this Prospectus is based, except as stated below. Each of the persons named below expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given below.

Consents to be named

The following parties have given and have not, prior to the lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus in the form and context in which they are named:

- CVC Limited as Underwriter of the Offer;
- DLA Philips Fox as solicitors to the Offer;
- Johnstone Rorke as the Company's auditors;
- SHAW Stockbroking Limited, as the sponsoring broker; and
- Computershare Investor Services Pty Limited as the Share Registry.

Copies of the consents will be available for inspection free of charge during business hours after 7 days from lodgement of this Prospectus for a period of not less than 12 months after the date of the lodgement of this Prospectus at the registered office of the Company.

8.12 Expenses of the Offer

The estimated costs of the Offer to the Company, including underwriting, brokerage, advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses are currently estimated to be approximately $400,000 plus GST.

8.13 Documents available for inspection

Copies of the Constitution are available for inspection free of charge between 9am and 5pm, Monday to Friday, at the company's registered office during the Offer Period.

8.14 Governing law

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws of Queensland and each Applicant submits to the exclusive jurisdiction of the courts of Queensland.

8.15 Expiry date

No Shares will be offered on the basis of this Prospectus later than 13 months after the date of this Prospectus.

8.16 Consent to lodgement

Each Director has consented to the lodgement of this Prospectus with ASIC as required by Section 720 of the Corporations Act.

9 GLOSSARY

A-IFRS means Australian Equivalents to International Financial Reporting Standards.

Applicant means a person who submits a valid Application.

Application means an application form attached to or accompanying this Prospectus pursuant to which Applicants may apply for New Shares. It includes the Entitlement and Acceptance Form

Application Monies means monies received from Applicants in respect of their Applications.

ASIC means the Australian Securities and Investments Commission.

ASTC means the ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

ASTC Settlement Rules means the rules of the ASTC.

ASX means ASX Limited ACN 008 624 691.

Board, Board of Directors or Directors means the board of directors of the Company.

CHESS means Clearing House Electronic Subregister System, operated in accordance with the Corporations Act.

Closing Date means the date on which the Offer closes, being 5.00pm Brisbane time on 23 July 2007 or such other date as Directors determine in accordance with this Prospectus, with the Underwriter's consent.

Company means Mercury Mobility Ltd ACN 125 736 914 and, where applicable, its controlled entities from time to time.

Constitution means the constitution of the Company as amended from time to time.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company from time to time.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Eligible Employee means an employee of the Company or its controlled entities who, at the date of this Prospectus has been an employee for at least 12 months and who remains employed by a group company as at the Closing Date and such other person determined by the Board to be an eligible employee.

Eligible Shareholder means a Shareholder recorded on the Register at the Record Date with an address in Australia, New Zealand, United Kingdom or other place where the Entitlement Offer may be lawfully made.

Employee Offer means Employee Share Plan Offer and the General Employee Offer in relation to Shortfall Shares as described in section 2.3.

Employee Share Plan means the employee share plan described in section 8.5.

Employee Share Plan Offer means the invitation to subscribe for Shares described in section 2.3.

Employee Share Plan Application Form means the application form attached to or accompanying this Prospectus pursuant to which Applicants may apply for Shortfall Shares under the Employee Share Plan Offer.

Entitlement means the entitlement to 3 New Shares for every 16 Shares held at midnight on the Record Date.

Entitlement and Acceptance Form means the personalised entitlement and acceptance form to be used by Eligible Shareholders in connection with the Entitlement Offer, attached to or accompanying this Prospectus.

Entitlement Offer means the offer described in section 2.2.

Executive Share and Option Plan means the Mercury Directors and Executive Share and Option Plan described in section 8.6 Financial Information means the Historical and Forecast Financial Information for the Company described in Section 5 of this Prospectus.

Historical Financial Information has the meaning given to that expression in section 5.1.

Forecast Financial Information means the forecast income statement and balance sheet of the Company as at 30 June 2007.

General Employee Offer means the invitation to Eligible Employees to subscribe for Shortfall Shares described in section 2.3.

General Employee Offer Application Form means the application form attached to or accompanying this Prospectus pursuant to which Applicants may apply for Shortfall Shares under the General Employee Offer.

Listing Rules means the listing rules of ASX.

Mercury Group means the Company and its controlled entities from time to time.

New Shares means 15,000,089 currently unissued Shares offered under this Prospectus.

Non-Executive Directors means Mel Brookman and Alexander (Sandy) Beard.

Non-Participating Foreign Holder means any Shareholder who is not an Eligible Shareholder.

NPAT means net profit after tax.

Offer means the Entitlement Offer and the Employee Offer .

Offer Period means the period during which the Offer is open for acceptance.

Offer Price means 20 cents per New Share.

Prospectus means this document (including any electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document.

Record Date means midnight (Brisbane time) on 8 June 2007.

Related Bodies Corporate has the meaning given to it by Section 50 of the Corporations Act.

Register means the Company's register of members.

Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

Section means a section in this Prospectus.

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

Shareholder means a holder of Shares recorded on the Register.

Shortfall Shares means any New Shares not taken up under an Entitlement.

Underwriter means CVC Limited ACN 002 700 361.

Underwriting Agreement means the Underwriting Agreement between the Company and the Underwriter summarised in Section 7.3 of this Prospectus.

Underwritten Amount is approximately $3 million.

$ or dollar means Australian dollars unless specified otherwise.

References to time are references to Brisbane time.

MERCURY MOBILITY LTD

ACN 125 736 914

MERCURYMOBILITY

Registry Use Only

Employee Share Plan Offer - Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

A I/we apply for

Number of Shortfall Shares in Mercury Mobility Ltd you are applying for

B Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

C Enter your postal address - Include State and Postcode

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

D Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

( )

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

ASXAAASXAAA IPO

How to complete this form

A Shares Applied for

Enter the number of Employee Share Plan Shares you wish to apply for.

B Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected.

C Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

D Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Employee Share Plan Shares in Mercury Mobility Ltd is upon and subject to the terms of the prospectus, the Constitution of Mercury Mobility Ltd and the rules of the Employee Share Plan from time to time agrees to take any number of Employee Share Plan Shares that may be allotted to the Applicant(s) pursuant to the prospectus and the rules of the Employee Share Plan from time to time and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Brisbane office of Computershare Investor Services Pty Limited by no later than 5.00pm AEST on 23 July 2007.
Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 523
BRISBANE QLD 4001

OR

Computershare Investor Services Pty Limited
Level 19
307 Queen Street
BRISBANE QLD 4000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 552 270.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Employee Share Plan Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A. Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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MERCURY MOBILITY LTD

ACN 125 736 914

Registry Use Only

General Employee Offer - Application Form

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A I/we apply for

Number of Shortfall Shares in Mercury Mobility Ltd at $0.20 each

B I/we lodge full Application Money

A$.

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter your postal address - Include State and Postcode

Unit | Street Number | Street Name or PO Box /Other Information

City / Suburb / Town | State | Postcode

E Enter your contact details

Contact Name | Telephone Number - Business Hours / After Hours ( )

Cheque details - Make your cheque or bank draft payable to 'Mercury Mobility - Share Issue Account'

F

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$
				A$

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

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How to complete this form

A **Shares Applied for**

Enter the number of Shortfall Shares you wish to apply for.

B **Application Monies**

Enter the amount of Application Monies. To calculate the amount, multiply the number of Employee Shares applied for by $0.20.

C **Applicant Name(s)**

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected.

D **Postal Address**

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E **Contact Details**

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F **Payment**

Make your cheque or bank draft payable to 'Mercury Mobility Ltd - Share Issue Account' in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shortfall Shares in Mercury Mobility Ltd is upon and subject to the terms of the prospectus and the Constitution of Mercury Mobility Ltd, agrees to take any number of Shortfall Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

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Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box 523
BRISBANE QLD 4001

OR

Computershare Investor Services Pty Limited
Level 19
307 Queen Street
BRISBANE QLD 4000

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If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 552 270.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Employee Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

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Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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CORPORATE DIRECTORY

Directors

Mel Brookman, Chairman

Ben Grootemaat, Managing Director

Alexander (Sandy) Beard, Non-Executive Director

Company secretary

Ben Grootemaat

Registered office

59 - 61 Qantas Drive

Eagle Farm

BRISBANE QLD 4009

Telephone: (07) 3853 5551

Facsimile: (07) 3860 6337

Website

www.mercurymobility.com.au

Share registry

Computershare Investor Services Pty Limited

GPO Box 523

BRISBANE QLD 4001

Tel Australia: 1300 552 270

Tel International: +617 3237 2100

Facsimile: +617 3237 2152

Underwriter

CVC Limited

Level 42 Suncorp Centre

259 George Street

SYDNEY NSW 2000

Sponsoring Broker

SHAW Stockbroking Limited

Level 16, 60 Castlereagh Street

SYDNEY NSW 2000

Auditor

Johnston Rorke

Level 30 Central Plaza 1

345 Queen Street

BRISBANE QLD 4000

Legal advisors

DLA Phillips Fox

Level 29 Waterfront Place

1 Eagle Street

BRISBANE QLD 4000

MERCURY MOBILITY

Underwriter: CVC Limited

Sponsoring Broker: SHAW STOCKBROKING