



MELBOURNE IT

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Notice of Annual General Meeting

Notice is hereby given that the fourteenth Annual General Meeting of Melbourne IT Ltd will be held at the Spring Street Conference Centre, No. 1 Spring Street, Melbourne, Victoria on Tuesday, 25 May 2010 at 11:00 am (Melbourne time).

Business and Special Business

Financial Statements and Report

To receive and consider the Financial Statements and the Reports of the Directors and Auditor for the financial year ended 31 December 2009.

Resolution 1: Re-election and Election of Directors

- (a) Mr Rob Stewart retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election.
- (b) Mr Tom Kiing retires by rotation in accordance with rule 9.3 of the Company's Constitution and, being eligible, offers himself for re-election.

Resolution 2: Adoption of the Remuneration Report for the Year Ended 31 December 2009

To adopt the Remuneration Report for the year ended 31 December 2009.

Resolution 3: Approval to exclude performance rights issued under the proposed Melbourne IT Performance Rights Plan from the 15% cap in Listing Rule 7.1 of the ASX Listing Rules

That approval be given to the issue of securities in the proposed Melbourne IT Performance Rights Plan (a summary of which is set out in the explanatory notes), to key employees of Melbourne IT, for the purposes of ASX Listing Rule 7.2, exception 9.

Resolution 4: Approval of the issue of performance rights under the proposed Melbourne IT Performance Rights Plan to Managing Director

That the grant of performance rights to the Managing Director, Mr Theo Hnarakis, under the proposed Melbourne IT Performance Rights Plan (as described in the explanatory notes) be approved for all purposes.

Resolutions 1-4 will be proposed as ordinary resolutions.

Other Business

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders, as a whole, to ask questions or make comments at the meeting on the management of the Company, including asking questions of the auditor of the Company.

By order of the Board

Ashe-lee Jegathesan
Company Secretary
23 April 2010

Explanatory Notes

Business and Special Business

Financial Statements and Report

The Annual Report, Financial Statements and the reports of the Directors and the auditor for the year ended 31 December 2009 will be presented for consideration. The Annual Report is available on Melbourne IT's corporate website (<http://corporate.melbourneit.com.au>).

Resolution 1: Re-election and Election of Directors

Personal particulars for Mr Stewart and Mr Kiing are set out below.



Resolution 1(a): Mr Rob Stewart

Mr Stewart is a company director and management consultant. He was National Managing Partner of Minter Ellison, one of Australia's leading law firms, for eleven years, retiring in June 1999. He was also a non-executive director of Memtec Ltd, a high technology filtration company, from 1988 until 1997. Memtec listed on NASDAQ and then the New York Stock Exchange prior to being taken over by a US company in 1997.

Mr Stewart spent five years with Pacific Dunlop from 1976 to 1981 in a variety of general management positions within the Footwear Group. He is a non-executive director of Mitchell Communication Group Limited, Australia's largest independent media buying and communications planning group; Chairman of C E Bartlett Pty Ltd, one of the leading manufacturers in Australia of quality products in the fabrication of synthetic and canvas fabrics; a director of QSR International Pty Ltd, which produces the world's leading qualitative research software; and President of the Baker IDI Heart and Diabetes Research Institute, Australia's premier health and research institute tackling the problems of obesity, diabetes and cardiovascular disease.

Mr Stewart was appointed to the Melbourne IT Board on 14 September 1999 and held the position of Chairman until 31 October 2009.



Resolution 1(b): Mr Tom Kiing

Mr Kiing is a director of Bridge Capital Pty Ltd, an Australian technology investment firm that manages a portfolio of investments in the IT sector. He currently sits on the Boards of: Jumbuck Ltd, an ASX listed mobile applications company; SII International, a world leader in visual intelligence software; and The Atomic Group, an integrated sports and entertainment company in Australia. Mr Kiing is also co founder of Tarazz.com, an Asian based ecommerce portal.

Mr Kiing has extensive experience in mergers and acquisitions, capital markets and corporate finance. He travels extensively through the ASEAN region to promote a wide range of Australian investment opportunities to Asian institutions and private investors.

Mr Kiing was appointed to the Board on 19 December 2002.

The Board (other than Mr Stewart and Mr Kiing, in relation to their own re-election) recommends that you vote in favour of resolutions 1(a) and (b).

Resolution 2: Adoption of Remuneration Report by ordinary resolution

In accordance with the requirements of the Corporations Act, the Board is submitting its Remuneration Report to shareholders for consideration and adoption by way of advisory resolution. This resolution does not bind the Directors of the Company. The Remuneration Report sets out the remuneration policy for the Company and explains the remuneration arrangements in place for the Managing Director, senior executives and non-executive directors.

The Remuneration Report is presented within the Directors' Report of the Melbourne IT Limited 31 December 2009 Annual Report. It is also available on Melbourne IT's corporate website (<http://corporate.melbourneit.com.au>).

A reasonable opportunity will be provided for shareholders to ask questions about or to make comments on the Remuneration Report at the meeting.

The Board recommends that shareholders vote in favour of resolution 2.

Resolution 3: Approval to exclude performance rights issued under the Melbourne IT Performance Rights Plan from the 15% cap in Listing Rule 7.1 of the ASX Listing Rules

Broadly speaking, without shareholder approval, the ASX Listing Rule 7.1 prohibits the Company from issuing securities which, in aggregate, exceed 15% of the fully paid ordinary share capital of the Company in any 12 month period. ASX Listing Rule 7.2 exception 9 provides that Listing Rule 7.1 does not apply in respect of the issue of securities by the Company under an employee incentive scheme if the scheme has been approved by shareholders within 3 years from the date of issue of the relevant securities.

Accordingly, the Board requests the approval of the shareholders to exclude any securities issued to employees or directors under the new Melbourne IT Performance Rights Plan ("Plan") from the 15% cap in Listing Rule 7.1. This approval will apply for 3 years from the date of this meeting.

Summary of the key terms of the proposed Plan:

- Form of grant: the performance rights ("rights") granted under the Plan will provide eligible employees with a contractual right to a future grant

of an ordinary share in the Company, subject to the performance hurdles being met.

- Eligible employees: The Plan will be limited to senior employees (to be selected by the Board (or its nominee)) whose decisions have an impact time horizon of at least 2-3 years. Approximately 30 employees, including the Managing Director, Executives and other critical and high potential employees may be eligible to participate in the Plan. Eligible employees outside Australia will participate in a "phantom plan" which will mirror the proposed Plan.
- Quantum of rights: The number of rights offered each year will be determined by the Board and will vary depending on the sum total of the fixed salaries of eligible employees. It is proposed that rights are offered based on a percentage of an eligible employee's fixed salary (excluding any benefits or short term incentive payments) ranging from 15% to 60% (depending on the level of the employee). Based on current ranges, it is anticipated that between 1,000,000 and 1,300,000 rights would be offered in 2010, and that this total number would increase over the 3 year period.
- Timing of Awards: Eligible employees may be offered rights only once in each calendar year. However, the Board may at its discretion make an additional award or offer of rights in exceptional circumstances on another occasion in the same year to new senior level eligible employees.
- Grant price/exercise price: The rights would be issued at a "zero" grant price. There will no exercise price payable on exercise of the performance rights.
- Term of grant: 4 years in total (3 year performance period and a further year in which eligible employees may exercise their rights).
- Shares on exercise: the Board may at its discretion either issue new shares or procure the transfer of shares to an eligible employee on exercise of performance rights.
- Performance Hurdle / Vesting conditions: Exercise of any rights issued under the Plan will be subject to (a) continued employment with the Company at the time of vesting and (b) certain performance hurdles being met. It is proposed that the performance hurdles be measured as to 50% based on Earnings per Share (EPS) growth (calculated after adjusting for designated capital management type initiative and other distortionary factors, as determined by the Board in its discretion) and 50% based on relative Total Shareholder Return (TSR). Testing of the performance hurdles will occur once on the third anniversary of the grant date or on such other date as may be determined by the Board ("Test Date").
 - (a) EPS: At the Test Date, EPS growth (as described above) is measured against the base year (i.e. financial year ending prior to grant), and:
 - If the EPS growth is below 7.5% (compound), vesting of the EPS performance rights would be zero;
 - If the EPS growth is between 7.5% (compound) and 12.5% (compound), vesting of the EPS performance rights would be 50-100% (on straight-line incremental scale);
 - If the EPS growth is at or above 12.5% (compound), vesting of the EPS performance rights would be 100%.
 - (b) TSR: At the Test Date, TSR would be percentile ranked against a peer group of companies from the S&P / ASX Small Ordinaries Index (to be selected by the Board at the time of grant so as to set an appropriate comparator group), and:
 - If the Company's TSR is below the 50th percentile, vesting of the TSR performance rights would be zero;
 - If the Company's TSR is between the 50th and 75th percentile, vesting of the TSR performance rights would be 50-100% of the TSR performance rights (on a straight line incremental scale at 2 percentage points per 1-percentile increment in TSR); and
 - If the Company's TSR is at or above the 75th percentile, vesting of the TSR performance rights would be 100%.

- Non transferable: performance rights granted to an employee under the Plan are not transferable.
- Lapse of rights: performance rights will lapse on expiry of the term of performance right, or where the employee ceases employment in particular circumstances.
- Cessation of employment: Unless the Board otherwise determines, eligible employees who cease employment prior to vesting will generally forfeit their unvested performance rights except in circumstances approved by the board, such as death, or cessation due to total or permanent disability, or some redundancy circumstances.
- Forfeiture of shares: the Board may impose forfeiture conditions in respect of shares allocated to an eligible employee on exercise of performance rights.
- Disposal restrictions: The Board may impose disposal restrictions in respect of shares allocated to an eligible employee on vesting of performance rights.
- Change of Control: this will be within the Board's discretion to determine.

No securities have been issued under the proposed Plan previously.

The Board proposes to finalise the formal terms of the Plan in May 2010. A copy of the rules of the Plan (once finalised) will be available at www.corporate.melbourneit.com.au.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on this resolution by any director eligible to participate in the proposed Plan and their associates. However, the Company need not disregard a vote if:

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

The Board (other than the Managing Director, who has a direct interest in resolution 3) recommends that shareholders vote in favour of resolution 3.

Resolution 4: Approval of Performance Rights to be issued to Managing Director

The information set out below is based upon the requirements of ASX Listing Rule 10.15A.

The performance rights will be issued at a "zero" grant price by the Company to Mr Hnarakis. The maximum number of performance rights proposed to be issued to Mr Hnarakis over the three year period will not exceed 600,000. This maximum number is an estimate only, with the actual number of performance rights to be granted to be determined each year during the three year period for which approval is sought, in accordance with the following formula:

$$\text{Maximum number of rights to be issued} = \frac{60\% \text{ of Mr Hnarakis' fixed base salary}}{\text{Share price calculated in accordance with the Plan}}$$

It is anticipated that the first tranche would be issued in July 2010, and, in any event, no later than three years after the date of this general meeting.

The key terms of the proposed Plan are described in the summary under the notes to Resolution 3 above. Details of any performance rights issued to Mr Hnarakis will be published in each annual report of the Company relating to the period in which any performance rights have been issued. Any additional persons to whom ASX Listing Rule 10.14 applies, who become entitled to participate in the proposed Plan after the resolution is approved, and who

were not named in this Notice of Meeting will not participate until further approval is obtained under ASX Listing Rule 10.14.

Approval of this resolution will further align the interests of the Managing Director and the shareholders by having appropriate long term incentives for him to increase shareholder value and the sustained performance of the Company.

None of the persons referred to in ASX Listing Rule 10.14 (i.e. directors and their associates): (a) have previously received securities under the Plan; or (b) other than Mr Hnarakis, will be entitled to participate in the Plan. It is not proposed that any loans will be provided to any eligible participants in relation to the acquisition of the securities.

For shareholder information, although approval was obtained from shareholders at the May 2008 Annual General Meeting for the Board to issue up to 600,000 options under the Melbourne IT Option Plan to Mr Hnarakis, only the first tranche of 300,000 of these options was issued. It is not proposed to issue any more options to Mr Hnarakis under that Melbourne IT Option Plan.

Voting Exclusion Statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on this resolution by Mr Hnarakis and his associates. However, the Company need not disregard a vote if:

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

The Board (other than the Managing Director, who has a direct interest in resolution 4) recommends that shareholders vote in favour of resolution 4.

General Information

Proxies

A member entitled to attend and vote at the AGM may appoint a person to attend and vote at the meeting as the member's proxy. If a member is entitled to cast two or more votes at the AGM, they may appoint two proxies. If you wish to appoint a second proxy you will need to complete a second form. Please contact Link Market Service Limited ("Link") on 1300 55 44 74 or +61 (0)2 8280 7761 to obtain an additional Proxy Form.

A proxy need not be a member and can be an individual or a body corporate. If two proxies are appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. If the vote split is not specified, it is deemed to be equally divided between the two proxies.

Proxies may only be appointed by returning the enclosed Proxy Form to Link no later than 11am Sunday 23 May 2010. The Proxy Form can be sent by facsimile to Link on +61 (0)2 9287 0309 or sent by post to Link at Locked Bag A14, Sydney, NSW 1235. The Proxy Form must be signed by the member or an attorney duly authorised in writing. If the member is a company, the form must be executed under the seal of the company or by its duly authorised officer or attorney. Where two or more persons are registered as members each person must sign the Proxy Form.

Melbourne IT offers shareholders the ability to lodge proxy forms online. To lodge your proxy from online, please go to <http://corporate.melbourneit.com.au/investor-relations>. Choose "Shareholder Services" from the menu on the left hand side. Click on the link that states "Login to the secure shareholder services console". You will then need to enter your Security Reference Number (SRN) or Holder Identification Number (HIN), your surname or Company name, and your postcode. Then choose "Proxy Voting" from the "Actions" drop down box and follow the online prompts. Note: If you lodge

your proxy form online, you do not need to return a hard copy proxy form. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

Corporate Representatives

For a Corporate Representative to vote, they will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act.

Voting Entitlements

On a show of hands, every member present in person or by proxy or by attorney or, in the case of a corporation, by duly appointed representative, shall have one vote and on a poll one vote for every share held. However if a member appoints two proxies or two attorneys, neither proxy nor attorney shall be entitled to vote on a show of hands.

In accordance with the Corporations Act, shares will be taken to be held by those persons recorded on the Company's register as at 7.00pm Melbourne time on Friday, 21 May 2010.