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Media / ASX Announcement **20 April 2006**

On Q purchases Raywood Group Assets & Network

- Taxis are to become mobile shops and to be organised more efficiently for consumers.

- On Q is to buy selected assets to which it will add its own capabilities and IP to expand its Mobile Logistics business which will sell services in a transactional manner for 'mobile logistics' for passengers and parcels, prepaid products vending, kiosk services for accommodation, travel etc and bill pay systems within taxis and hire vehicles nationally and internationally. (Further detail is provided later).

- The major asset being purchased is (the network) being the IP and business of the Raywood Group (www.raywoodcomms.com.au) which is a long standing taxi dispatch systems developer and sales company, with international standing. Raywood is a notable international player and a market leader in Australia.

- After aggregation, On Q will have access to 22,000 Cabs currently using the Raywood system but without the extended services identified (12,000 are Australian based). Separate negotiations are in progress to access a further fleet of up to 13,000 vehicles.

- On Q will continue its international focus. In keeping with Bill Express Limited (being On Q's exclusive Australian Licensee) BXP is to have a 21 day option over purchase of the assets and business of the Australian Mobile Logistics division (initially covering 12,000 vehicles for dispatch systems which do not yet have access to the extended services described). It is targeted that 5,000 Australian/NZ vehicles will take up the new services over 18 months and it is possible that BXP may offer transaction processing services for international projects, from time to time.

- In simplified terms, the On Q budget is to earn from 5 cents (low estimate) to 15 cents (high estimate) per customer carried, which for explanatory purposes when extrapolated in the Australian market place would produce $5M to $15M AUD per year EBITDA.

- Raywood has not historically or fully exploited the fact that International opportunities are substantial. Future markets of 300,000 vehicles have been identified. Language capabilities are advanced, with Raywood and On Q already having Arabic versions and the ability to deliver Asian versions from a prepared base.

- The practical ability to sell effectively on a large scale arises on two (2) counts; one being that On Q will have the aggregated capability to exceed all other known competitors internationally (no effective competitor with equal capability has yet been identified) and the other being that the existing footprint and work done internationally, puts On Q in an advanced position. Internationally On Q is already well advanced (in at least the current target countries).

- The value benefit to On Q of even 'partial international market share success' will be rapid growth which On Q has previously shown it is capable of developing and managing.

- The simplicity of the Mobile Logistics model and the comparatively narrow and scalable rollout and logistical requirements, have been the primary encouragement to Directors.

- OPEX: Sufficient funding lines to meet medium term (and likely long term) rollout needs is work in progress.

- CAPEX: Potential International Partners have been identified and are in negotiation at this time to meet the capital purchase requirements.

PRIME STATISTICS:

	Aust & NZ[1]	**International**[2]
Target Market Size	22,000 vehicles	300,000 vehicles (selected countries only)
Estimated Passengers/Parcels Carried	400 million	4 billion
06/07 EBTIDA Target (Low)	$5M AUD	$7.5M AUD
06/07 EBTIDA Target (High)	$15M AUD	$22.5M AUD

Explanation of more background detail is made following and is also posted under announcements www.onq.com.au :

Sincerely

Hal Christiansen
Acting Chairman

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Background Information

Purchase of Taxi System Assets

The Directors of On Q Group Limited (On Q) are pleased to announce that On Q has a number of agreements in negotiation to expand its international Mobile Logistics business integrating Prepaid Payments and Vending business for taxis, private vehicle hire and small parcel businesses. This project arises out of extensive analysis and research to find an extension to the On Q business worldwide that can exploit On Q's existing technology in an efficient and scalable manner. The conclusion of this strategic, internal study is that the taxi industry is a natural and scalable extension for On Q's business and is comparatively straightforward to deploy internationally. To this end a key contract with the Raywood Group (www.raywoodcomms.com.au) has been executed. On Q will continue with its traditional business internationally. This is a complementary extension of the current business of On Q.

Corporate & Product Structure

In order to protect On Q's traditional focus, at least until a level of maturity is achieved in the new venture, it is intended to separate this new division and to form a new group structure with the holding company incorporated in Hong Kong or Dubai. An option may be to fold divisions together later. This will be determined as Investors are finalised. The mobile logistics division will focus on delivering a range of integrated "mobile kiosk" services to taxis and private vehicle hire fleets including:

a) Raywood Taxi passenger and parcel dispatch, logistics and camera monitoring system; and
b) Enhanced security options for passengers and parents etc (GPS monitoring showing taxi destination progress of child passengers etc); and
c) Touch Screen interface for searching, vending and payments; and
d) Booking and payment station for accommodation and hotels; and
e) Prepaid ticketing (mobile phone refresh, and in the future event ticketing, sporting arena ticketing, music downloads etc); and
f) Bill payment; and
g) Email and internet access within taxis; and
h) Maps and directions (electronically) for the driver and for the customers showing destination route; and
i) In-Cab TV (advertising); and
j) bopo card shift funds reconciliation and payment system; and
k) In-Cab communications (telephony), video conferencing etc.

To achieve financial receipts / collections, all of these services will leverage off existing On Q capability in order to create transactional revenues. Viewed simply, these services are an extension of the On Q retail network, to vehicles in the taxi industry. Comparatively, kiosks in shopping malls have people walking past them, whereas kiosks in taxis will have, at any given time, on average two (2) people captive for 15 minutes, often longer.

A more sophisticated view is that these services bring the opportunity for the taxi industry to re-invent itself. On Q is confident of making new profits for other stakeholders including taxi operators, drivers and taxi companies. Just as the hotel industry 'discovered' gaming, the service station industry 'discovered' convenience stores and the pharmacy industry 'discovered' cosmetics and personal products. As yet the taxi industry hasn't changed its narrow business model since inception. On Q aims that future taxi transactions will involve buying football or concert tickets or topping up a mobile telephone or downloading emails or new songs to a MP3 Music Pad or mobile.

Similarly, advertisers will consider the opportunity to push electronic advertising in [up to 400 million] passenger trips per year during an average 15 minute taxi ride in Australia. The world potential exceeds 4 billion passenger trips per year. In negotiating with a New York counterpart about the use of the POPS TV technology, we are informed that for the market for New York City, key advertisers consider the taxi passenger is a prime demographic for advertising. High advertising revenue is not essential to this business plan however courtesy of experienced and interested parties, it appears reasonable to assume opportunities will evolve that are valuable for the 'first mover' that owns scale and has the capability to deliver. On Q has already developed this electronic capability.

On Q has also designed extensions to the POPS TV system to also produce coupons, such as 2-for-1 vouchers that print for selected advertisers based on the GPS co-ordinates of the drop-off point. An example would be coffee or takeaway food coupons. This is a precinct where the customer is effectively captive and will often identify themselves, seeking credits from their reward card, providing a unique opportunity to shape relevant advertising messages. As with all new interactive technologies, many new products and applications will emerge.

Overview of Raywood

Raywood – see www.raywoodcomms.com.au - has recently and successfully released a new taxi dispatch system internationally with a fleet of 3,000 taxis operating in Dubai. Raywood has been the dominant supplier of computer dispatch systems for over 10 years in Australia and New Zealand. Raywood's technology has been extremely successful and we believe that it will be a powerful platform over which to offer the features described above. **The synergy is that these features paired with On Q capabilities will advance Raywood's systems to 'transactional financial' capability.** The strong synergy between the companies' systems has been and is being researched around the world. The directors have formed the view that the opportunity in this space is reaching a 'high point' in both 'fleet volumes and taxi operator and consumer demand'. This is indicated by the Taxi and Limousine Commission of New York City, recently mandating that taxi operators must offer a range of new services including credit card payment as a choice for consumers.

Raywood systems currently operate in 22,000 taxis across the UK, UAE, Italy, NZ and Australia, none of which supply the prepaid vending and extended services described. From research interviews conducted, the combination of services will be appealing to taxi fleet operators and sales to fleet operators will increase as a result. Dispatch is a very necessary component of taxi systems. The historical Raywood approach has been to sell 'dispatch systems as a cost centre' rather than a 'profit centre' which On Q will change as described herein.

The predominance of Raywood's business and assets are currently Australian centric. Looking forward On Q will develop the technologies and seek new international markets. Relevant statistics are described in more detail below. As previously announced, On Q is already developing its business in the Middle East. The population base in the region is around 10 times larger than Australia and the financial strength of the region is

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dramatically stronger than Australia. As a benchmark for comparison, the business opportunity in Australia is indicated by the market capitalisation of relevant listed ASX companies at around $750M capital value on earnings of $34M. ASX research shows key listed Service Providers achieve this valuation primarily by providing payment services to approximately 17,000 cabs **without the additional income transactions** described above. (This research is an indicative benchmark of the value that may be unlocked with an appropriate international business plan that produces new incomes for taxis and hire vehicles, potentially increasing revenues up to 100% beyond industry models of existing Service Providers).

On Q has negotiations in progress nationally and internationally and therefore some information is strategically confidential at this time. The purpose of providing the following statistics is to give stakeholders an understanding of industry volumes and also On Q's financial objectives, whilst at the same time protecting these negotiations.

Snapshot of On Q's Objectives

1. Stage 1 is to integrate existing On Q capability with the capabilities of two (2) other companies of which Raywood is one. (The additional deals will be announced when appropriate if and when these close. They are not essential to a successful outcome but will build upon it).
2. Stage 2 is to establish operating entities by country / region with local investor participation and to 'sell in', licenses, knowledge and 'know how' to provide the services identified above. Early profits are targeted from the sale of licenses into many countries (with a later, ongoing profit stream as a share of dividends). Bill Express Limited has the first right of refusal in Australia.
3. Stage 3 is to share in dividends from the operational entities established in each country (each will run with local sales and management teams but centralised savings, through common processing resources and call centres will be encouraged).
4. Stage 4 is to deploy more extensive algorithms for the efficient use of taxi carrying capacity for efficient passenger and PARCEL pickup and delivery. Up to 70% of potential vehicle utilisation is currently lost/wasted

Purchase Price

It is intended that the 'total cost of capital purchase' to On Q, on aggregation of all targeted components, is to be less than 3 times 2006/07 earnings based on 30% achievement of budget target. This is further explained below. (Performance above 30% of the budget will produce an exceptional result. This should not be relied on by stakeholders and is explained for perspective and to describe medium term aspirations and intent).

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PRICE EARNINGS CALCULATIONS – AGAINST BUDGET 06/07

Australian & International Perspective

30% of target earnings will result in Purchase Price Earnings Ratio of	2 times
60% of target earnings will result in Purchase Price Earnings Ratio of	1 times
100% of target earnings will result in Purchase Price Earnings Ratio of	0.5 times

(Noting that these budgets include prepaid products, tickets, vouchers etc sold across the same network)

ON Q EBITDA FORECAST 06/07

100% of International budget represents earnings of	$22.5M AUD

Whilst the Directors will aspire to achieve 100% of budget targets, a lesser result will be acceptable. International projects invariably have challenges that delay outcomes and all stakeholders should discount their expectations accordingly. However, in this case, the strength of the opportunity is driven by the primary fact that much of the required technology and infra structure is already in place within the On Q Group so that this is a volume expansion project which diminishes risks and has the strong potential to increase the profit result in an unusually high way.

The Mobile Logistics corporate group structure is being designed for outsourced partner-based growth. The aim is to sponsor rollout activities in many countries in a compressed time frame, using in-country investors with local knowledge. The financial proposition for a local investor is considered to be strong. This can be simply assessed on the basis of the results that relevant Service Providers in Australia enjoy, plus 50% to 100% additional gross profit capability from new revenues (i.e., the target comparatively is for 50% to 100% better revenue streams than today's base position, through new revenues). Please note, these comments refer to the income earned by Service Providers to the Taxi Industry and not to the Cab Owner or Driver. This project will generate more income for Owners and Drivers but their position is not directly relevant and is therefore excluded from figures quoted and from the earning capacity of On Q as a service provider.

The rollout challenges of a Mobile Logistics (Taxi) and vending solution are less than the similar retail business in which On Q is experienced and essentially involves using centralised installation service agents. This is simpler than fitting out a retail store. The server side activities are essentially the same as On Q is experienced in. Despite the comparative simplicity of deployment, the anticipated earnings per vehicle are similar to a retail store, so that logically this business target is a natural extension for On Q.

A key objective is to have the required Receivables and Equipment funding arrangements in place to offer taxi operators a convenient, rapid and practical upgrade path. Many taxi operators currently wait 30 days for electronic payment receipts where the obligors making the payments are strong (i.e., there is low risk the payments will not be made). It is a matter of delayed payment rather than financial risk. On Q and its partners intend to have the capabilities to reduce these delays and bring forward cash substantially to the taxi operators to win their support. For example, 5,000 vehicles waiting upon $10,000 calculates to $50M receivables outstanding. On Q and Bill Express Limited will announce achievements toward the required facilities to leverage this gap, in due course.

Relevant Key Industry Statistics

TABLE 1: Australia & New Zealand Industry

(Note: Figures are averaged on a national basis and vary by state and population densities)

Number of vehicles (Taxi & Private Vehicle Hire)	22,000
Average Passengers per Trip	2
Average Trip Time	15 mins
Estimated Annual Trips	190 million
Estimated Annual Passengers Transported	400 million

Estimated Annual Statistics are:

Carrying capacity of Aust/NZ Fleet on a 24 hour basis	2.8 billion passengers
Carrying capacity of Aust/NZ Fleet on a 12 hour basis	1.4 billion passengers
(22,000 vehicles x 12 hrs x 4 X 15 min trips per hour x 4 passengers)	
a. Wastage (unused passenger capacity)	70% (approximately)
b. World wide growth of electronic sales business	100% p.a. (approximately)[3]

(On Q's vision is that points a & b represent significant growth opportunities not yet exploited. These comments are not intended to be critical of the Industry, but indicate longer term potential).

Markets Identified Outside of Australia and New Zealand

UK, UAE, Greece, Turkey, Italy, and the USA

Target Units: 300,000

(Asian markets are under further investigation and specific advice will follow)

KEY FORECAST INFORMATION

TABLE 2: Additional Gross Profit Estimate (per Vehicle per Year)

When 2% of passengers buy prepaid, mobile refresh	$ 800
When 2% of passengers buy tickets, vouchers, music download etc	$2,000
When 1% of passengers buy pre-paid taxi tickets, surf net or pay a bill	$1,000
When 1% of passengers buy maps & directions information	$ 700
When 0.5% of passengers buy Cab SMS arrival and destination tracking	$ 100
When 0.5% of passengers access kiosk for accommodation specials etc	$ 400
When retailers pay to have location based coupon and ads on receipts and screens	$1,000

(Note: GPS co-ordinates link drop destination to closest paying business e.g. Coffee shop)

Estimated New Income (Gross Profit) to be generated per Cab $6,000

On Q is conscious, through its separate experience in Retail TV, that revenues per cab of over $2,500 per year are achievable hence it considers the above estimate of $1,000 per year from advertising to be conservative. The point of the budget process to this stage has been to focus on core On Q knowledge, so better results from advertising, or higher usage of the above services will be a bonus. If higher usage rates are achieved, the results quickly escalate, especially when applied over large fleet volumes and international jurisdictions. The Directors do not wish to have analysts focus on uncertain

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aspects and have therefore restricted the budget to core competencies but new aspects will be pursued in the future including parcel and cab share logistics to improve Taxi utilisation. Up to 70% of total fleet capacity can be considered to be under utilised.

Summary

Due to negotiations in progress with third parties the full details of the transaction with Raywood and other technology owners will not be made at this point. Of note though is a deposit of $2.5M (equity based) and a combination of fixed and earn-out amounts (cash or equity based) which will form combined payments to Raywood for Stage 1 negotiations, which shall be less than $20M AUD and likely less than $15M AUD. This will give On Q 100% control of worldwide rights, intellectual property and business assets of the Stage 1 entities under negotiation. Should the earn out payments result in increased payments above $15M AUD, which may only be due to international sales volume to September 2006, then the resulting business value increase to On Q (as calculated by directors) will be more substantial than the cost. Primarily, Raywood represents a network expansion opportunity. On Q is negotiating to sell off sufficient countries under licence to offset the direct On Q outlay.

The budget referred to above, used to form the price earning ratio estimates, was prepared using internal and external advisors and was constructed to be conservative. These estimates are backed by external research and third party data and the view of On Q Directors from years of experience in 'electronic transaction businesses' supports that the percentage take-up rates shown in Key Forecasts of the 'new revenue services' are conservative. The forecasts of 1 to 2% of customers using those identified, specific kiosk style vending and extended mobile services when they are virtually locked in a taxi for 15 minutes, is almost certain to be understated. Research interviews[4], conducted with regular taxi users, showed that up to 40% of the people interviewed would buy such products. While extrapolation of these results to all trips would be invalid, the indications are for likely upside from the figures listed in Table 2.

Internationally, On Q (with local partners) intends to enjoy most of the benefits similar Cab Industry Service Providers enjoy in Australia, plus the additional new revenue benefits which have the long term potential to meet and exceed the basis on which Australian Companies have previously built their businesses. The current Australian Service Provider model is to charge fees on taxi transactions making it a cost centre and NOT an income centre for taxi operators. In contrast, On Q's proposition is a profit centre for taxi operators, drivers and cab companies, as well as a payment services provider if needed. Exact services and functionality will evolve as each market considers the Mobile Logistics proposition. In all situations On Q and its Partners will have a complete service offering which can be made available. (Further, the offering at this stage appears well ahead of competitors)

The Directors thank stakeholders in advance for supporting this initiative and undertake to work tirelessly to achieve the above targets.

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1. Australian Market Statistics sourced from the Australian Taxi Industry Association website, figures are labeled as pertaining to the 2004 calendar year. NZ statistics sourced through industry suppliers.
2. International opportunity established through discussions with taxi industry parties in New York, London and Dubai, validated by further independent research.
3. Lafferty Publication 23rd January 2006 **www.epaynews.com**
4. Surveys conducted on a sample of 200 regular taxi users in November 2005, investigating the appeal of offering the features outlined here in taxis