TENNYSON NETWORKS LIMITED
ABN 98 009 805 298
(Subject to Deed of Company Arrangement)

NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT
AND
INDEPENDENT EXPERT'S REPORT
AND
PROXY FORM

For an Annual General Meeting to be held on
29 March 2004 at 11am at
The Celtic Club, 48 Ord Street,
West Perth, WA, 6005

CONTENTS PAGE

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

LETTER TO SHAREHOLDERS

Dear Shareholder

On 14 October 2003, the directors of Tennyson Networks Limited (**Tennyson** or the **Company**) appointed Nicholas Brooke and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants, as Administrators of the Company (**Administrator**) and its wholly owned subsidiary, Tennyson Technologies Pty Ltd (**Technologies)** pursuant to Section 436A of the Corporations Act.

The appointment was made following the Company's securities being suspended from quotation on the Official List of ASX on 14 October 2003.

At a meeting adjourned on 10 November 2003 and reconvened on 8 December 2003, the Administrator recommended to the creditors of the Company that, in the opinion of the Administrator, it was in the best interests of creditors to approve the execution of a deed of company arrangement. At this meeting, creditors resolved to approve the execution of a deed of company arrangement with Ascent Capital to recapitalise the Company, which was subsequently executed on 24 December 2003 (**Deed of Company Arrangement**). The terms of the proposal to recapitalise the Company are reflected in the Deed of Company Arrangement, which is available on www.pwcrecovery.com.au, and a summary of which is set out in this Memorandum. Details of Ascent Capital are also set out in the Memorandum.

This Notice of Meeting and Explanatory Statement has been prepared by Ascent Capital and signed by David Steinepreis (in his capacity as a Director of Tennyson) pursuant to clause 2.4(d) of the Deed of Company Arrangement which states:

"By this Deed, the Administrators delegate to Mr David Steinepreis the power to chair the Shareholders Meeting and sign any notice convening the Shareholders Meeting."

Ascent Capital has provided the funding to meet the costs associated with this Notice of Meeting and funding to meet certain on-going costs of the SOX Technology business. Nominees of Ascent Capital being Mr David Steinepreis, Mr Gary Steinepreis and Mr Hugh Warner were appointed Directors of Tennyson on 24 December 2003.

The Recapitalisation Proposal for the purposes of this Meeting requires as follows:

(a) Resolution 1 - the consolidation of the existing capital of the Company on a 1 for 10 basis;

(b) Resolution 2:

    (i) the issue and allotment of 20,000,000 Shares at an issue price of 0.01 cents per Share (post consolidation), to raise $2,000 for working capital. The determination of the allottees is at the sole discretion of Ascent Capital;

    (ii) the issue and allotment of a total of 34,000,000 unlisted Options (post consolidation) for a total subscription sum of $1,000 with each Option to acquire one Share in the Company exercisable at 1 cent each. The determination of the allottees is at the sole discretion of Ascent Capital;

    (iii) the issue and allotment of 90,000,000 Shares at an issue price of 0.222 cents per Share (post consolidation) to raise $200,000 for working capital. The determination of the allottees is at the sole discretion of Ascent Capital; and

    (iv) the issue and allotment of up to a further 125,000,000 Shares at an issue price of not less than 1 cent per Share (post consolidation) to raise up to $1,250,000 for working capital. The determination of the allottees is at the sole discretion of Ascent Capital; and

(c) Resolution 3 – the issue and allotment of 5,000,000 Shares at a deemed issue price of 1 cent per Share (post consolidation) to the Technologies Deed Administrator for no cash payment for the benefit of Technologies' creditors;

(d) Resolutions 4, 5 & 6 - the re-election of the nominees of Ascent Capital as Directors of the Company; and

(e) Resolution 7 - the adoption of a new constitution of the Company to update the constitution in compliance with the Corporations Act and/or Listing Rules of ASX.

Resolutions 1 to 6 inclusive are conditional upon the due passage of all of the proposed Resolutions 1 to 6 inclusive. Resolution 7 is subject to and conditional upon Resolutions 1 to 6 inclusive being passed. Accordingly, these Resolutions should be considered collectively as well as individually.

The Resolutions proposed which are included in the attached Notice of Meeting enable the Company to satisfy the terms of the Deed of Company Arrangement. Full details in respect of the proposed Resolutions are contained in the attached Notice and Explanatory Statement.

If the above Resolutions are passed and the proposed restructuring and recapitalisation completed, the Company will seek the reinstatement of the quotation of its securities on ASX. Ascent Capital has advised the Deed Administrator that it intends the Company to continue with the SOX Technology business and to pursue complementary acquisitions. It also intends to review new investment opportunities. Further details regarding Ascent Capital's intentions for the Company are set out in the attached Explanatory Statement.

If any one or more of the above Resolutions are not passed (other than Resolution 7), the proposed restructuring and recapitalisation will not proceed and the Deed of Company Arrangement will either be terminated or varied which may result in the Company being liquidated.

Neither the Deed Administrator, their professional advisers, PricewaterhouseCoopers or its members or employees are responsible for the contents of this Notice of Meeting, the Explanatory Statement or the Memorandum generally, nor the report by Stanton Partners Corporate Pty Ltd attached to and forming part of the Memorandum. The Deed Administrator does not accept any responsibility for any disclosure in or failure to include any disclosure in these documents.

The information contained in these documents has not been verified independently by the Deed Administrator, their professional advisors, PricewaterhouseCoopers or its members or employees who expressly disclaim responsibility and liability for the accuracy or completeness of the information in the documents.

Yours faithfully

David Steinepreis
Director

13 February 2004

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the Shareholders of Tennyson Networks Limited (subject to deed of company arrangement) will be held at:

Celtic Club **48 Ord Street** **WEST PERTH WA 6005**	**Commencing** **11.00am (WST)** **on 29 March 2004**

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The meeting will commence at 11.00am (WST).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the proxy by facsimile to the Company C/- Ascent Capital Pty Ltd on facsimile number (08) 9481 2690 (International: + 61 8 9481 2690); or

- deliver to the Company, C/- Ascent Capital Pty Ltd, Level 1, 33 Ord Street, West Perth, Western Australia, 6005,

so that it is received not later than 11.00am (WST) on 25 March 2004.

Your proxy form is enclosed.

TENNYSON NETWORKS LIMITED

ABN 98 009 805 298

(Subject to Deed of Company Arrangement)

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Tennyson Networks Limited (subject to Deed of Company Arrangement) (**Tennyson** or **Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005 at 11.00am (WST) on 29 March 2004.

AGENDA

The Explanatory Statement that accompanies and forms part of this Notice of Meeting describes the matters to be considered as ordinary business and special business.

ORDINARY BUSINESS

Annual Accounts -To receive and consider the financial report of the Company for the year ended 30 June 2003 and the reports by the Directors and Independent Auditor.

SPECIAL BUSINESS

Shareholders should note that Resolutions 1 to 6 inclusive are subject to and conditional upon each of Resolutions 1 to 6 inclusive being passed. Resolution 7 is subject to and conditional upon Resolutions 1 to 6 inclusive being passed. Accordingly, these Resolutions should be considered collectively as well as individually.

Resolution 1 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional on the due passage of Resolutions 2 to 6 inclusive, for the purposes of Section 254H of the Corporations Act, Listing Rule 7.22.1 of the Listing Rules of Australian Stock Exchange Limited, the Company's Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that:

(a) every ten (10) fully paid ordinary shares in the capital of the Company be consolidated into one (1) fully paid ordinary share in the capital of the Company; and

(b) every ten (10) options, each to acquire a fully paid ordinary share, be consolidated into one (1) option and that the exercise price of the options be amended in inverse proportion to that ratio,

and where this consolidation results in a fraction of a share or option being held by a member of the Company, the Directors of the Company be authorised to round that fraction down to the nearest whole share or option."

Short Explanation: Under the Corporations Act, a company may convert all or any of its shares into a smaller number of shares by resolution passed at a general meeting. In that circumstance, the Company is required to consolidate its options in accordance with the Listing Rules.

Resolution 2 – Allotment and Issue of Shares and Options – Working Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional on the due passage of Resolutions 1 and 3 to 6 inclusive, for the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of Australian Stock Exchange Limited, Sections 208 and Item 7 of Section 611 of the Corporations Act and for all other purposes, approval is given for:*
>
> *(a) the Company to allot and issue up to 20,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.01 cents per share (on a post consolidation basis) to raise $2,000; and*
>
> *(b) the Company to grant up to 34,000,000 options each to acquire one fully paid ordinary share in the capital of the Company at an exercise price of 1 cent (on a post consolidation basis) for a total subscription sum of up to $1,000; and*
>
> *(c) the Company to allot and issue up to 90,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.222 cents per share (on a post consolidation basis) to raise $200,000;*
>
> *(d) the Company to allot and issue up to 125,000,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than 1 cent per share (on a post consolidation basis) to raise up to $1,250,000; and*
>
> *(e) those parties set out in the Explanatory Statement to acquire a relevant interest in issued voting shares in the Company on the issue of fully paid ordinary shares and on exercise of the options issued and granted in accordance with this Resolution,*
>
> *to the parties and on the terms set out in the Explanatory Statement accompanying this Notice."*

Short Explanation: As part of the recapitalisation of the Company, shares and options will be issued to Ascent Capital Pty Ltd, its directors (who include Directors of the Company (or entities controlled by them)) and to nominated third parties. For this reason, approval is sought under ASX Listing Rules 7.1 and 10.11 and Section 208 of the Corporations Act. Approval is also sought to allow those parties (who could be deemed to be acting in concert) to acquire a relevant interest in more than 20% of the Company. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by:

(a) a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any associates of those persons; and

(b) a person who is to receive securities in relation to the entity and their associates.

Resolution 3 – Allotment and Issue of Shares to the Administrator of Tennyson Technologies Pty Ltd

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional on the passing of Resolutions 1 to 2 inclusive and 4 to 6 inclusive, for the purposes of Listing Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited, and for all other purposes, approval is given for the Company to allot and issue 5,000,000 fully paid ordinary shares in the capital of the Company at a deemed issue price of 1 cent per Share (on a post consolidation basis) to the Deed Administrator of Tennyson Technologies Pty Ltd (**Technologies**), to be applied by Nicholas Brooke, Stephen Graham Longley and*

Geoffrey Frank Totterdell as deed administrator of Technologies, appointed pursuant to the deed of company arrangement for Technologies executed on 24 December 2003, for the benefit of Technologies' creditors."

Short Explanation: As part of the recapitalisation proposal, the Company is required to issue the Shares pursuant to this Resolution to the Deed Administrator of Tennyson Technologies Pty Ltd. Approval is sought under Listing Rule 7.1 to allow the Company to issue the shares pursuant to this Resolution and allow the Company the flexibility to make further issues of securities up to the threshold of 15% of its total ordinary securities in any 12 month period.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any associates of those persons.

Resolution 4 – Re-election of Mr David Steinepreis

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional on the due passage of Resolutions 1 to 3 inclusive and 5 to 6 inclusive, Mr David Steinepreis being a Director of the Company who was appointed on 24 December 2003, retires in accordance with Rule 7 of the Company's constitution and, being eligible and offering himself for re-election, be election as a Director of the Company."*

Resolution 5 – Re-election of Mr Hugh Warner

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional on the due passage of Resolutions 1 to 4 inclusive and 6, Mr Hugh Warner being a Director of the Company who was appointed on 24 December 2003, retires in accordance with Rule 7 of the Company's constitution and, being eligible and offering himself for re-election, be elected as a Director of the Company.",*

Resolution 6 – Re-election of Mr Gary Steinepreis

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, subject to and conditional on the due passage of Resolutions 1 to 5 inclusive, Mr Gary Steinepreis being a Director of the Company who was appointed on 24 December 2003, retires in accordance with Rule 7 of the Company's constitution and, being eligible and offering himself for re-election, be elected as a Director of the Company."*

Resolution 7 – Adoption of New Constitution

To consider and if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

> *"That, subject to and conditional on the due passage of Resolutions 1 to 6 inclusive, the Company adopts a new constitution in the form as signed by the chairman of the meeting for identification purposes in lieu of the existing constitution of the Company."*

Short Explanation: The Company proposes to adopt a new constitution that more accurately reflects the recent changes to the Corporations Act and the Listing Rules of Australian Stock Exchange Limited.

DATED THIS 13th DAY OF FEBRUARY 2004

DAVID STEINEPREIS
DIRECTOR

NOTES:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.

2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides or 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.

3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 11.00 am (WST) on 25 March 2004.

EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of Tennyson Networks Limited (subject to a Deed of Company Arrangement) (**Tennyson** or **Company**) in connection with the Annual General Meeting of the Company to be held on 29 March 2004.

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company. In this regard, Shareholders should note that the Administrator prepared two reports to creditors of the Company in accordance with Section 439A(4) of the Corporations Act. The reports set out in detail the financial position of the Company, the actions and investigations taken by the Administrator, the reasons for the failure of the Company and the Administrators' recommendation for the future of the Company. A copy of these reports can be provided on request, but the Shareholders should note that these were prepared for the benefit of Tennyson's creditors and any opinions expressed by the Administrator in these reports relate to the creditors' interests which may not be aligned with the Shareholders' interests. As such the Shareholders should not place reliance on these reports.

If the Resolutions are passed and the proposed re-structuring set out in the Recapitalisation Proposal is completed, the Company will be in a position to seek the reinstatement of its securities to official quotation on ASX. This reinstatement is, of course, subject to the discretion of ASX.

If Shareholders reject the proposed restructuring, the Deed of Company Arrangement will either be terminated or varied which may result in the Company being liquidated. In the event of an unsuccessful recapitalisation, it is likely that there would be no return to Shareholders.

1.1 Overview

1.1.1 Background

Tennyson was founded in 1970 as Tennyson Minerals NL. In 1994, Tennyson changed its activities with the acquisition of a telecommunications technology business which provided remote access products and supplied ISDN PC cards.

In 1996, Tennyson, through a subsidiary, commenced the development of the SOX product which was ultimately launched in Australia and New Zealand in 1999 and internationally in 2000. SOX (Smart Office Exchange) is a product that integrates voice, facsimile, voicemail, data and internet communication needs of small offices with up to 64 users.

By late 2000/early 2001, trading was severely impacted by the deteriorating trading conditions in the global telecommunications sector which led to severe demands on the Company's cash resources. Tennyson Shares were suspended in March 2001 while the operations were restructured and recapitalised. There was a change in the directors and $4.8m of new capital was raised. The Shares resumed trading in August 2001 and Tennyson continued to promote the SOX product.

On 14 January 2003, Tennyson announced that it had signed a conditional agreement for the acquisition of the data services business of Ericsson New Zealand. This acquisition was completed with effect from 1 July 2003 and became Datareach Limited. Datareach Limited operates products that enable broadband internet communications over traditional copper networks.

Tennyson entered into a Subscription Agreement with Neoside Pty Ltd (**Neoside**) dated 16 July 2003 for the financing of new Shares in Tennyson for $9,776,000. The subscription funds have not been advanced as at the date of this Notice of Meeting.

Whilst Tennyson made progress on the development of its business to become self-financing on a sustainable basis, continuing operating losses had been sustained and the continuation of trading was dependant on the ability of the Company to attract sufficient capital to fund activities in the future. Ultimately, these funds were not available to the Company.

1.1.2 Suspension of Trading of Tennyson Shares and Appointment of Administrator

On 14 October 2003, the Company made a request to ASX to suspend its securities from official quotation.

Pursuant to a resolution of the directors of the Company, Nicholas Brooke and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants, were appointed as Administrators of the Company pursuant to Section 436A of the Corporations Act.

At a meeting adjourned on 10 November 2003 and reconvened on 8 December 2003, the Administrator recommended to the creditors of the Company, in the opinion of the Administrator that it was in the best interests of creditors to approve the execution of a deed of company arrangement. The 8 December 2003 meeting was the adjourned second meeting of creditors of Tennyson which was reconvened following the initial meeting on 10 November 2003 for the purpose of determining the future of Tennyson. At this meeting, creditors voted to approve the execution of a deed of company arrangement with Ascent Capital to recapitalise the Company which was subsequently executed on 24 December 2003 (**Deed of Company Arrangement**). The terms of the proposal to recapitalise the Company are reflected in the Deed of Company Arrangement, a summary of which is set out in this Memorandum. Details of Ascent Capital are set out in the Memorandum.

Ascent Capital has provided the funding to meet the costs associated with this Notice of Meeting and funding to meet certain on-going costs of the business operations. During the administration of the Company, the SOX Technology business has been maintained by the Administrator at its existing premises.

As Neoside has not, as at the date of this Memorandum, met its obligations under the Subscription Agreement, the preliminary processes prior to litigation have been commenced including a review of the assets of Neoside and the guarantors which may potentially be available to Tennyson creditors. The Administrator advised that there remains scope that Neoside will complete the Subscription Agreement and this remains the most advantageous outcome to creditors. The Deed of Company Arrangement is worded to reflect this ongoing option, albeit an unlikely one in the Administrator's view.

The Deed of Company Arrangement provides a mechanism to ensure that, should Neoside be in funds sufficient to complete all or substantially all of the Subscription Agreement obligations, this course of action can be accessed without breach of the Deed of Company Arrangement terms. The Deed of Company Arrangement also envisages litigation against Neoside and/or guarantors.

In summary, the Deed of Company Arrangement shall terminate if, prior to the Completion Date (as defined in the Deed of Company Arrangement), Neoside complies with its obligations under the Subscription Agreement and pays to the Company the sum of $9,776,000, or such lesser sum as is sufficient to enable:

(a) all of the admitted creditors of Tennyson and all of the creditors of Technologies to be paid a dividend of 100 cents in the dollar; and

(b) Ascent Capital to be paid the amounts referred to in the Deed of Company Arrangement (refer below); and

(c) the Deed Administrator to be paid the amounts referred to in the Deed of Company Arrangement.

If the Deed of Company Arrangement terminates in the above manner, the Deed Administrator shall:

(a) repay to Ascent Capital the various deposits paid by Ascent Capital;

(b) reimburse Ascent Capital for its reasonable costs and disbursements, including those legal, accounting, travel, communication, office and other overheads and expert fees incurred and separately identified in complying with its obligations under the Deed of Company Arrangement and in satisfying or attempting to satisfy the conditions precedent under the Deed of Company Arrangement; and

(c) pay to Ascent Capital a termination payment of $100,000.

as liabilities of the Company (although not as liabilities for which the Deed Administrator is personally liable).

1.1.3 Future of the Company

As set out in the Recapitalisation Proposal and the Deed of Company Arrangement, the SOX Technology (excluding rental sums paid to Technologies in advance by customers of Technologies renting SOX Technology units and associated items), which is currently owned by Technologies, will be acquired from Technologies pursuant to an asset transfer agreement, in consideration for the sum of $150,000 payable pursuant to the terms of the Technologies Deed of Company Arrangement.

In addition, pursuant to the asset transfer agreement, the Company will be granted a first right of refusal, at no more than auction value, with respect to specified plant and equipment of Technologies associated with the SOX Technology, within 7 days of the Company's securities being reinstated to quotation on ASX.

It is the present intention of Ascent Capital to continue the SOX Technology business of the Company and the purpose of this Meeting is to give effect to the Deed of Company Arrangement and matters associated with the Deed of Company Arrangement to allow the Company to continue its operations.

Following completion of the Recapitalisation Proposal, the Company will seek reinstatement of its securities to quotation on ASX.

Subject to the successful completion of the Recapitalisation Proposal, Ascent Capital has signed a joint venture proposal dated 9 February 2004 between Ascent Capital and CDM Australia Pty Ltd (**CDM**) in respect of the SOX Technology business (**SOX Joint Venture**). The key terms of this joint venture proposal, which Tennyson will assume, are as follows:

(a) the Company shall have a 49% interest and CDM shall have a 51% interest in the SOX Joint Venture;

(b) the Company shall provide $30,000 as initial funding to the SOX Joint Venture, which shall be used firstly to acquire specified plant and equipment of Technologies associated with the SOX Technology pursuant to the first right of refusal granted under the asset transfer agreement (refer to details above) and secondly to enhance the development of the SOX Technology as agreed by the parties;

(c) CDM shall be the manager of the SOX Joint Venture for the first 12 months and shall receive a management fee of $5,000 per month to manage all aspects of the continuing operations of the SOX Technology business;

(d) the parties shall share the net cashflows from the SOX Technology business in proportion to their respective interests in the SOX Joint Venture;

(e) during the first 6 months of the SOX Joint Venture, the parties will complete a re-assessment of all aspects of the SOX Technology business to determine an appropriate business plan for its operation;

(f) at the end of the first year of the SOX Joint Venture, the parties will have the option to subscribe further funding to retain their respective interests in the SOX Joint Venture. In the event that the Company does not contribute to extra funding, its interest in the SOX Joint Venture will be diluted to 10%;

(g) after the second year of the SOX Joint Venture, the parties shall assess the commercial viability of the SOX Technology business to determine whether to continue the SOX Joint Venture or dispose of the SOX Joint Venture assets; and

(h) to the extent that the SOX Joint Venture arrangements need to be varied to facilitate Tennyson re-listing on the ASX, the parties agree to negotiate in good faith in an attempt to agree appropriate variations.

CDM is a technology based Group with offices in Melbourne, Sydney, Brisbane and Perth focusing on technology integration in the business environment. Supplying State and Federal Governments, Educational Institutions and the Business Market with its own brand computers, HP, Apple and Acer Brand with computing solutions. With a whole of business strategy the company has a division, which provides a comprehensive document solution from site audits to full technical and service facilities. The Group is a national distributor of LG and Nortel Telephony products. Also it has a national engineering and technical structure, capable of designing and installing, telephony solutions, computer networks and other associated infrastructure.

In addition, the Company proposes to raise sufficient working capital to carry out its activities in the telecommunications industries and/or complementary industries. As part of the working capital budget, the Company intends to pursue new projects within Australia and overseas by way of acquisition, development and/or exploitation.

1.1.4 Purpose of Capital Raisings pursuant to Resolution 2

The purpose of the capital raisings proposed by Resolution 2 are to:

- fund the on-going operations, and development of the Company's existing SOX Technology business, following settlement pursuant to the asset transfer agreement (detailed above in Section 1.1.3);

- provide funds for further acquisition and development of other projects and/or investments identified by the Company; and

- meet the administration costs of the Company and the expenses of the recapitalisation of the Company.

In particular, it is proposed that the funds raised pursuant to Resolution 2 will be applied as follows:

Use of Funds - Expenditure Budget

	Year 1	Year 2
Total funds raised	1,452,000	-
Utilised as follows:		
Review, evaluation and development of the existing assets, purchase of stock and work in progress for the SOX Technology business and SOX Joint Venture Contribution of the Company	246,000	150,000
Review and evaluation of new projects	100,000	200,000
Total general working capital budget	*346,000*	*350,000*
Payment to Deed Administrator to satisfy obligations under the Deed of Company Arrangement	356,000	-
Working capital including expenses associated with the Recapitalisation Proposal*	200,000	200,000
Total funds utilised	902,000	550,000

* Note that the expenses of the Recapitalisation Proposal are estimated at $75,000 (refer to the Proforma Statement of Financial Position Section 2.2.9).

1.1.5 Ascent Capital Pty Ltd

Ascent Capital is made up of David Steinepreis, Hugh Warner and Gary Steinepreis, details of whom are set out in Section 1.2.1 below.

Ascent Capital was formed by David Steinepreis, Hugh Warner and Gary Steinepreis to pursue the reconstruction and recapitalisation of existing listed companies, assist in the establishment of new businesses and the listing of new companies on recognised stock exchanges including the ASX, OFEX and AIM in the United Kingdom and the TSX Venture Exchange in Canada.

Ascent Capital and its directors have successfully recapitalised and relisted on the ASX a number of companies including:

1. Aeris Technologies Ltd
2. Avon Resources Ltd
3. Extract Resources Ltd
4. Resonance Healthcare Limited
5. Imugene Limited
6. Q-Vis Ltd
7. Synergy Metals Ltd
8. View Resources Ltd
9. Medivac Limited
10. IM Medical Limited
11. Mokuti Mining Ltd
12. Service Stream Limited

1.2 Summary of the terms of the Recapitalisation Proposal and Deed of Company Arrangement

Set out below is a detailed summary of the Recapitalisation Proposal and Deed of Company Arrangement.

1.2.1 Details of Recapitalisation Proposal

The Recapitalisation Proposal was considered by the creditors at the reconvened second creditors meeting held on 8 December 2003 and the Deed of Company Arrangement was executed on 24 December 2003 as detailed in Section 1.2.2 below. Mr David Steinepreis, Mr Gary Steinepreis and Mr Hugh Warner were appointed Directors of Tennyson on 24 December 2003.

Ascent Capital

By way of background, Ascent Capital comprises Mr David Steinepreis, Mr Gary Steinepreis and Mr Hugh Warner. Detailed information in respect of these persons is set out below.

Mr David Steinepreis

David Steinepreis is a Chartered Accountant and former partner of an international accounting firm where he specialised in strategic corporate advice and taxation for listed companies. He entered commerce as a director, adviser and major shareholder of a number of listed companies in the gold, diamonds, oil and new mining technology sectors. Mr Steinepreis is a director of Q-Vis Limited, Service Stream Ltd, IM Medical Limited, Black Range Minerals Ltd (Subject to Deed of Company Arrangement), Mokuti Mining Ltd and Kanowna Lights Limited, companies listed on the ASX, Black Rock Oil & Gas PLC, an oil and gas exploration company listed on the Alternative Investment Market in London and MinRes Resources Inc, a company listed on the TSX Venture Exchange in Canada. Mr Steinepreis is also chairman of Ascent Capital Pty Ltd.

Mr Hugh Warner

Hugh Warner holds a Bachelor of Economics Degree from the University of Western Australia and has completed post graduate studies in accounting and law. Mr Warner has been involved with a number of private and publicly listed companies in Australia, UK and Canada involved in the oil and gas, gold, diamonds and technology sectors. He contributes general corporate and company secretarial management skills along with a strong knowledge of both the Australian and UK Stock Exchange requirements. Mr Warner is a director of Q-Vis Limited, Service Stream Ltd, Black Range Minerals Ltd (Subject to Deed of Company Arrangement), IM Medical Limited and Mokuti Mining Ltd, companies listed on the ASX, MinRes Resources Inc. listed on the TSX Venture Exchange in Canada, and Ascent Capital Pty Ltd.

Mr Gary Steinepreis

Gary Steinepreis holds a Bachelor of Commerce degree from the University of Western Australia and is a Chartered Accountant. Mr Steinepreis provides corporate, management and accounting advice to a number of companies involved in the resource, technology and leisure industries. He is a director of Chatsworth Stirling Management Ltd, the responsible entity for the Australian Development Capital Fund, , Q-Vis Limited, Black Range Minerals Ltd (Subject to Deed of Company Arrangement) and Mokuti Mining Ltd, companies listed on ASX, Black Rock Oil & Gas Plc listed on the London AIM market and Ascent Capital Pty Ltd.

Terms of the Recapitalisation Proposal

The essential terms of the Recapitalisation Proposal are as follows:

(a) the consolidation of the capital of the Company on a 1 for 10 basis;

(b) the issue and allotment of 20,000,000 Shares at an issue price of 0.01 cents per Share (post consolidation), to raise $2,000 for working capital. The determination of the allottees is at the sole discretion of Ascent Capital;

(c) the issue and allotment of a total of 34,000,000 unlisted Options (post consolidation) for a total subscription sum of $1,000 with each Option to acquire one Share in the Company exercisable at 1 cent each. The determination of the allottees is at the sole discretion of Ascent Capital;

(d) the issue and allotment of 90,000,000 Shares (post consolidation) at an issue price of 0.222 cents per Share to raise $200,000 in working capital. The determination of the allottees is at the sole discretion of Ascent Capital.

(e) the issue and allotment of up to a further 125,000,000 Shares at an issue price of not less than 1 cent per Share (post consolidation) to raise up to $1,250,000 for working capital. The determination of the allottees is at the sole discretion of Ascent Capital;

(f) the issue and allotment of 5,000,000 Shares at a deemed issue price of 1 cent per Share (post consolidation) to the Technologies Deed Administrator for no cash payment for the benefit of Technologies' creditors;

(g) the re-election of the nominees of Ascent Capital as Directors of the Company;

(h) the adoption of a new constitution of the Company to update the constitution in compliance with the Corporations Act and/or Listing Rules of the ASX;

(i) the SOX Technology currently owned by Technologies is acquired by the Company pursuant to the asset transfer agreement (refer to Section 1.1.3); and

(j) the payments set out in Section 1.2.2 are made in accordance with the Deed of Company Arrangement and the Technologies Deed of Company Arrangement, with the liabilities of the Company and Technologies being thereby compromised.

The funds raised pursuant to the capital raisings set out in paragraphs (b) to (e) above will be applied as detailed in Section 1.1.4 of this Explanatory Statement.

The Recapitalisation Proposal is conditional upon ASX giving its approval to lift the suspension of quotation of the Company's securities following completion of the proposal.

1.2.2 Details of Deed of Company Arrangement

The Deed of Company Arrangement has been entered into by the Company, Ascent Capital and the Administrator. The Deed of Company Arrangement was executed on 24 December 2003 following the approval of creditors at the reconvened meeting on 8 December 2003. The Deed of Company Arrangement incorporates the terms of the Recapitalisation Proposal and is subject to a number of conditions precedent, including:

(a) the Technologies Deed of Company Arrangement being executed by the Technologies Deed Administrator (which was executed on 24 December 2003);

(b) Shareholder approval being obtained in respect of the Resolutions 1 to 6 set out in the Notice;

(c) ASX confirming that upon completion pursuant to the Deed of Company Arrangement, the suspension from trading of the Company's securities will be lifted and quotation of the Company's securities will be reinstated;

(d) the Company receiving written assurances from ASIC, in a form reasonably acceptable to Ascent Capital, confirming that it will not take action or other proceedings against the Company in respect of acts or omissions giving rise to alleged breach or non compliance which occurred prior to completion (This condition was waived by Ascent Capital on 13 February 2004);

(e) preparation, execution and delivery of the asset transfer agreement by each of the Company and Technologies (refer to Section 1.1.4 for details);

(f) the establishment of a trust pursuant to which the Deed Administrator as trustee of the trust (**Trustee**) is obliged to hold the trust fund for the admitted creditors of the Company; and

(g) the payment to the Deed Administrator by Ascent Capital of the sum of \$150,000 (inclusive of the \$25,000 deposit paid by Ascent Capital to each of the Deed Administrator and the Technologies Deed Administrator).

The Deed of Company Arrangement includes the following essential terms:

(a) the Deed Administrator shall pay out of the cash funds received:

   (i) firstly, satisfaction in full of the debt owing to National Australia Bank Limited, in return for discharge of their security;

   (ii) secondly, out of the balance remaining:

      (A) first, pay 50% to the Technologies Deed Administrator;

      (B) next, to the extent there are available funds, satisfy the Deed Administrator's costs;

      (C) next, to the extent there are available funds, pay any employee entitlements;

      (D) next, to the extent there are available funds, pay any balance to the Trustee;

(b) the Company shall issue 5,000,000 Shares to the Technologies Deed Administrator (post consolidation) and as set out in Resolution 3, to be applied by the Technologies Deed Administrator for the benefit of Technologies' creditors;

(c) the Company shall transfer to the Trustee all assets of the Company, except for the SOX Technology and the other assets contemplated in the asset transfer agreement, and its shareholding in Technologies ;

(d) if any proceeds are available (after legal costs and disbursements) from any legal action taken against Neoside and its guarantors, the Deed Administrator must apply the net proceeds as follows:

   (i) the first \$750,000 of any such net proceeds are to be paid to the Trustee; and

(ii) next, as to the balance, as to 90%, to the Trustee (such that the admitted creditors' claims can be paid in full) and, as to 10%, to the Technologies Deed Administrator; and

(iii) next, as to any balance, to the Company;

(e) the asset transfer agreement shall be settled (refer to Section 1.1.4 for details);

(f) within 7 days of the date of the Company's securities being reinstated to trading on ASX, Ascent Capital will pay the sum of $103,000 to the Trustee;

(g) the Company has agreed not to participate as a creditor of Technologies and has discharged and released its potential claim of approximately $30 million against Technologies;

(h) the claim by the Company against Neoside and its guarantors for breach of the terms of the Subscription Agreement will be pursued to the extent that the claim may be pursued without access to the assets to be made available to pay the admitted creditors' claims;

(i) the Trustee will consider the claims of creditors which arose on or before the date of the administration and will pay a dividend to creditors in accordance with the order of priority set out in the Corporations Act; and

(j) creditors of the Company must accept their entitlements under the Deed of Company Arrangement in full satisfaction and complete discharge of their debts and claims which they have or claim against the Company.

The Deed of Company Arrangement will immediately terminate after completion of the events set out in paragraphs (a) to (e) above or where, as discussed above in Section 1.1.2, where Neoside complies with its obligations pursuant to the Subscription Agreement.

In addition, pursuant to the Technologies Deed of Company Arrangement, Technologies released the Company from any and all claims that Technologies may have against it.

1.2.3 Conclusion

The Resolutions set out in the Notice are important and affect the future of Tennyson. Shareholders are therefore urged to give careful consideration to the Notice and the contents of this Explanatory Statement.

2. THE RESOLUTIONS

2.1 Resolution 1 – Consolidation of Capital

The Company is seeking Shareholder approval to consolidate the issued capital of the Company on a 1 for 10 basis in accordance with the Recapitalisation Proposal and the Deed of Company Arrangement.

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

If Resolution 1 is passed, the number of Shares on issue will be reduced on 1 for 10 basis, from 170,926,958 to approximately 17,092,695. The terms and conditions of the Shares will not be affected.

The Company also has 10,000,000 2004 Options on issue.

In addition, at the General Meeting of Shareholders of Tennyson on 31 October 2003, the Shareholders of Tennyson approved the issue of 8,333,333 unlisted options in the Company to Vagg Investment Management Services Pty Ltd. These options are exercisable at $0.03 per option with an expiry date being 12 months after the date the options are issued (**Vagg Options**).

Due to the Company going into administration the Vagg Options were never issued by the Company/Administrator, notwithstanding that the Vagg Options were to be issued as soon as practicable, but in any event, within three months after the date of the general meeting (i.e. 31 January 2004)

It is the intention of the Company to issue the Vagg Options and for them to be consolidated on a 1 for 10 basis.

All options will be consolidated on the same basis as the Shares and their exercise price amended in inverse proportion to the consolidation ratio in accordance with the Listing Rules. Accordingly, if Shareholder approval is obtained for the Resolution, the consolidation of the capital will:

(a) not affect the terms and conditions of 2004 Options or the Vagg Options;

(b) decrease the number of 2004 Options on issue from 10,000,000 to approximately 1,000,000;

(c) increase the exercise price of the 2004 Options from the existing exercise price of $0.10 to 10 times the existing exercise price, being $1.00; and

(d) decrease the number of Vagg Options on issue to 833,333 and increase the exercise price from $0.03 to $0.30.

As from the effective date of the Resolution (being the date of the Meeting), all holding statements for Shares, 2004 Options and Vagg Options will cease to have any effect, except as evidence of entitlement to a certain number of post-consolidation Shares, 2004 Options and Vagg Options.

After the consolidation becomes effective, the Company will dispatch a notice to Shareholders and holders of 2004 Options and Vagg Options advising them of the number of Shares, Options and Vagg Options held by each Shareholders, holder of 2004 Options or holder of Vagg Options (as the case may be) both before and after the consolidation. The Company will also arrange for new holding statements to be issued to Shareholders, holders of 2004 Options and the holder of Vagg Options. It is the responsibility of each Shareholder, holder of 2004 Options and holder of Vagg Options to check the number of Shares, 2004 Options and Vagg Options held prior to a disposal.

For the purpose of the ASX Listing Rules, the Company is required to follow the following timetable for the consolidation:

Event	Date
Company to send out Notice of Meeting	Before Business Day 0
Company tells ASX that Shareholders have approved the consolidation and last day for trading in pre-reorganised securities	Business Day 0
Trading in the reorganised securities commences on a	Business Day 1

deferred settlement basis	
First day for the Company to send notices to security holders confirming the number of securities held before and after the consolidation, and first day for the Company to register securities on a post re-organisation basis and issue of holding statements	Business Day 6
Last day for securities to be entered on the holders' security holding and deferred trading ends.	Business Day 10

The securities of the Company will remain suspended from ASX during this process.

For the reference of Shareholders, the Company provides the following additional information:

The current share capital structure of the Company is as follows:

Shares	Current Share Capital
170,926,958	Shares on issue

Options	Description
10,000,000	2004 Options: Exercisable at $0.10 on or before 12 July 2004

Following completion of the consolidation proposed by Resolution 1 and the issue and allotment of Shares and Options proposed by Resolutions 2 and 3 as set out in this Notice and the issue of the Vagg Options, the capital structure of the Company will be as follows:

Shares	Share Capital
17,092,695	Shares on issue post consolidation (Resolution 1)
20,000,000	Issue of Shares – Resolution 2
90,000,000	Issue of Shares – Resolution 2
125,000,000	Issue of Shares – Resolution 2
5,000,000	Issue of Shares – Resolution 3
257,092,695	Shares on issue after consolidation and issues proposed in this Notice
	Options
1,000,000	2004 Options: Exercisable at $1.00 on or before 12 July 2004 post consolidation (Resolution 1)
34,000,000	Grant of Options – Resolution 2: Exercisable at $0.01 on or before 31 December 2007
833,333	Vagg Options: Exercisable at 30 cents with an expiry date being 12 months after the date the options are issued.

Where the number of Shares, 2004 Options and Vagg Options is not evenly divisible by 10, any fractional entitlement that would otherwise result from the consolidation will be rounded down to the nearest whole Share, 2004 Option or Vagg Option.

It is considered that there are no taxation consequences that exist for Shareholders, holders of 2004 Options or the holder of Vagg Options arising from the consolidation. However, Shareholders, holders of 2004 Options and the holder of Vagg Options are advised to seek their own tax advice on the effect of the consolidation and neither the Company, the Deed Administrator nor the Directors (or the Company's advisers) accept responsibility for the individual taxation consequences arising from the consolidation.

2.2 Resolution 2 – Allotment and Issue of Shares and Options for Working Capital

2.2.1 Background

The Shares and Options under Resolution 2 are being issued in accordance with the Recapitalisation Proposal and the Deed of Company Arrangement.

The Shares and Options proposed to be issued under Resolution 2 will be issued to Ascent Capital, its directors and to nominated third parties.

The following proposed issues of securities pursuant to this Resolution 2 will be made to Ascent Capital and its directors, (which group has proposed, negotiated and presented the Recapitalisation Proposal, as approved by creditors, and as contained in this Notice of Meeting for consideration by Shareholders) and to nominated third parties:

(a) 20,000,000 Shares (post consolidation) at 0.01 cents each;

(b) 34,000,000 Options (post consolidation) for a total subscription sum of $1,000; and

(c) 90,000,000 Shares (post consolidation) at 0.222 cents each.

The proposed issue of 125,000,000 Shares (post consolidation) at 1 cent each pursuant to this Resolution 2 will be issued to Ascent Capital, its directors and to nominated third parties, which may include the public and Shareholders of the Company, and will be made as a general offer in accordance with the terms of the Recapitalisation Proposal.

Part of the funds raised from the allotment of Shares pursuant to Resolution 2 will be used to repay Ascent Capital monies paid for the purpose of satisfying the claims of creditors and making payment to the Administrator and the Deed Administrator of their fees, costs and expenses and for the settlement of the purchase of the SOX Technology business. The balance of the funds raised, shall be used by the Company to meet the costs of the Recapitalisation Proposal and to meet the costs of the Company's ongoing operations of the SOX Technology business as set out in Section 1.1.4 "Purpose of the Capital Raisings".

2.2.2 ASX Listing Rules

Resolution 2 requires Shareholder approval in accordance with ASX Listing Rules 7.1 and 10.11.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company.

If Resolution 2 is passed, 123,500,000 Shares and 24,000,000 Options to be issued pursuant to Resolution 2 may be issued to parties comprising David Steinepreis, Hugh Warner and Gary Steinepreis (or entities controlled by them), each of whom are Directors, and Ascent Capital.

Directors are related parties of the Company. Ascent Capital is a related party of David Steinepreis, Gary Steinepreis and Hugh Warner as it is an entity controlled by them and is therefore a related party of the Company. For this reason, approval for the issue of the Shares and Options to these parties is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares and Options to these parties as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of Shares and Options to the parties set out above will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 2:

(a) the allottees of the Shares and Options for the purposes of ASX Listing Rule 10.11 are David Steinepreis, Hugh Warner, Gary Steinepreis and Ascent Capital with the maximum number of securities to be issued by the Company is as set out in the following table (post consolidation). The grantees referred to below shall be entitled to specify any nominee as determined by them subject to paragraph (b) below:

Table 1

	Column 1 No. of Shares currently held, both directly & indirectly (post consolidation)	Column 2 Maximum no of Shares to be issued at 0.01 cents (Resolution 2)	Column 3 Maximum No. of Shares to be issued at 0.222 cents (Resolution 2)	Column 4 Maximum No. of Options to be granted (Resolution 2)	Column 5 Maximum No. of Shares to be issued at 1 cent (Resolution 2)
David Steinepreis	Nil	4,000,000	11,250,000	5,000,000	17,500,000
Hugh Warner	Nil	4,000,000	11,250,000	5,000,000	17,500,000
Gary Steinepreis	Nil	4,000,000	11,250,000	5,000,000	17,500,000
Ascent Capital	Nil	4,000,000	11,250,000	9,000,000	10,000,000
Total		16,000,000	45,000,000	24,000,000	62,500,000

(b) in the event the allottee does not take up the maximum allocation, that allottee is entitled to nominate a third party or parties to subscribe for the Shares and/or Options. That third party must be approved by the Directors in their discretion and provided that no nominee will acquire voting power that is greater than 20% of the Company;

(c) the Shares and Options to be issued to Ascent Capital, David Steinepreis, Gary Steinepreis and Hugh Warner, will be issued on one date and not later than one month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);

(d) as noted above, Ascent Capital is an entity controlled by the Directors and as such is a related party of the Company;

(e) the Shares will be issued to Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis at the various issue prices set out in the above table;

(f) the Options will be issued to Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis for a total consideration of $565;

(g) the Shares will rank equally with the existing Shares on issue (post consolidation);

(h) the Options will be granted on the terms and conditions set out in Section 2.2.5 of this Explanatory Statement (post consolidation); and

(i) the funds raised from the issue of the Shares and Options pursuant to Resolution 2 will be used in accordance with Section 1.1.4 of the Explanatory Statement. Shareholders are referred to Sections 1.1 and 1.2 of this Explanatory Statement.

ASX Listing Rule 7.1

The remaining portion of the securities to be issued pursuant to Resolution 2 (111,500,000 Shares and 10,000,000 Options) will be issued to non-related parties.

Approval is required pursuant to ASX Listing Rule 7.1 as the number of Shares proposed to be issued will exceed 15% of the capital of the Company on issue during the past 12 months. The approval under this rule relates only to the Shares proposed to be issued to parties who are not related parties of the Company (see below). Although the issue of the remainder of the Shares and Options to be issued pursuant to Resolution 2 is at the discretion of Ascent Capital, none of the remaining Shares and Options (111,500,000 Shares and 10,000,000 Options) will be issued to any related parties of the Company.

In accordance with ASX Listing Rule 7.3, the following information is provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to the ASX Listing Rules for Resolution 2:

(a) the maximum number of securities to be issued by the Company is 235,000,000 Shares and 34,000,000 Options (post consolidation);

(b) the Shares and Options are proposed to be issued to Ascent Capital, the Directors (as detailed above) and nominated third parties, none of whom are (or will be at the time of the issue of the Shares and Options) related parties to the Company, in the maximum amounts set out in the table and notes below:

Table 2

	Column 1 No. of Shares currently held, both directly & indirectly (post consolidation)	Column 2 Maximum no of Shares to be issued at 0.01 cents (Resolution 2)	Column 3 Maximum No. of Shares to be issued at 0.222 cents (Resolution 2)	Column 4 Maximum No. of Options to be issued (Resolution 2)	Column 5 Maximum No. of Shares to be issued at 1 cent (Resolution 2)	Total of existing shareholders and maximum no. of Shares to be issued	Total Maximum No. of Options to be issued
David Steinepreis	Nil	4,000,000	11,250,000	5,000,000	17,500,000	32,750,000	5,000,000
Hugh Warner	Nil	4,000,000	11,250,000	5,000,000	17,500,000	32,750,000	5,000,000
Gary Steinepreis	Nil	4,000,000	11,250,000	5,000,000	17,500,000	32,750,000	5,000,000
Ascent Capital	Nil	4,000,000	11,250,000	9,000,000	10,000,000	25,250,000	9,000,000
Third Parties	Nil	4,000,000	45,000,000	10,000,000	62,500,000	111,500,000	10,000,000
Issue to Technologies Deed Administrator	Nil	Nil	Nil	Nil	Nil	5,000,000	Nil
Existing Shareholders	17,092,695	Nil	Nil	Nil	Nil	17,092,695	Nil
TOTALS	17,092,695	20,000,000	90,000,000	34,000,000	125,000,000	257,092,695	34,000,000

(c) the third parties must be approved by the Directors in their discretion and provided that no nominee will acquire voting power that is greater than 20% of the Company;

(d) the Shares and Options issued to the third parties will be issued pursuant to a Prospectus and will be issued to non related parties of the Company. It is anticipated that these Shares and Options will be allotted on one date and will be issued not later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);

(e) the Shares will be issued to the third parties at the various issue prices set out in the above table;

(f) the Options will be issued to the third parties for a total consideration of $435;

(g) the Shares issued pursuant to Resolution 2 will rank equally with the existing Shares on issue (post consolidation);

(h) the Options will be granted on the terms and conditions set out in Section 2.2.5 of this Explanatory Statement (post consolidation); and

(i) the funds raised from the issue of the Shares and Options pursuant to Resolution 2 will be used in accordance with Section 1.1.4 of the Explanatory Statement. Shareholders are referred to Sections 1.1 and 1.2 of this Explanatory Statement.

2.2.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of a number of exceptions applies.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company issuing securities.

For the purpose of this meeting, a "related party" includes:

(a) a director;

(b) an entity over which a director has control; and

(c) an entity which believes, or has reasonable grounds to believe, that it is likely to become a related party in the future.

For the purposes of Chapter 2E of the Corporations Act, David Steinepreis, Hugh Warner and Gary Steinepreis are each a related party of the Company by virtue of the fact that they are Directors. David Steinepreis, Hugh Warner and Gary Steinepreis each own a 33.3% interest in Ascent Capital and accordingly, Ascent Capital is a related party of David Steinepreis, Gary Steinepreis and Hugh Warner and is therefore a related party of the Company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

(a) obtain the approval of members in the way set out in Sections 217 to 227; and

(b) give the benefit within 15 months after the approval.

For the avoidance of doubt, the Company is seeking Shareholder approval for the purposes of Chapter 2E of the Corporations Act in respect of the Shares and Options proposed to be issued pursuant to Resolution 2 to Ascent Capital, David Steinepreis, Hugh Warner, and Gary Steinepreis or their nominees as set out above.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

(a) the proposed financial benefit to be given to the related party (or his nominee) is the maximum number of Shares and Options set out in Table 1 in Section 2.2.2 and proposed to be allotted to that Director or his nominee and Ascent Capital;

(b) the Shares proposed to be issued pursuant to Resolution 2 are being issued to the related parties with the various issue prices as set out in Table 1 of Section 2.2.2. The Options are being issued to the related parties for the subscription sum of $565. These values are as proposed by Ascent Capital in its Recapitalisation Proposal and as incorporated into the Deed of Company Arrangement;

(c) as the Company was placed in administration and thereafter executed a Deed of Company Arrangement, the Directors have no authority to act on behalf of the Company (other than when expressly authorised under the terms of the Deed of Company Arrangement). Accordingly, the Directors make no recommendation to Shareholders in respect of Resolution 2;

(d) if Shareholders approve the allotment and issue of the Shares and the grant of the Options to David Steinepreis, Hugh Warner, Gary Steinepreis and Ascent Capital and all or any of the Options are exercised, the effect will be to dilute the shareholding of existing Shareholders. The market price for Shares during the term of the Options would normally determine whether or not those parties exercise the Options. If at the time any of the Options are exercised, the Shares are trading on ASX at a price which is higher than the exercise price of the Options, there may be a perceived cost to the Company. Subject to any adjustments arising from further issues of securities by the Company, 24,000,000 Shares (post consolidation) will be allotted and issued upon exercise of the Options issued to these related parties with the effect that the shareholding of existing shareholders will be diluted by approximately 8.5% (based on 281,092,695 Shares on issue and assuming no other Options, 2004 Options or Vagg Options are exercised and assuming all Resolutions contained in this Notice are implemented and the consolidation pursuant to Resolution 1 is effected);

(e) a valuation of the Options proposed to be issued is set out in Section 2.2.6 of this Explanatory Statement; and

(f) additional information in relation to Resolution 2 is set out throughout this Explanatory Statement. In particular, an Independent Expert's Report, attached to this Memorandum, has been provided in relation to Resolution 2 which sets out a valuation of the Company and concludes that the proposed transaction is fair and reasonable to non-associated Shareholders. Shareholders should therefore read this Explanatory Statement and the Independent Expert's Report in its entirety before making a decision as to how to vote in relation to Resolution 2.

For the purposes of the related party provisions, the following additional information is disclosed:

(a) the remuneration paid to the related parties over the last 12 months to the date of issue of this Notice is as follows:

Ascent Capital	$Nil
David Steinepreis	$Nil
Hugh Warner	$Nil
Gary Steinepreis	$Nil

(b) the Company's Shares have been suspended from trading on ASX since 14 October 2003 accordingly, no information can provided as to recent price history; and

(c) the Directors' and Ascent Capital's interest in Shares and Options in the Company as at the date of this Memorandum is nil, as disclosed in Table 2 in Section 2.2.2 of this Explanatory Statement.

2.2.4 Section 611 of the Corporations Act

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

The "associate" reference includes a reference to a person in concert with whom a primary person is acting or proposes to act.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

Pursuant to Resolution 2, in accordance with the Recapitalisation Proposal, it is proposed that the Company issue and allot 123,500,000 Shares and 24,000,000 Options to David Steinepreis, Hugh Warner and Gary Steinepreis (or entities controlled by them) and Ascent Capital. The maximum number of Shares and Options to be subscribed for by each of these parties is set out in Table 1 of Section 2.2.2.

Ascent Capital

Ascent Capital is a company owned as to 33.3% each by entities controlled by David Steinepreis, Hugh Warner and Gary Steinepreis and each of these parties are Directors of Ascent Capital.

The voting power of Ascent Capital therefore includes Ascent Capital's voting power and the voting power of each of its associates (David Steinepreis, Hugh Warner and Gary Steinepreis).

The voting power of each of David Steinepreis, Hugh Warner and Gary Steinepreis comprises the votes attached to the Shares in which they will each have a direct relevant interest, and, as they each control over 20% of the voting power of Ascent Capital, they will each have a deemed relevant interest in the Shares in which Ascent Capital has a relevant interest.

Further, each of David Steinepreis, Hugh Warner, Gary Steinepreis and Ascent Capital consider they have "acted in concert" in respect of their Shares and this will continue up to the point in time that the Recapitalisation Proposal is settled.

Ascent Capital will also be nominating third parties who will subscribe for Shares and Options pursuant to Resolution 2. These parties are likely to be persons that are personally known to the directors of Ascent Capital however neither Ascent Capital nor its directors will have any power to control or control the manner in which these persons will vote or dispose of those Shares when issued.

Reasons for Approval

Shareholder approval under Item 7 of Section 611 of the Corporations Act is required because at the time of settlement under the Deed of Company Arrangement and the Recapitalisation Proposal, Ascent Capital and its associates will each have a voting power that will exceed 20% of the issued capital of the Company. Those persons may also hold Options which, if exercised, will increase their voting power in the Company.

Information is required to be provided to Shareholders under ASIC Policy Statement 74 and the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by Stanton Partners Corporate Pty Ltd, which accompanies this Explanatory Statement.

For the purposes of the Corporations Act and the approval under Item 7 of Section 611 for Ascent Capital and its associates, the following information is disclosed:

Identity of persons who will hold a relevant interest in the Shares to be allotted and issued.

The identity of the persons who will hold a relevant interest in issued Shares and who may be issued Shares under the capital raising and which is required to be approved for Resolution 2 for the purposes of Item 7 of Section 611 are Ascent Capital and each of the directors of Ascent Capital.

The identities of the directors of Ascent Capital and details of Ascent Capital in its own right are set out in Sections 1.1.5 and 1.2.1 of this Explanatory Statement. Section 1.2.1 sets out detailed information in respect of each of those persons, and the number of issued Shares in which they will have a relevant interest is shown in Table 3 below.

Shares to which the allottee will be entitled immediately before and after the allotment

As at the date of this Notice, each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis have a relevant interest in the Shares of the Company as shown in Column 1 of Table 3 below.

The maximum number of Shares (post consolidation) that each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis will have a relevant interest in, assuming none of their Options are exercised, is 123,500,000 and, assuming all of their Options are exercised, is 147,500,000, as set out in the table below (Table 3).**Table 3**

	Column 1 No. of Shares currently held, both directly & indirectly (post consolidation)	**Column 2 Maximum No of Shares to be issued at 0.01 cents (Resolution 2)**	**Column 3 Maximum No. of Shares to be issued at 0.222 cents (Resolution 2)**	**Column 4 Maximum No. of Shares to be issued at 1 cent (Resolution 2)**	**Column 5 Maximum No. of Shares to be issued on exercise of Options to be granted (Resolution 2)**
David Steinepreis	Nil	4,000,000	11,250,000	17,500,000	5,000,000
Hugh Warner	Nil	4,000,000	11,250,000	17,500,000	5,000,000
Gary Steinepreis	Nil	4,000,000	11,250,000	17,500,000	5,000,000
Ascent Capital	Nil	4,000,000	11,250,000	10,000,000	9,000,000
TOTALS	Nil	16,000,000	45,000,000	62,500,000	24,000,000

The maximum number of securities that may be held by each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis, third parties, Optionholders, 2004 Option holders and Vagg Investment Management Services Pty Ltd is set out in the table below (Table 4).

Table 4

	Shares (Undiluted position)	Options	2004 Options	Vagg Options	Fully Diluted Total Shares
David Steinepreis	32,750,000	5,000,000	Nil	Nil	37,750,000
Hugh Warner	32,750,000	5,000,000	Nil	Nil	37,750,000
Gary Steinepreis	32,750,000	5,000,000	Nil	Nil	37,750,000
Ascent Capital	25,250,000	9,000,000	Nil	Nil	34,250,000
SUB-TOTAL	**123,500,000**	**24,000,000**	**Nil**	**Nil**	**147,500,000**
Third Parties	111,500,000	10,000,000	Nil	Nil	121,500,000
Technologies Deed Administrator	5,000,000	Nil	Nil	Nil	5,000,000
Existing Shareholders	17,092,695	Nil	Nil	Nil	17,092,695
2004 Optionholders	Nil	Nil	1,000,000	Nil	1,000,000
Vagg Investment Management Services Pty Ltd	Nil	Nil	Nil	833,333	833,333
TOTAL	**257,092,695**	**34,000,000**	**1,000,000**	**833,333**	**292,926,028**

Also set out above are the matters required to be disclosed in accordance with Section 611 Item 7 of the Corporations Act. This information is disclosed on the assumption that:

(a) settlement under the Deed of Company Arrangement has occurred;

(b) all Resolutions set out in the Notice are duly passed; and

(c) the capital raisings pursuant to Resolution 2 are fully subscribed.

The maximum extent of the increase in the relevant allottees' voting power in the Company that would result from the Shares to be issued:

Each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis will increase their voting power as follows:

Table 5

Scenario	Maximum extent of the increase in voting power
None of the Options, Vagg Options or 2004 Options are exercised.	From 0% to 48.05%
Each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis exercise their Options to be granted pursuant to Resolution 2, only.	From 0% to 54.4%
All Options, Vagg Options and 2004 Options are exercised.	From 0% to 50.35%

The voting power that the relevant allottees would have as a result of the Shares to be issued:

Each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis will have the following voting power:

Table 6

Scenario	Voting power
None of the Options, Vagg Options or 2004 Options are exercised.	48.05%
Each of Ascent Capital, David Steinepreis, Hugh Warner and Gary Steinepreis exercise their Options to be granted pursuant to Resolution 2, only.	54.4%
All Options, Vagg Options and 2004 Options are exercised.	50.35%

The maximum extent of the increase in the voting power of each of the allottees' associates that would result from the Shares to be issued:

Each of David Steinepreis, Hugh Warner, Gary Steinepreis and Ascent Capital are associates of each other. Therefore the maximum extent of the increase in the voting power of each of the allottees' associates is as set out in Table 5 above.

The voting power that each of the allottees' associates would have as a result of the Shares to be issued:

The voting power of each of the allottees' associates is as set out in Table 6 above.

Other Required Information

The following further information is disclosed:

(a) it is proposed that the Company will continue with the development and commercialisation of its telecommunications technology and SOX Technology business and as at the date of this Explanatory Statement, Ascent Capital has signed a joint venture agreement dated 9 February 2004 in this respect. Further information regarding the future intentions of the Company is set out in Section 1.1.3;

(b) the Company will be required to raise sufficient capital to fund existing and future operations. To this end, the Company is seeking Shareholder approval to proceed with a placement. Shareholders should refer to Resolution 2 for further details regarding this capital raising;

(c) there are currently no employees of the Company nor are there any proposals whereby any property will be transferred between the Company and the allottees, vendor or purchaser or any person associated with any of them and, other than the proposed disposal of some of the Company's existing assets as required under the Deed of Company Arrangement and the SOX Joint Venture, there is no current intention to redeploy any other fixed assets of the Company;

(d) there is no intention to change the Company's existing policies in relation to financial matters or dividends. At present, the Company does not pay a dividend. The dividend policy of the Company will be assessed in accordance with the future profitability of the Company's business; and

(e) Shareholders must also note that each of David Steinepreis, Hugh Warner and Gary Steinepreis may be granted 5,000,000 Options each (a total of 15,000,000 Options) and Ascent Capital may be granted 9,000,000 Options. If all these Options were exercised, the voting power of each of these parties would be increased based on the number of Options exercised. Shareholders are therefore also approving the increase in the voting power of each of these parties arising as a result of the exercise of those Options.

2.2.5 Terms and conditions of Options

The material terms and conditions of the Options are as follows:

(a) each Option entitles the holder, when exercised, to one (1) Share;

(b) the Options are exercisable at any time on or before 31 December 2007;

(c) the exercise price of the Options is 1 cent each (on a post-consolidation basis);

(d) subject to the Corporations Act, the Constitution and the ASX Listing Rules, the Options are fully transferable;

(e) the Options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the Option holder to exercise a specified number of Options, accompanied by an Option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the Options held does not affect the holder 's right to exercise the balance of any Options remaining;

(f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company 's then issued Shares. The Options will be unlisted however the Company reserves the right to apply for quotation at a later date;

(g) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, Option holders will be notified of the proposed issue at least seven (7) Business Days before the record date of any proposed issue. This will give Option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;

(h) if at any time the issued capital of the Company is reorganised, the rights of an Option holder are to be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and

(i) in the event the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in ASX Listing Rule 6.22.2.

2.2.6 Valuation of Options

The Options issued pursuant to the Resolutions in this Notice have been valued using the Black & Scholes pricing model. The assumptions that have been used to value the Options are as follows:

(a) the last expiry date of the Options is 31 December 2007;

(b) all of the Options are exercisable at 1 cent (post consolidation);

(c) the market price of a Share is 1 cent (post consolidation);

(d) a common volatility factor of 25% and 50%;

(e) an interest rate of 5.715%;

(f) the valuation ascribed to the Options may not necessarily represent the market price of the Options at the date of the valuation; and

(g) the valuation date for the Options is the date of this Notice.

The above parameters result in a range of values for an option expiring on 31 December 2007 of:

25% volatility	0.23 cents
50% volatility	0.37 cents

The above values assumes that the market price of a Tennyson Share will be 1 cent (being the issue price of the Shares pursuant to Resolution 2 (d)). The actual market value will not be known until the Tennyson Shares are requoted on ASX.

2.2.7 Directors' Recommendations

As the Company is subject to a Deed of Company Arrangement, the existing Directors of the Company do not make any recommendation in respect of this Resolution. Shareholders should read this Memorandum in full and the Independent Expert's Report referred to below to form an opinion on the merits of the Recapitalisation Proposal.

2.2.8 Independent Expert's Report

The Independent Expert's Report accompanying this Memorandum has been prepared by Stanton Partners Corporate Pty Ltd and sets out a detailed examination of the proposed issue of Shares and Options to the Directors, Ascent Capital and nominated third parties (Resolution 2) to enable Shareholders to assess the merits and decide whether to approve Resolution 2.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to this proposed transaction and concludes that the issue of the Shares and Options pursuant to Resolution 2 is fair and reasonable to the non associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

2.2.9 Proforma Statement of Financial Position

Set out below is a statement of financial position of the Company as at 14 October 2003 prepared from the Reports As To Affairs received by the Administrator from the directors of the Company together with the proforma statement of financial position on the basis of the assumptions set out below. Although the Reports as to Affairs do not include Contributed Equity, Reserves, Option Premium or Accumulated losses figures, these have been inserted for completeness.

TENNYSON NETWORKS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
Statement of Financial Position

	Notes	Summary of Directors Report as to Affairs $	Proforma after capital raising and completion of Deed of Company Arrangement $
Current Assets			
Sundry debtors		4,000	-
Cash assets	(1)	-	1,097,000
Assets subject to specific charges		3,000	-
Contingent Assets		100,000	-
TOTAL CURRENT ASSETS		107,000	1,097,000
TOTAL ASSETS		107,000	1,097,000
Current Liabilities			
Amounts owing for employee entitlements		84,000	-
Unsecured creditors		1,805,000	75,000
Less amounts owing on assets subject to specific charges		56,000	-
Contingent liabilities		192,000	-
TOTAL CURRENT LIABILITIES		2,137,000	75,000
NET ASSETS (LIABILITIES)		(2,030,000)	1,022,000
EQUITY			
Contributed Equity	(2)	**36,437,639**	37,939,639
Reserves – Option Premium		**-**	1,000
Accumulated losses		**(38,467,639)**	36,918,639
TOTAL EQUITY		**(2,030,000)**	1,022,000

Note

1 The movement in the cash assets is reconciled as follows:

Cash assets:	$
Opening balance	-
Option issue	1,000
Placement of Shares at 0.01 cents	2,000
Placement of Shares at 0.222 cents	200,000
Placement of Shares at 1 cent	1,250,000
Payment to satisfy obligations under Deed of Company Arrangement	(356,000)
Closing balance	1,097,000

2 The movement in the contributed equity is reconciled as follows:

Contributed equity:	$
Opening balance	36,437,639
Placement of Shares at 0.01 cents	2,000
Placement of Shares at 0.222 cents	200,000
Placement of Shares at 1 cent – Public Issue	1,250,000
Issue to Deed Administrator of Technologies	50,000
Closing balance	37,939,639

2.3 Resolution 3 – Issue and Allotment of Shares to the Deed Administrator of Technologies

2.3.1 Background

Pursuant to the Deed of Company Arrangement, the Company is required to issue 5,000,000 Shares to the Technologies Deed Administrator (on a post consolidation basis), to be applied by the Technologies Deed Administrator for the benefit of Technologies' creditors in accordance with the Technologies Deed of Company Arrangement. Please refer to Section 1.2.2 for further details of the Deed of Company Arrangement.

2.3.2 ASX Listing Rules

ASX Listing Rule 7.1 requires that a company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of the Company. To provide the Company with flexibility to make future issues of securities, Resolution 3 seeks to authorise the Company to issue 5,000,000 Shares (on a post consolidation basis) at a deemed issue price of 1 cent per Share, for no consideration, to Technologies in accordance with the Deed of Company Arrangement.

ASX Listing Rule 7.3 requires the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

(a) the total number of Shares to be issued pursuant to this Resolution is 5,000,000 Shares (post consolidation);

(b) the Shares will be issued on completion under the Deed of Company Arrangement. It is anticipated that the allotment and issue of the Shares will take place no later than 3 months after the date of the Meeting (or such later date as permitted by ASX) and allotment will occur on one date;

(c) the Shares will be issued for no consideration at a deemed issue price of 1 cent per Share;

(d) the allottee of the Shares will be the Technologies Deed Administrator;

(e) the Shares issued pursuant to this Resolution will rank equally in all respects with the Company's existing Shares on issue (post consolidation);

(f) there will be no funds raised from the issue of the Shares as they are being issued in accordance with the terms of Deed of Company Arrangement, as part consideration for the execution by the Technologies' creditors of the Technologies Deed of Company Arrangement.

2.4 Resolutions 4, 5 and 6 – Re-Election of Directors

Rule 7.1(d) of the Constitution of the Company states that the Directors may appoint any natural person to be a Director of the Company, either as an addition to the existing Directors or to fill a casual vacancy.

Further, rule 7.1(e) of the Constitution requires that at an AGM of the Company, each Director appointed under rule 7.1(d) must retire from office as Director. Each Director retiring from office in this manner is eligible for re-election under rule 7.1(g) and may be elected to the office of Director by the Company under rule 7.1(l).

The Recapitalisation Proposal and the Deed of Company Arrangement provides for the appointment of Ascent Capital's nominees, being David Steinepreis, Hugh Warner and Gary Steinepreis, as Directors of the Company. As noted earlier, these persons were appointed as Directors on 24 December 2003. In accordance with the Constitution, each of David Steinepreis, Hugh Warner and Gary Steinepreis retire from office as Director and being eligible, seek re-election as a Director.

Accordingly, Resolutions 4, 5 and 6 seek the re-election of David Steinepreis, Hugh Warner and Gary Steinepreis as Directors, effective at the conclusion of the Meeting.

Set out earlier in this Explanatory Statement is a summary of the backgrounds of each of these persons.

2.5 Resolution 7 – Adoption of New Constitution

Resolution 7 is a special resolution which will enable the Company to adopt a new constitution which will comply with and incorporate recent changes to the Corporations Act and the ASX Listing Rules.

It also contains a number of provisions designed to promote the more efficient running of the Company, which should be of long-term benefit to the Company and its Shareholders.

It is not practical to list all the changes to the constitution in this statement and Shareholders are invited to contact the Company if they have any queries or concerns.

For this purpose, a copy of the proposed new constitution is available for review by Shareholders at the office of the Deed Administrator.

3. ENQUIRIES

Shareholders are invited to contact David Steinepreis, Ascent Capital, on (08) 9420 9300 if they have any queries in respect of the matters set out in this Memorandum.

GLOSSARY

2004 Options means options, each to acquire one Share, exercisable at $0.10 on or before 12 July 2004.

Administrator means Nicholas Brooke and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants.

Ascent Capital means Ascent Capital Pty Ltd (ABN 19 065 055 816).

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the board of directors of the Company.

Company and **Tennyson** means Tennyson Networks Limited (subject to deed of company arrangement) (ABN 98 009 805 298).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Deed Administrator means Nicholas Brooke, Stephen Graham Longley and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement to the Memorandum.

Independent Expert's Report means the independent expert's report prepared by Stanton Partners Corporate Pty Ltd which is annexed to this Memorandum.

Meeting means the annual general meeting of Shareholders convened by the Notice.

Memorandum means this information memorandum.

Notice or **Notice of Meeting** means the notice of annual general meeting accompanying this Memorandum.

Official List means the official list of ASX.

Options means unlisted options, each to acquire one Share, at an exercise price of 1 cent each on or before 31 December 2007.

Recapitalisation Proposal means the Recapitalisation Proposal, proposed by Ascent Capital Pty Ltd and approved by creditors of the Company on 8 December 2003.

Resolution means a resolution contained in the Notice.

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

Subscription Agreement means the agreement dated 16 July 2003 between Neoside Pty Ltd, Tennyson, John Wesley Fletcher and Geoffrey John Rubython related to the subscription for Shares in Tennyson.

Shareholders means persons holding Shares.

SOX Technology means Technologies' rights, title and interest in the product(s) developed, owned and marketed by Technologies which integrates voice, facsimile, voicemail, data and internet communication needs of small office of up to 64 users, and all intellectual property in relation hereto, including without limitation, all patents, innovations patents, registered or unregistered trademarks, copyrights in original works or other subject matter, designs (whether registered or registrable but not unregistered) unpatented inventions, methods and processes whether or not patentable, trade secrets and know how, eligible layouts within the meaning given to that term by the Circuit Layouts Act 1989 (Cth), source codes, hardware, software, licence generators and improvements to or developments of any of the foregoing or any other equipment, methods, processes or licences to exploit such technology and as mutually agreed by the Administrator of Technologies and Ascent Capital.

Technologies means Tennyson Technologies Pty Ltd (ABN 80 009 399 802).

Technologies Deed Administrator means Nicholas Brooke, Stephen Graham Longley and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants.

Technologies Deed of Company Arrangement means the deed of company arrangement for Technologies executed on 24 December 2003.

Trustee means Nicholas Brooke, Stephen Graham Longley and Geoffrey Frank Totterdell of PricewaterhouseCoopers, Chartered Accountants.

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10 February 2004

Tennyson Networks Limited
(Subject to Deed of Company Arrangement)
C/- Ascent Capital Pty Ltd
Level 1, 33 Ord Street
WEST PERTH WA 6005

Dear Sirs

RE: TENNYSON NETWORKS LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT) (ACN 009 805 298) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 611 (ITEM 7) OF THE CORPORATIONS ACT ("TCA") AND LISTING RULE 10.11 RELATING TO THE PROPOSAL TO ISSUE UP TO 235,000,000 POST CONSOLIDATED ORDINARY SHARES TO ASCENT CAPITAL PTY LTD AND THE ASCENT GROUP OR THIRD PARTIES NOMINATED BY ASCENT CAPITAL PTY LTD AND THE ISSUE OF 34,000,000 POST CONSOLIDATED OPTIONS TO ASCENT CAPITAL PTY LTD AND THE ASCENT GROUP OR THIRD PARTIES NOMINATED BY ASCENT

1. Introduction

1.1 We have been requested by the directors of Ascent Capital Pty Ltd ("Ascent") to prepare an independent expert's report to determine the fairness and reasonableness of the transactions referred to in Resolution 2 as detailed in the Notice of Meeting ("the Notice") to Tennyson Networks Limited ("Tennyson" or "Company") shareholders.

Resolution 2(a) relates to the proposal for the Company to allot and issue up to 20,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 0.01 cents per ordinary share (on a post consolidated basis) to Ascent or the Ascent Group or third parties nominated by Ascent to raise $2,000. Resolution 2(b) relates to the proposal for the Company to allot and issue up to 34,000,000 share options at an issue price of $1,000 (on a post consolidated basis) to Ascent or the Ascent Group or third parties nominated by Ascent and each option is exercisable at 1 cent each, on or before 31 December 2007. Resolution 2(c) relates to the proposal to allot and issue up to 90,000,000 fully paid ordinary shares in the Company at an issue price of 0.222 cent per ordinary share (on a post consolidated basis) to Ascent or the Ascent Group or third parties nominated by Ascent to raise $200,000. Resolution 2(d) relates to the issue of 125,000,000 shares (on a post consolidated basis) at an issue price of 1.0 cent per ordinary share to Ascent or the Ascent Group or third parties nominated by Ascent to raise $200,000.

Further details are noted below and in the Explanatory Statement to Shareholders of Tennyson.

1.2 On 14 October 2003, Messrs N Brooke and G F Totterdell of PricewaterhouseCoopers insolvency specialists were appointed as Joint and Several Administrators of the Company by the then directors of Tennyson pursuant to Section 436A of the Corporations Act ("TCA").

On 8 December 2003, it was resolved that the Company enter into a Deed of Company Arrangement ("DOCA") with Ascent and the Administrators and Stephen Graham Longley be appointed the Administrators of the DOCA.

1.3 The DOCA was signed on 24 December 2003 following the approval of creditors of the recapitalisation proposal on 8 December 2003 (following an adjourned meeting from 28 November 2003).

The DOCA requires that, subject to conditions being met, the following be made available for the satisfaction of the claims of creditors and to meet the costs of the Administrators and Deed Administrators.

(i) that the SOX Technology owned by Tennyson Technologies Pty Ltd ("Technologies") a subsidiary of Tennyson be acquired by Tennyson from the Administrator of Technologies pursuant to a sale and purchase agreement and accordingly be transferred to Tennyson and that all other liabilities of Tennyson and Technologies be comprised via separate Deeds of Company Arrangement and all subsidiaries of Tennyson be transferred to the Creditors Deed Fund ("Trust Fund") referred to in the Explanatory Statement to Shareholders. Refer paragraph 3.2 below for comments on a proposed joint venture pertaining to the SOX Technology.

(ii) Consideration, being the payment of cash funds of $356,000 and issue of shares, to be allocated and prioritised as follows:

   (a) the payment in cash ($56,000) to National Australia Bank Ltd, in full, in return for discharge of their security;
   (b) the balance of the cash funds to be allocated on a 50/50 basis for the benefit of Tennyson and Technologies creditors; and
   (c) the issue of 5 million shares in Tennyson to the Deed Administrator of Technologies for the benefit of Technologies creditors. Shares are to be issued following completion of all matters relating to the recapitalisation proposal including the consolidation of the capital of Tennyson on a 1 for 10 basis. No shares will be paid to the Administrator of Tennyson.

(iii) To make available to creditors of the net proceeds (that is, after legal costs and disbursements), if any, from any legal action taken against Neoside Pty Ltd and its guarantors. The first $750,000 of any net proceeds is to be distributed to Tennyson creditors and thereafter 90% to Tennyson creditors and 10% to Technologies creditors. Tennyson will fund litigation against Neoside Pty Ltd, although not from the Trust Fund.

(iv) Tennyson agrees not to participate as a creditor of Technologies and that its possible claim of approximately $30 million from Technologies is discharged and released under the DOCA.

Ascent has provided the funding to meet the costs associated with the Notice and funding to meet certain on-going costs of the business. Nominees of Ascent, being Mr David

Steinepreis, Mr Gary Steinepreis and Mr Hugh Warner were appointed Directors of Tennyson on 24 December 2003.

The recapitalisation proposal from Ascent requires members in general meeting to vote and pass the following resolutions, all of which are inter-dependent other than (i) and other recapitalisation proposals are also outlined below and in sections 1.3 and 3.2 of this report:

(a) the consolidation of the capital of the Company on the basis that every 10 shares be consolidated into 1 share (Resolution 1);

(b) the issue and allotment of 20,000,000 shares at an issue price of 0.01 cents per share following the consolidation of capital, to raise $2,000 for working capital. The determination of the allottees is at the sole discretion of Ascent (Resolution 2(a));

(c) the issue of 34,000,000 share options for a total consideration of $1,000 exercisable at 1 cents each on or before 31 December 2007, following the consolidation of capital. The determination of the allottees is at the sole discretion of Ascent (Resolution 2 (b));

(d) the issue and allotment of 90,000,000 shares at an issue price of 0.222 cents per share following the consolidation of capital to raise $200,000 for working capital. The determination of the allottees is at the sole discretion of Ascent (Resolution 2 (c));

(e) the issue and allotment of 125,000,000 shares at an issue price of 1 cent per share following the consolidation of capital to raise up to $1,250,000 for working capital. The determination of the allottees is at the sole discretion of Ascent (Resolution 2 (d));

(f) the transfer of such assets of the Company as are capable of being assigned to the Trustee pursuant to Listing Rule 11.2 of the ASX and the terms of the DOCA;

(g) the issue of 5,000,000 post-consolidated shares to the Deed Administrators of Technologies to be held on behalf of the creditors of Technologies;

(h) the re-appointment of the nominees of Ascent as directors of the Company (Resolutions 4, 5 and 6); and

(i) the adoption of a new Constitution (Resolution 7).

Further details on the Company's history are referred to elsewhere in this report and the Explanatory Statement to Shareholders.

1.4 For the purposes of Chapter 2E of the TCA, Messrs D Steinepreis, H Warner and G Steinepreis, are each a related party of the Company by virtue of the fact that they are, all directors of Tennyson. Messrs D Steinepreis, G Steinepreis and H Warner are directors of and 33.33% shareholders in Ascent. For the purposes of this report all of the above, including Ascent are referred to as the Ascent Group. The Ascent Group referred to in the report is Ascent, D Steinepreis, G Steinepreis and H Warner collectively.

1.5 Under the DOCA, arrangements have been made with all creditors for the settlement of their debts (as full and final settlement). Furthermore, upon successful completion of the DOCA, the Company would:

- Be released from the Deed of Company Arrangement;
- Apply to be requoted on the Australian Stock Exchange ("ASX");
- Have approximately $1,022,000 cash funds; and
- Have an interest in the SOX Technology via a proposed joint venture at a cost of $406,000 (including the deemed issue price of 5,000,000 shares at 1 cent each) but written off to nil.

1.6 There are six other resolutions (Resolutions 1, 3 and 4 to 7) being put to the shareholders of Tennyson. We are not reporting on the fairness and reasonableness of such proposals. This report specifically addresses Resolution 2 only. However, we note the other resolutions are all part of the recapitalisation process of Tennyson and need to be passed for the recapitalisation process pursuant to the Deeds and Agreements to be consummated.

1.7 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.8 Following the consummation of the Resolutions relating to the share structure of the Company, the following table depicts the new share structure of the Company:

	Existing Shareholdings (post consolidation)	Maximum No. of Shares to be transferred pursuant to Resolution 2(a)	Maximum No. of Shares to be issued pursuant to Resolution 2(c)	Shares to Administrators for benefit of Technologies creditors	Maximum No. of 1c Options to be issued pursuant to Resolution 2(b)	Maximum No. of Shares to be issued pursuant to Resolution 2(d)
David Steinepreis	-	4,000,000	11,250,000	-	5,000,000	17,500,000
Hugh Warner	-	4,000,000	11,250,000	-	5,000,000	17,500,000
Gary Steinepreis	-	4,000,000	11,250,000	-	5,000,000	17,500,000
Ascent	-	4,000,000	11,250000		9,000,000	10,000,000
Ascent Group	**-**	**16,000,000**	**45,000,000**		**24,000,000**	**62,500,000**
Third Parties to be Nominated by Ascent	-	4,000,000	45,000,000	-	10,000,000	62,500,000
Existing shareholders	17,092,695	-	-	-	-	-
Creditors Trust Deed	-	-	-	5,000,000	-	-
Total	**17,092,695**	**20,000,000**	**90,000,000**	**5,000,000**	**34,000,000**	**125,000,000**

The shareholding interests of the Ascent Group would be as follows:

	Ignoring Options	Including Options Exercised
David Steinepreis	12.74	11.97
Hugh Warner	12.74	11.97
Gary Steinepreis	12.74	11.97
Ascent	9.82	11.76
Ascent Group	48.04	50.67
Third Parties nominated by Ascent	43.37	41.74

The total number of shares on issue (post-consolidated) would be 257,092,695 (before exercise of the 34,000,000 options) and 291,092,695 (after exercise of the 34,000,000 options).

Therefore, an independent expert's report pursuant to the Section 611 (Item 7) of TCA is required to report on the fairness and reasonableness of the transactions pursuant to Resolution 2. Also, as Messrs G Steinepreis, H Warner and D Steinepreis of Ascent are deemed by ASX Listing Rules to be related parties, shareholder approval under Listing Rule 10.11 is required. Ascent has requested Stanton Partners Corporate Pty Ltd to prepare an independent expert's report to assist the shareholders of Tennyson in determining as to whether they vote for or against Resolution 2 as outlined in the Notice.

1.9 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals
- Future directions of Tennyson
- Basis of technical valuation of Tennyson
- Premium for control
- Fairness and reasonableness of the proposal
- Conclusion as to fairness and reasonableness
- Sources of information
- Appendix A

2. Summary of Opinion

2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 2, we have had regard to the guidelines set out by the Australian Securities and Investments Commission ("ASIC") in its Policy Statements 75 and 74.

Policy Statement 75 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). Policy Statement 74 states that, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, it is desirable to commission a report by an independent expert stating whether or not the proposal is fair and reasonable, having regard to the interests of shareholders other than the proposed allottee (in this case, Ascent, the Ascent Group or third parties nominated by Ascent) and whether a premium for potential control is being paid by the allottee(s).

Accordingly, our report relating to Resolution 2 is concerned firstly with the fairness and reasonableness of the proposals with respect to the existing non associated shareholders of Tennyson, and secondly whether the price payable for a potential control includes a premium for control.

2.2 In our opinion:

The proposals as outlined in Resolution 2 that would allow Ascent and the Ascent Group or third parties nominated by Ascent to acquire up to 235,000,000 post consolidated shares and 34,000,000 share options in Tennyson are, on balance, fair and reasonable to the non associated shareholders of Tennyson.

The opinions expressed above are to be read in conjunction with the more detailed analysis and comments made in this report.

3. Implications of the Proposals

3.1 Prior to the DOCA, the total number of shares on issue in Tennyson was 170,926,958. If all the resolutions are consummated, Ascent and the Ascent or third parties nominated by Ascent will own 91.41% of the post consolidated capital of the Company (as depicted in paragraph 1.8). As the third parties nominated by Ascent are only deemed under TCA to be related, the actual holding of the post-consolidated capital of the Company by the Ascent Group is 48.04%. If the 34,000,000 options proposed to be issued pursuant to resolution 2(b) are exercised, then Ascent and the Ascent Group or third parties nominated by Ascent will own 92.41% of the post-consolidated capital of the Company and the Ascent Group only would own 50.67%.

It is estimated that the cost of the reconstruction process (legal fee, corporate fees, expert's report and capital raising fee) will be around $75,000. The Administrators fees are payable out of the Creditors Trust Fund.

3.2 Following the consummation of all terms and conditions of the various Deeds and assuming all Resolutions are consummated, Tennyson's unaudited pro-forma Statement of Financial Position is expected to disclose:

	Notes	Summary of Directors Report As To Affairs ("RATA") $	Pro-forma after capital raisings and completion of DOCA $
Current Assets			
Cash assets	1	-	1,022,000
Receivables		4,000	-
Assets subject to specific changes		3,000	-
Less amounts owing		(56,000)	-
Total Current Assets		(49,000)	1,022,000
Non-Current Assets			
Intangibles and other		-	-
Contingent assets		100,000	-
Total Non-Current Assets		100,000	-
Total Assets (including contingent assets)		51,000	1,022,000

	Notes	Summary of Directors Report As To Affairs ("RATA") $	Pro-forma after capital raisings and completion of DOCA $
Current Liabilities			
Employee Entitlements		84,000	-
Unsecured creditors		1,805,000	-
Contingent Liabilities		192,000	-
Total Current Liabilities		2,081,000	-
Net Assets (Liabilities)		(2,030,000)	1,022,000
Equity			
Contributed equity	2	-	37,939,639
Reserves - option premium		-	1,000
Accumulated losses		-	(36,918,639)
Total Equity		-	1,022,000

Note

1. The movement in the cash assets is reconciled as follows:

Cash assets:	$
Opening balance	-
Placement of Shares at 0.01 cents	2,000
Placement of Shares at 0.222 cents	200,000
Placement of Shares at 1 cent - Public Issue	1,250,000
Option issue	1,000
Payment to satisfy obligations under DOCA	(356,000)
Payment for costs of share issue	(75,000)
Closing balance	1,022,000

2. The movement in the contributed equity is reconciled as follows:

Contributed equity:	$
Opening balance	36,437,639
Placement of Shares at 0.01 cents	2,000
Placement of Shares at 0.222 cents	200,000
Placement of Shares at 1 cent - Public Issue	1,250,000
Issue to Administrators on behalf of creditors	50,000
Closing balance	37,939,639

The intellectual property assets (SOX Technology) have not been independently valued for the purposes of the Statement of Financial Position and are not included above. In January 2004, an agreement was reached between Ascent and CDM Australia Pty Ltd ("CDM") whereby it was agreed that a joint venture pertaining to the SOX Technology business would be entered into between Tennyson and CDM, subject to the re-capitalisation proposals being completed. Tennyson will have a 49% interest and CDM a 51% interest in the joint venture. Tennyson is to provide initial funding of $30,000 to the joint venture so that the joint venture can firstly purchase certain inventory and assets from the Deed Administrator of Tennyson and secondly enhance the development of the technology. CDM shall be the manager of the joint venture for the first 12 months at an agreed fee of $5,000 per month, payable out of the cash flow (if any) generated from the continuing operations of the joint venture and any shortfall after a 3 month period is payable by the joint venture parties in proportion to their interests in the joint venture. Under certain conditions more fully described in the Explanatory Statement to Shareholders, Tennyson's interest's in the joint venture may be reduced to 10% and in the event of Ascent nominees to the board of Tennyson being removed or they resign or shareholders approve a significant change of activities of Tennyson, CDM shall have the right to acquire all but 10% of Tennyson's interest in the joint venture.

3.3 We are advised by the directors of Ascent that following the consolidation of share options on issue and the proposal to issue share options pursuant to Resolution 2(b), the number of share options on issue will be as listed in section 2.1 of the Explanatory Statements to Shareholders. The options under Resolution 2(b) will be 34,000,000 options exercisable at 1 cent each, on or before 31 December 2007.

3.4 It is proposed that the existing directors, David Steinepreis, Hugh Warner and Gary Steinepreis remain on the Board of Tennyson.

4. Future direction of Tennyson

4.1 We have been advised by the current directors of the Company who are also representatives of Ascent that:

- The short term intention is to complete the DOCA including the recapitalisation process;
- At the time of preparation of this report are not aware of any proposals currently contemplated whereby Tennyson will acquire any property or assets from Ascent, the Ascent Group or third parties nominated by Ascent or where Tennyson is to transfer any of its property or assets to Ascent, the Ascent Group or third parties nominated by Ascent (Ascent on behalf of Tennyson has entered into a proposed joint venture with CDM as noted in the Explanatory Statement to Shareholders and paragraph 3.2 of this report);
- The Board of Directors of Tennyson will not change in the near future;
- The Company may acquire SOX plant and equipment from Technologies at no more than auction value and propose to enter into a joint venture with CDM pertaining to the SOX Technology business;
- The Company proposes to change its Constitution and may change its name to Fusia Limited;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- As part of the recapitalisation process, the Company proposes to seek requotation of the Company's shares on the ASX; and
- The proposal by Ascent is to evaluate and commercialise the SOX Technology to be owned by Tennyson and CDM via a joint venture (and formerly owned by Technologies). Also, the Company intends to pursue new investments within Australia and overseas.

5. Basis of Technical Valuation of Tennyson

5.1 Allotment of Shares

5.1.1 In considering the proposals as outlined in Resolution 2 we have sought to determine if the potential considerations payable by Ascent and the Ascent Group or third parties nominated by Ascent is fair and reasonable to the existing non-associated shareholders of Tennyson.

5.1.2 The proposals pursuant to Resolution 2 would be fair to the existing non-associated shareholders if the value of the considerations being offered by Ascent, the Ascent Group or third parties nominated by Ascent are greater than the current implicit value of the shares and options of Tennyson immediately prior to the transactions. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Tennyson's shares and options for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Tennyson share are:

- Capitalised maintainable earnings/discounted cash flow
- Takeover bid - the price which an alternative acquirer might be willing to offer
- Adjusted net asset backing and windup value
- The weighted market value price of Tennyson shares

5.2 Capitalised maintainable earnings/discounted cash flows

5.2.1 As noted above, Tennyson is under a Deed of Company Arrangement and under the control of Deed Administrators. Due to Tennyson's current state of affairs, the lack of a profit history arising from business undertakings and the immediate lack of a reliable future cash flow from a business activity, we have considered these methods of valuation not to be relevant for the purposes of this report (also refer 3.2 above).

5.3 Takeover bid

We have been advised by Ascent directors and the current directors of Tennyson that they do not believe that there would be any existing shareholder or proposed shareholder that has an interest in taking over the Company by way of a formal takeover bid. However, we note that under the DOCA and recapitalisation process, Ascent and the Ascent Group or third parties nominated by Ascent would own 91.41% of the post-consolidated capital of the Company (or Ascent Group would own 48.04%).

5.4 Net asset backing and windup value

5.4.1 As noted in the Administrators first report, prior to the DOCA and recapitalisation process, Tennyson was in a net liability position and the Administrators of Tennyson estimated on a windup basis, there would be a deficiency in funds and the unsecured creditors may receive no return. That said this analysis excluded recoveries from various sources, including litigation against the Neoside Pty Ltd directors, the sale of the listed shell and recoveries from a distribution from Technologies. The Administrators reports do not comment on the likely return to shareholders but on a liquidation basis, the shareholders and option holders interests in Tennyson are worth nil (refer paragraph 3.2).

5.4.2 The unaudited statement of financial position of the Company at 14 October 2003 is depicted in paragraph 3.2 of this report. Under the DOCA at settlement, all assets and liabilities of the Company will be transferred to the Creditors Trust.

As part of the re-capitalisation/DOCA process, Tennyson is to acquire the 100% interest in the SOX Technology which is currently owned by Technologies, a subsidiary of Tennyson and then enter into a joint venture with CDM as more fully described in the Explanatory Statement to Shareholders and elsewhere in this report (paragraph 3.2).

The SOX Technology Business is defined as follows:

" Technologies' rights, title and interest in the product(s) developed, owned and marketed by Technologies which integrates voice, facsimile, voicemail, data and internet communication needs of small offices of up to 256 users, and all intellectual property in relation hereto, including without limitation, all patents, innovations patents, registered or unregistered trademarks, copyrights in original works or other subject matter, designs (whether registered or registrable but not unregistered) unpatented inventions, methods and processes whether or not patentable, trade secrets and know how, eligible layouts within the meaning given to that term by the Circuit Layouts Act 1989 (Cth) source codes, hardware, software, licence generators and improvements to or developments of any of the foregoing or any other equipment, methods, processes or licences to exploit such technology and as mutually agreed by the Administrator of Technologies and Ascent Capital."

As noted above and in the Explanatory Statement to Shareholders, Tennyson is to pay a total of $356,000 to the Deed Administrator of Tennyson and the Administrator of Technologies and issue 5,000,000 post consolidated shares to the Administrators of Technologies on behalf of the creditors of Technologies. The $356,000 and the cost of issuing 5,000,000 post consolidated shares to the Administrators of Technologies has been expensed in the pro-forma financial statements of Tennyson as noted in paragraph 3.2 of this report.

We are unable to determine a fair value for the SOX Technology or the proposed joint venture with CDM.

5.4.3 Purely based on the book value of a reconstructed Tennyson, the net assets would be disclosed at approximately $1,022,000 which would be equivalent to 0.39 cents per post consolidated share, assuming 257,092,695 shares would be on issue after the recapitalisation process. This also represents the cash asset backing per share. This compares with the current value of a Tennyson share of nil cents.

5.5 Weighted average market price of Tennyson shares

5.5.1 As the Company is suspended from the ASX, we do not believe it is appropriate to value a Tennyson share based on prior quoted prices of Tennyson's shares on the ASX.

5.6 After taking into account the matters referred to in the preceding paragraphs, we are of the view that the current theoretical value of a Tennyson share (prior to the recapitalisation process) is nil cents.

5.7 If the DOCA and the recapitalisation process are finalised, the book value of a Tennyson share immediately post construction and recapitalisation would approximate 0.39 cents per share.

6. Premium for Control

6.1 Premium for control for the purposes of this report has been defined as the difference between the price per share that a buyer would be prepared to pay to obtain a controlling interest in the Company and the price per share at which the same person would be required to pay per share which does not carry with it control of the Company.

6.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, Ascent and the Ascent Group or third parties nominated by Ascent would hold approximately 91.41% of the expanded post-consolidated issued capital of Tennyson (or Ascent and the Ascent Group would own 48.04%).

6.3 The Tennyson shares that are proposed to be issued to Ascent and the Ascent Group or third parties nominated by Ascent are deemed to be theoretically worth nil cents. Of the amount raised, $356,000 will be used to repay the amounts paid to either the Trustee of the Trust Deed or the Technologies Deed Administrators to be made available to respective creditors pursuant to the terms of the DOCA and the Trust Deed. After certain transaction costs, the cash balance of approximately $1,022,000 will remain in the Company. In our opinion, it is possible that Ascent and the Ascent Group or third parties nominated by Ascent are paying a premium for control, however, the non associated shareholders of Tennyson are benefiting in that the theoretical value of an Tennyson share rises from nil cents (with significant liabilities) to a company with a theoretical cash backed value of approximately 0.39 cents per share and all liabilities extinguished.

7. Fairness and Reasonableness of the Proposals

We have set out below some of the advantages, disadvantages and other factors pertaining to the proposals, pursuant to Resolution 2 and the recapitalisation proposals generally.

Advantages

7.1 The passing and consummation of Resolution 2 in conjunction with the completion of the DOCA and recapitalisation process would result in a net cash injection of approximately $1,022,000 into the Company and having a company with no liabilities, compared with the current position whereby the Company is subject to a Deed of Company Arrangement and is in a net liability position. Tennyson is committed to fund an initial $30,000 to the proposed joint venture with CDM.

7.2 If the proposals per Resolution 2 are consummated along with the completion of the DOCA, the book value and cash asset backing of a Tennyson post consolidated share rises from nil cents to approximately 0.39 cents.

7.3 If Resolution 2 is passed together with the completion of the DOCA and recapitalisation process, the Company's chances to seek re-quotation of its shares on the ASX are enhanced. By obtaining re-quotation of the Company's shares, the existing shareholders are offered liquidity to sell their shares (reduced on a 1 for 10 basis) on the ASX.

7.4 Ascent and the Ascent Group bring expertise to the Company in that Messrs H Warner, D Steinepreis and G Steinepreis have all had experience as directors or managers of public listed companies. They will also seek new business opportunities. Further details on the new directors are outlined in the Explanatory Statement to Shareholders in section 1.2.1.

Disadvantages

7.5 A significant shareholding in the Company is being given to Ascent and the Ascent Group or third parties nominated by Ascent. However, we note that Tennyson will be recapitalised with approximately $1,022,000 in cash (before the commitment to fund the joint venture with CDM), will have no debt and will have the opportunity to exploit the SOX Technology via the proposed joint venture with CDM.

7.6 Tennyson would only have approximately $1,022,000 after the consummation of the DOCA and the recapitalisation process is complete (plus the SOX Technology joint venture with CDM). Further fundraisings may be required to be undertaken in the near future. If further shares are issued, the percentage share holding of the existing shareholders of Tennyson may be diluted down even further. However, as noted above, the current value of the existing shareholders interests in Tennyson's shares, are worth nil.

7.7 The SOX Technology business (via the joint venture with CDM) may not be commercially successful and the Company may incur new losses. Conversely, the SOX Technology business may be successfully exploited and may lead to an increase in the value of a Tennyson share which may be worth more than Ascent and the Ascent Group or third parties nominated by Ascent are to pay for the 235,000,000 shares.

<u>Other</u>

7.8 The 34,000,000 options, if exercised would result in an inflow of funds to Tennyson of $340,000. The exercise price of the 34,000,000 options is 1 cent each. The trading price of a Tennyson share (after re-quotation of the Company's shares on the ASX that is dependent upon completion of the recapitalisation process) at the date of exercise of the options would probably be in excess of 1 cents before option holders exercised the options.

8. Conclusion as to Fairness and Reasonableness

8.1 After taking into account the matters referred to in 7 above and elsewhere in this report, we are of the opinion that, on balance, the proposals as outlined in Resolution 2 are fair and reasonable to the non-associated shareholders of Tennyson.

9. Sources of Information

9.1 In making our assessment as to whether the proposals pursuant to Resolution 2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of Tennyson, which is relevant in the current circumstances. In addition, we have held discussions with a representative of the Ascent Group (and a director of Tennyson) about the present state of affairs of Tennyson. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by Ascent and a director of Tennyson.

9.2 Information we have received includes, but is not limited to:

- Draft January and February 2004 Notice of Annual General Meeting of Shareholders of Tennyson (and Draft Explanatory Statement To Shareholders attached);
- Discussions with a representative of Ascent and a director of Tennyson;
- Shareholding details of Tennyson;
- Tennyson's unaudited financial position of Tennyson as at 30 June 2003 and the RATA as at 14 October 2003;
- The Administrator's Reports and Circulars to Creditors pursuant to Section 493A(4) of the Corporations Act for Tennyson of 31 October 2003 and 28 November 2003;
- Deed of Company Arrangement dated 24 December 2003;
- Proposal to recapitalise Tennyson dated 26 November 2003;
- Annual Report of Tennyson for the year ended 30 June 2003;
- Minutes of Meeting of Creditors of 8 December 2003 (for Tennyson and Technologies);
- Notice of General Meeting of Shareholders of September 2003 (to be held on 31 October 2003) and accompanying documents and reports,

- The draft SOX Technology Business Joint Venture Agreement dated 28 January 2004; and
- Various Form 507's on the affair of Tennyson and Technologies.

9.3 Our report includes Appendix A, attached to this report.

Yours faithfully
STANTON PARTNERS CORPORATE PTY LTD

J P Van Dieren, FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE

This annexure forms part of and should be read in conjunction with the report of Stanton Partners Corporate Pty Ltd dated 10 February 2004, relating to Resolution 2 outlined in the Notice of Meeting of Shareholders of Tennyson.

At the date of this report, Stanton Partners Corporate Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with Tennyson other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stanton Partners Corporate Pty Ltd and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed $6,000 (excluding GST). The fee is payable regardless of the outcome. With the exception of that fee, neither Stanton Partners Corporate Pty Ltd nor John P Van Dieren have received nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stanton Partners Corporate Pty Ltd has prepared eight independent expert reports of a similar nature when Ascent Capital Pty Ltd had been involved in the re-capitalisation of various companies in Administration.

Stanton Partners Corporate Pty Ltd, Stanton Partners or any partners of Stanton Partners do not hold any securities in Tennyson. There are no pecuniary or other interests of Stanton Partners Corporate Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stanton Partners Corporate Pty Ltd and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stanton Partners Corporate Pty Ltd is the holder of an Investment Advisers Licence under the Corporations Act relating to advice and reporting on mergers, takeovers and acquisitions. A number of the partners of Stanton Partners are Directors' of Stanton Partners Corporate Pty Ltd. Stanton Partners and Stanton Partners Corporate Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuations and financial aspects thereof, including the fairness and reasonableness of the consideration offered. Mr Van Dieren also holds an Investment Advisers Licence relating to the provision of expert reports on mergers, takeovers and acquisitions.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of Ascent in order to assist the shareholders of Tennyson to assess the merits of the proposals (Resolutions 2) to which this report relates. This report has been prepared for the benefit of the Tennyson shareholders and those persons only who are entitled to receive a copy for the purposes of Section 611 (Item 7) of the Corporations Act and ASX Listing Rule 10.11 and does not provide a general expression of Stanton Partners Corporate Pty Ltd's opinion as to the longer term value of Tennyson or the SOX Technology. Stanton Partners Corporate Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Tennyson or its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stanton Partners Corporate Pty Ltd to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stanton Partners Corporate Pty Ltd with due care and diligence. However, except for those responsibilities which, by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stanton Partners Corporate Pty Ltd, Stanton Partners, its partners, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stanton Partners Corporate Pty Ltd may rely on information provided by Ascent and its officers (save whether it would not be reasonable to rely on the information having regard to Stanton Partners Corporate Pty Ltd experience and qualifications), Ascent has agreed:

a) to make no claim by it or its officers against Stanton Partners Corporate Pty Ltd to recover any loss or damage which Tennyson may suffer as a result of reasonable reliance by Stanton Partners Corporate Pty Ltd on the information provided by Ascent; and

(b) to indemnify Stanton Partners Corporate Pty Ltd against any claim arising (wholly or in part) from Ascent or any of its officers providing Stanton Partners Corporate Pty Ltd any false or misleading information or in the failure of Ascent or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stanton Partners Corporate Pty Ltd.

A draft of this report was presented to Ascent for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter. Whilst the Deed Administrators have viewed a draft of this report, neither the Deed Administrators, their professional advisers, PricewaterhouseCoopers or its employees are responsible for comments in this report. The Deed Administrators do not accept any responsibility for any disclosures in or failure to include any disclosures in this report. The information contained in this report has not been verified independently by the Deed Administrators, their professional advisers, PricewaterhouseCoopers or its employees who expressly disclaim responsibility for the accuracy or completeness of the information in the report.

PROXY FORM

APPOINTMENT OF PROXY
TENNYSON NETWORKS LIMITED
ABN 98 009 805 298
(Subject to Deed of Company Arrangement)

ANNUAL GENERAL MEETING

I/We ______________________________

being a Member of Tennyson Networks Limited entitled to attend and vote at the Meeting, hereby

Appoint ______________________________

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at The Celtic Club, 48Ord Street, West Perth, Western Australia on 29 March 2004 at 11.00am (WST) and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Consolidation of Capital	☐	☐	☐
Resolution 2	Allotment and Issue of Shares and Options – Working Capital	☐	☐	☐
Resolution 3	Allotment and Issue of Shares to Deed Administrator of Tennyson Technologies Pty Ltd	☐	☐	☐
Resolution 4	Re-appointment of Mr David Steinepreis	☐	☐	☐
Resolution 5	Re-appointment of Mr Hugh Warner	☐	☐	☐
Resolution 6	Re-appointment of Mr Gary Steinepreis	☐	☐	☐
Resolution 7	Adoption of New Constitution	☐	☐	☐

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is ________%

Signed this day of 2004

By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

TENNYSON NETWORKS LIMITED
ABN 98 009 805 298
(Subject to Deed of Company Arrangement)
Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.

2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.

3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:

   - 2 directors of the company;
   - a director and a company secretary of the company; or
   - for a proprietary company that has a sole director who is also the sole company secretary – that director.

   For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.

5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

6. Please complete and sign this Proxy Form as soon as possible and either: send the proxy by facsimile to the Company, C/- Ascent Capital Pty Ltd, on facsimile number (08) 9481 2690 (International: + 61 8 9481 2690); or deliver to the Company C/- Ascent Capital Pty Ltd, Level 1, 33 Ord Street, West Perth, Western Australia 6005; so that it is received not later than 11.00am (WST) on 25 March 2004.