Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of members of Photon Group Limited (Photon) will be held at the Sofitel Wentworth Sydney, 61 -101 Phillip Street, Sydney at 11.00am on Thursday, 13 October 2005.

Agenda

Ordinary Business

1. Accounts and Reports

To receive and consider the Statement of Financial Position of Photon as at 30 June 2005, the Statement of Financial Performance of Photon for the year ended on that date with the consolidated accounts of Photon and its controlled entities in accordance with the Corporations Act and the reports of the Directors and auditors.

2. Remuneration Report

To adopt the remuneration report for the year ended 30 June 2005.

3. Election of Directors

To consider, and if thought fit, pass the following resolutions as ordinary resolutions:

3.1 That Mr. Tim Hughes who retires in accordance with clause 6.1(f) of Photon's constitution and, being eligible, offers himself for re-election, be re-elected as a Director of Photon.

3.2 That Mr. Siimon Reynolds who retires in accordance with clause 6.1(f) of Photon's constitution and, being eligible, offers himself for re-election, be re-elected as a Director of Photon.

4. Approval of Issue of Shares for The Leading Edge acquisition

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

4.1 That, for the purposes of ASX Listing Rule 7.1, Photon approves the issue of 589,830 fully paid ordinary shares in the capital of Photon to the people or companies named in the explanatory notes, on the terms described in this notice and explanatory notes.

Photon will disregard any votes cast on resolution 4.1 by the proposed allottees of those shares or their associates.

However Photon need not disregard a vote if:

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

5. Approval of Prior Issues of Shares

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:

5.1 That, for the purposes of ASX Listing Rule 7.4, Photon approves the issue of 5,655,939 fully paid ordinary shares in the capital of Photon to various shareholders, on the terms described in this notice and explanatory notes; and

5.2 That, for the purposes of ASX Listing Rule 7.4, Photon approves the issue of 1,699,556 fully paid ordinary shares in the capital of Photon to the vendors of Legion Interactive Holdings Pty Limited, on the terms described in this notice and explanatory notes.

Photon will disregard any votes cast on resolution 5.1 or 5.2 by the shareholders to whom the relevant shares were issued, or their associates.

However Photon need not disregard a vote if:

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

6. Issue of Options Under the ESOS

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:

6.1 That, for the purposes of ASX Listing Rule 7.2, Exception 9, Photon approves the issue of 2,000,000 options to subscribe for fully paid ordinary shares in the capital of Photon under Photon's Executive Share Option Scheme (ESOS), on the terms described in this notice and explanatory notes.

Photon will disregard any votes cast on resolution 6.1 by any of the directors of Photon or their associates.

However Photon need not disregard a vote if:

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

7. Issue of Options to Tim Hughes

7.1 That, for the purposes of ASX Listing Rules 7.1 and 10.14, Photon approves the issue of 1,000,000 options to subscribe for fully paid ordinary shares in the capital of Photon to Tim Hughes, a director of Photon, on the terms set out in this notice and explanatory notes.

Photon will disregard any votes cast on resolution 7.1 by Tim Hughes or his associates.

However Photon need not disregard a vote if:

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

Information for Shareholders

A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights and an additional form of proxy is available on request from Photon. A proxy need not be a shareholder of Photon.

Where a shareholder appoints two proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes.

The form of proxy must be signed by a shareholder or a shareholder's attorney. Proxies given by corporations must be signed in accordance with their constituent documents or as authorised by the Corporations Act.

If the form of proxy is executed under power of attorney it must accompany the form of proxy unless it has already been noted by Photon.

In the case of joint shareholders, names of the joint shareholders should be shown on the form of proxy.

Photon has determined in accordance with regulation 7.11.37 of the Corporations Regulations, that for the purpose of voting at the general meeting shares will be taken to be held by those who hold them at 11am on Tuesday 11 October 2005.

To be valid proxy forms must be lodged with Photon: Level 9, 155 George Street, Sydney, NSW, 2000 not less than 48 hours before the time for holding the meeting, that is by 11am on Tuesday 11 October 2005. Proxies may also be sent by facsimile transmission to either Computershare on (02) 8235 8220 or Photon on (02) 8213 3030.

Shareholder queries should be directed to the Company Secretary at Photon on (02) 8213 3031 or email agm@photongroup.com.

By Order of the Board

Geoff Nesbitt
Company Secretary

12 September 2005

Explanatory Notes

Item 2 – Remuneration Report

The vote on the remuneration report is advisory only and does not bind the directors or Photon. The remuneration report is set out on pages 30 to 38 of Photon's Annual Financial Report for the year ended 30 June 2005.

The report:

- explains the board's policies in relation to remuneration paid to Photon's directors, the company secretary and senior managers;
- reviews the relationship between those policies and Photon's performance;
- provides details of the remuneration paid to directors and some members of Photon's senior management team; and
- provides details of performance conditions relating to remuneration, and how performance against the conditions is measured.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting.

The board unanimously recommends that shareholders vote in favour of this resolution.

Item 3 – Re-election of Directors

Photon's constitution requires one third of directors to retire at each AGM. Retiring directors may seek re-election. Mr. Tim Hughes and Mr. Siimon Reynolds are current directors of Photon who are retiring and seeking re-election in accordance with the constitution.

The board unanimously recommends that shareholders vote in favour of the resolutions to reappoint Mr. Tim Hughes and Mr. Siimon Reynolds as directors.

Item 4 – Approval of Issue of Shares for the Leading Edge Acquisition

On 11 August 2004, Photon announced that it had agreed to buy The Leading Edge Market Research Consultants Pty Ltd (TLE), a market research company for a price of $15 million, with deferred cash payments tied to the earnings of The Leading Edge in the period to 30 June 2007. Subsequently, following discussions which commenced on 16 August 2005, Photon agreed to amend the acquisition agreement to allow for up to 50% of the deferred cash payments to be paid by the issue of Photon shares in 2005 and 2006, at the election of the vendors. This allows Photon to conserve its cash balance and further invest in the Company's management structure while meeting its obligations to the vendors of TLE.

Subject to a number of exceptions, under ASX Listing Rule 7.1, Photon is not permitted to issue or agree to issue equity securities in any 12 month period which total more than 15% of the number of fully paid ordinary shares on issue at that start of that period, without shareholder approval. Given the number of shares and options issued in the last 12 months, Photon requires shareholder approval to issue the shares which it has agreed (subject to shareholder approval) to issue to the vendors of TLE for the 2005 year. Further approval will be sought in respect of any shares to be issued in respect of the 2006 year if required.

For the purposes of Listing Rule 7.1, Photon provides the following information:

a) The maximum number of shares to be issued in respect of the 2005 year is 589,830.;

b) Photon will allot and issue the shares within 7 days of the shareholder approval being obtained;

c) The shares will be deemed to be issued at $3.03, being the 30 day volume weighted average price for the period up to 16 August 2005, which was the start of discussions on the proposed issue of shares;

d) The shares will be issued to Derek Leddie (250,000), Taligrow Pty Limited (50,000), MVT Investments Pty Limited (100,000), Ergo Market Research Consulting Pty Limited (95,931), Philamae d'Anthes (40,074), Kristin Hickey (19,342), Hugh Ealey (9,000), Amanda Mills (3,136), Andrew Povolny (7,077), David Lord (7,077), David Russell (4,970) and Ellen Baron (3,223);

e) The shares will be fully paid ordinary shares, issued on the same terms as the other issued shares of Photon. The vendors have voluntarily elected to have the issued shares placed in escrow for a period of 12 months from the date of issue, and

f) No funds will be raised from the issue of shares, as the shares will be issued to discharge the liability which Photon had to pay as part of the deferred consideration for the acquisition of TLE.

The board unanimously recommends that shareholders vote in favour of this resolution.

Item 5 – **Approval of Prior Issues of Shares**
Photon has issued a number of shares and options to subscribe for shares in the last 12 months with the result that it no longer has capacity to issue or agree to issue further shares without first obtaining shareholder approval. ASX Listing Rule 7.4 allows Photon to treat an issue of shares which was made without shareholder approval under Listing Rule 7.1 as being made with such approval, if:

a) the issue did not breach Listing Rule 7.1 at the time that it was made; and

b) shareholders subsequently approve the issue.

Shareholders are being asked to approve the following two issues of shares which have taken place in the last 12 months:

a) 5,655,939 ordinary shares issued to various investors at $2.80 per share disclosed in the Appendix 3B dated 1 June 2005 (Placement Shares); and

b) 1,699,556 ordinary shares issued as part consideration for the acquisition of Legion Interactive Holdings Pty Limited, disclosed in the Appendix 3B which was lodged with ASX on 2 May 2005 (Legion Interactive Shares).

Shareholders approving these issues of shares will have the effect of "refreshing" Photon's ability to issue further shares during the period to June 2006. Apart from the issue of shares referred to in Item 4, Photon has not agreed to issue any further shares. However, approving this resolution gives Photon flexibility in relation to any acquisitions it may undertake in the future.

For the purposes of Listing Rule 7.4, Photon provides the following information to shareholders in relation to these two resolutions:

Resolution 5.1 - Placement Shares
Number of shares:
5,655,939 fully paid ordinary shares

Issue price:
$2.80 per share

Terms of the shares:
Fully paid ordinary shares, with the same terms as all other issued fully paid ordinary shares.

Basis on which the holders were determined:
The holders are various investors chosen by Southern Cross Equities as part of a book build procedure for the placement.

Use of the funds raised:
The funds raised ($15,836,629) were used to retire bank debt and for general working capital.

Resolution 5.2 - Legion Interactive
Number of shares:
1,699,556 fully paid ordinary shares

Issue price:
Deemed to be $2.85 per share.

Terms of the shares:
Fully paid ordinary shares, with the same terms as all other issued fully paid ordinary shares.

313,405 of the shares are subject to voluntary escrow restrictions, which will be lifted in respect of one third of the shares on or about 30 September in each of 2005, 2006 and 2007.

Basis on which the holders were determined:
The holders are six of the vendors of Legion Interactive Holdings Pty Limited ACN 097 648 765.

Use of the funds raised:
No funds were raised as the shares were issued in part payment of the consideration for the acquisition of Legion Interactive Holdings Pty Limited in March 2005.

The board unanimously recommends that shareholders approve resolutions 5.1 and 5.2.

Explanatory Notes continued

Item 6 – Approval of Issue of Options
Securities issued pursuant to an employee incentive plan are excluded from the 15% cap in Listing Rule 7.1, if, within 3 years before the issue of securities, either:

a) a summary of the terms of a scheme adopted before listing was disclosed in a prospectus; or

b) shareholders have approved the issue of securities as an exception to Listing Rule 7.1 within the previous 3 years,

provided there have been no changes to the number or terms of securities to be issued or other material terms of the incentive plan.

Photon adopted the Photon Group Executive Share Option Scheme (ESOS) before it was listed in 2004. However, the board has recently decided, subject to obtaining this shareholder approval, to amend the ESOS to allow employees to request that options be issued to a company controlled by them and to increase the number of options which may be issued under the ESOS.

The ESOS currently allows Photon to issue options totalling 5% of the issued capital of Photon. The board proposes to amend the plan, to allow for the issue of a further 2 million options to employees. If all of those options are issued, assuming that the share capital of Photon remains unchanged after the issue of shares to some of the vendors of TLE as referred to in Item 4, the number of options on issue under the ESOS would equal approximately 10% of Photon's issued capital as at the commencement of this meeting.

Summary of ESOS
The main features of the ESOS are set out below

Option Entitlement: The Board may determine who is entitled to participate in the ESOS and grant options to those people. Photon's remuneration committee may determine whether or not the grant or exercise of options is conditional on the achievement of performance hurdles, and if so, the nature of such performance hurdles.

The exercise of an option will entitle the optionholder to subscribe for one Share at the exercise price which is $1.80 for the Initial Options (being options granted on or before the date on which Photon was admitted to the Official List of the ASX), and in relation to all other options, the average of the daily volume weighted average sale price of Photon shares on each of the 30 days prior to the issue date.

Maximum Number of Options: The maximum number of options which may be issued under the ESOS is the sum of 5% of Photon's issued capital and 2 million.

Duration of Options: The options expire at the earlier of 5 years from the issue date or the date on which the optionholder ceases to be an employee of Photon. Options not exercised on or before the Expiry Date automatically lapse.

Exercise of Options: Unless the Board of Photon agrees otherwise:

- no options may be exercised in the period which is two years from the issue date;
- after two years, the optionholder is entitled to exercise up to one third of the total number of options granted to the optionholder;
- after three years, the optionholder is entitled to exercise up to two thirds of the total number of options granted to the optionholder; and
- after four years but prior to the expiry date, the optionholder is entitled to exercise all of the options.

Subject to those restrictions, during an exercise period (each period of one month from the dates upon which Photon lodges its half yearly report and preliminary final report) an optionholder may exercise his or her options at any time by giving Photon notice in writing.

Reconstructions: If at any time prior to the exercise by the optionholder of any outstanding options, there is any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of Photon, the outstanding options will be reorganised in the manner required by the ASX Listing Rules on a reconstruction of capital at the time of the reconstruction.

Bonus Issues: On each bonus date, each outstanding option confers on the optionholder the right: to receive on exercise of those outstanding options, not only an allotment of one Share for each of the outstanding options exercised but also an allotment of the additional Shares and/or other securities which the optionholder would have received had the optionholder participated in that bonus issue.

Rights Issues: Outstanding options do not carry the right to participate in any new issues of securities by Photon.

Assignment of Options: The optionholder may request the Board to issue the options to a company controlled by the optionholder. The options may not be assigned by the optionholder to any other person.

Since the listing of Photon, 3,808,750 options have been issued under the ESOS. The total number of options outstanding is 3,808,750.

The rationale for seeking this exception to Listing Rule 7.1 is that Photon needs to be able to issue options to employees, to provide a competitive remuneration structure, but does not want to reduce its ability to issue shares under Listing Rule 7.1, as a result of an issue of options. As set out above, except for the issue of shares referred to in Item 4, Photon is not obliged to issue further shares.

The board unanimously recommends that shareholders vote in favour of this resolution.

Item 7 – **Approval of Issue of Options to Tim Hughes**

The Board is proposing, subject to shareholder approval, to issue 1 million options to subscribe for fully paid shares to Tim Hughes, the executive chairman of Photon, as part of his remuneration package. Mr Hughes may elect to have the options issued to a company controlled by him. The Board considers that this is an appropriate and reasonable component of Mr Hughes' remuneration, having regard to the circumstances of Photon and Mr Hughes' role with Photon. In particular, in determining the number of options to be offered to Mr Hughes, the Board has considered the modest level of fees paid to Mr Hughes. Further, the Board considers that the issue of options to him will act as an incentive to him.
The options will be issued on the terms set out below.

For the purposes of Listing Rules 7.3 and 10.15A, Photon provides the following information.

a) The maximum number of securities that may be acquired is 1 million options, and, if those options are exercised, 1 million fully paid ordinary shares (subject to the effect of any reorganisation of capital or bonus issues that Photon undertakes before the options are exercised);

b) The options will be issued for no consideration. The exercise price of the options will be $2.99, the average of the daily volume weighted average sale prices of Photon's shares on the 30 days before 29 July 2005, the date on which Photon's Remuneration Committee meeting approved the issue of options (subject to shareholder approval).

c) No securities have been issued to directors under this arrangement since the date of listing of Photon.

d) The only director entitled to participate in this arrangement is Tim Hughes.

e) Details of any options issued under this arrangement will be published in each annual report of Photon relating to a period during which the options are on issue, together with a statement that approval for the issue of the options was obtained under Listing Rule 10.14.

f) Any additional persons who become entitled to participate in this arrangement after this resolution is approved and who are not named in this notice of meeting as being eligible to participate in it will not participate until a further approval is obtained under Listing Rule 10.14.

g) The options will be issued to Tim Hughes within 7 days after approval is obtained.

h) If all of the options are exercised, $2,990,000 will be raised, which Photon will use for working capital.

Summary of Option Terms

The main features of the options to be issued to Mr Hughes are set out below

Exercise Price: The exercise of an option will entitle the optionholder to subscribe for one Share at the exercise price which is $2.99.

Expiry Date: The options expire at the earlier of five years from the issue date or the date on which Mr Hughes ceases to be a director of Photon. Options not exercised on or before the Expiry Date automatically lapse.

Exercise of Options: Unless the Board of Photon agrees otherwise, no options may be exercised in the period which is two years from the issue date. Subject to that restriction, during an exercise period (each period of one month from the dates upon which Photon lodges its half yearly report and preliminary final report) Mr Hughes may exercise his options at any time by giving Photon notice in writing.

Reconstructions: If at any time prior to the exercise by Mr Hughes of any outstanding options, there is any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of Photon, the outstanding options will be reorganised in the manner required by the ASX Listing Rules on a reconstruction of capital at the time of the reconstruction.

Bonus Issues: On each bonus date, each outstanding option confers on Mr Hughes the right to receive on exercise of those outstanding options, not only an allotment of one share for each of the outstanding options exercised but also an allotment of the additional shares and/or other securities which he would have received had he participated in that bonus issue.

Rights Issues: Outstanding options do not carry the right to participate in any new issues of securities by Photon.

Assignment of Options: Mr Hughes may request the Board to issue the options to a company controlled by him. The options may not be assigned to any other person.

Tim Hughes does not make a recommendation in relation to this resolution, as it relates to his personal interests. The remaining members of the Board recommend that shareholders vote in favour of this resolution.

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