Bidder's Statement

PhotonGroup

Photon Group Limited
ABN 97 091 524 515

in relation to

Dark Blue Sea Limited
ABN 47 091 509 796

GILBERT TOBIN
LAWYERS

Legal Adviser to
Photon Group Limited

Contents

IMPORTANT DATES

Bidder's Statement lodged with ASIC and DBS	11 January 2007
Date of Offer	25 January 2007
Date of Offer conditions notice*	19 February 2007
Offer closes (unless extended)*	26 February 2007

** This date is indicative only and may be changed as permitted by the Corporations Act.*

IMPORTANT INFORMATION

This Bidder's Statement is dated 11 January 2007, was given to Dark Blue Sea Limited (ABN 47 091 509 796) and was lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Bidder's Statement.

In preparing this Bidder's Statement, Photon has not taken into account the individual financial position and investment strategies of individual Shareholders. You should therefore seek your own advice in deciding which course of action to adopt.

Section 1

1 Summary of the Offer

1.1 The Offer

Photon is offering to buy all DBS Shares, including DBS Shares that are issued prior to the end of the Offer Period due to the exercise of DBS Options, on the terms set out in Section 8 of this Bidder's Statement.

1.2 Offer price

The Offer price is $0.76 cash for each DBS Share.

If you accept the Offer, you will receive $0.76 in cash from Photon for each of Your DBS Shares.

1.3 Offer conditions

The Offer is subject to the conditions set out in Section 8.8.

Photon may choose to waive any of these conditions in accordance with the Offer.

1.4 How to accept the Offer

There are several ways to accept the Offer depending on the nature and type of your shareholding including:

- for Issuer Sponsored Holdings – complete and sign the enclosed Transfer and Acceptance Form in accordance with the instructions on the form, and return the form in the enclosed reply paid envelope or to an address on the form; and
- for CHESS Holdings – contact your Controlling Participant to initiate acceptance on your behalf, or complete and sign the enclosed Transfer and Acceptance Form in accordance with the instructions on the form, and return the form in the enclosed reply paid envelope or to an address on the form, to authorise Photon to contact your Controlling Participant to initiate acceptance of the Offer on your behalf.

For further details concerning acceptance, see Section 8.4.

If you have any questions on how to accept the Offer, you should contact the Shareholder Information Line on 1300 301 216 (toll free for calls made from within Australia), or +61 3 9415 4607 (for calls made from outside Australia). As required by the Corporations Act, calls to these numbers will be recorded.

1.5 Payment terms

If you accept the Offer, the cash which you are entitled to receive for Your DBS Shares will be paid to you on the later of one month after:

- the date you accept the Offer; and
- the date all conditions of the Offer have either been satisfied or waived,

but, in any event, by no later than 21 days after the end of the Offer Period. Further details are set out in Section 8.9.

1.6 Scheduled closing date

7.00pm (Sydney time) on 26 February 2007, unless extended in accordance with the Corporations Act.

Questions about the Offer

If you have any other questions regarding the Offer contact the Shareholder Information Line on 1300 301 216 (toll free for calls made from within Australia) or +61 3 9415 4607 (for calls made from outside Australia). As required by the Corporations Act, calls to these numbers will be recorded.

If you are in doubt about how to deal with the Offer, you should consult your financial or other professional adviser.

2 Profile of Photon

2.1 Background

Photon was incorporated on 9 February 2000. The ordinary shares of Photon have been listed on ASX since 30 April 2004 and trade on that exchange under the symbol "PGA". As at the close of trading on 8 January 2006, Photon had a market capitalisation of approximately $428.5 million.

2.2 Composition of the Photon Board

Tim Hughes
Executive Chairman
Tim Hughes is the Executive Chairman of Macquarie Media Group Limited and is also Chairman of Carinya Investment Management and a director of the Sporting Chance Cancer Foundation. Mr Hughes has had a 20 year business career in television production and distribution, television broadcasting, radio, investment management and marketing services. Mr Hughes has a Bachelor of Business from UTS. He was appointed as a director of Photon on 2 June 2000.

Matthew Bailey
Chief Executive Officer and Director
Matthew Bailey joined Photon as Chief Executive Officer in 2004. In addition to this role, he is responsible for the Photon subsidiary, The Bailey Group. Mr Bailey has 16 years' experience as Chief Executive Officer of The Bailey Group with extensive experience in retail selling, sales force strategy and brand development. Mr Bailey has a Bachelor of Business from Swinburne University. He was appointed as a director of Photon on 25 March 2004.

Siimon Reynolds
Executive Director
Siimon Reynolds is Executive Chairman and Creative Director of Love Communications and is one of Australia's best known advertising experts. Mr Reynolds has over 20 years of experience in the marketing services sector. He has won many major global awards for creativity and has won "Agency of the Year" twice. Mr Reynolds has lectured on marketing to over 50,000 business people and was previously a director of John Singleton Advertising Group Limited (now part of STW Communications Group Limited). He was appointed as a director of Photon on 9 February 2000.

Susan McIntosh
Non-executive Director
Susan McIntosh is a Chartered Accountant with over 20 years' experience in media (television production and distribution and radio) and asset management. Ms McIntosh is currently Managing Director of RG Capital Holdings (Australia) Pty Limited. She was appointed as a director of Photon on 2 June 2000.

Tony Rowlinson
Chief Operating Officer and Director
Tony Rowlinson joined Photon as COO in 2005. Mr Rowlinson has had extensive fast moving and consumer goods and packaged goods experience having held senior positions in major companies namely SCA Hygiene Australasia Pty Limited, Nabisco Brands Pty Limited (now trading as Cereal Foods Pty Limited) and Coca-Cola Amatil Limited. Prior to joining Photon, Mr Rowlinson was Vice President of the Consumer Division of SCA Hygiene Australasia Pty Limited. Born and educated in Johannesburg, South Africa, Mr Rowlinson has global experience, having worked in the UK and other areas of Europe, South Africa, Australia and New Zealand. He was appointed as a director of Photon on 22 February 2006.

Paul Gregory
Independent Non-executive Director
Paul Gregory is currently providing a number of Australian and international retail groups with management and strategic advice. Previously Mr Gregory was a senior executive of a diversity of medium-sized private retail companies, including Australian Geographic Pty Ltd and Red Earth Australia Pty Ltd, and has overseen the expansion of these companies at both a domestic and international level. He was appointed as a director of Photon on 25 March 2004.

Brian Bickmore
Independent Non-executive Director
Brian Bickmore joined Austereo Limited in 1980 as a founding executive and resigned in 2004 after 25 years, having served as Austereo's longest serving director. Mr Bickmore served initially as Austereo's Finance Director and from 1997 was Group General Manager. In 2003 Mr Bickmore was appointed as Managing Director of Corporate Development and International Media. Mr Bickmore was instrumental in the merger of Triple M and Austereo businesses, a core element of Austereo's success. He also directed Austereo's international expansion. Mr Bickmore is Chairman of the Board of Directors of Artist & Entertainment Group Limited and serves on the Board of Directors of Network Outdoor Australia Limited, and SelecTV Broadcasting Limited. He was appointed as a director of Photon in March 2004.

2.3 Summary of business activities of Photon

Photon is a group of specialist marketing services companies. The services delivered by Photon build and leverage customer relationships, develop brands and generate sales for their clients.

Photon's specialist marketing services companies are recognised as leaders in each of their fields which include advertising, public and government relations, design and branding, retail marketing, event management, internet and mobile or point-of-sale campaigns. Operating independently they focus on providing their specialist skill base to solve clients' business problems.

The Photon Group is founded on a set of five strategic pillars, each addressing a particular area of communications. The five pillars are:

1 Business Intelligence;

2 Digital Interactive and Internet;

3 Sales and Presence Marketing;

4 Mass Communication; and

5 Specialised Communication Services.

Photon conducts its business through various business divisions including:

- The Leading Edge, a leading research-based consultancy, with offices in Sydney, Melbourne and Singapore and undertaking projects across South East Asia and Europe;
- iMega, which is an online marketing business. iMega's business is focussed on providing clients with online pay-for-performance lead generation for advertisers and consumers primarily in the US market;
- The Bailey Group is a diversified sales and marketing business within the retail industry;
- Legion Interactive is a leading provider of integrated digital and interactive solutions, spanning media interactivity, integrated promotional marketing, business communication applications and mobile content; and
- Belgiovane Williams Mackay is a recognised advertising agency which provides fully integrated communication ideas in brand strategy and communication planning.

Photon's philosophy is to allow each business division to operate autonomously while leveraging on the skill base and wider network of its other businesses.

Further information in relation to Photon and its various businesses can be found on its website at www.photongroup.com.

2.4 Financial Information

Financial information about the Photon Group since its listing on ASX on 30 April 2004 is set out below. Further financial information in relation to the Photon Group can be found on the Photon website at www.photongroup.com.

	30/06/04 ($'000)	30/06/05 ($'000)	30/06/06 ($'000)
Net Revenue	$34,334	$80,955	$125,621
EBITDA	$5,313	$17,989	$28,061
Dividends Paid (cents)	2.0 cents per share	8.0 cents per share	20.0 cents per share
EPS (cents)	4.45 cents per share	17.44 cents per share	21.67 cents per share

3 Intentions of Photon

3.1 Overview

This Section 3 sets out Photon's intentions, on the basis of the facts and information concerning DBS known to Photon, in relation to the following:

- the continuation of the business of DBS;
- any major changes to the business of DBS and any redeployment of the fixed assets of DBS; and
- the future employment of the present employees of DBS.

Photon's intentions as set out in this Section 3 are based on its review of publicly available information about DBS. Prior to implementing the intentions set out in this Section 3, Photon will seek to undertake a thorough review of any relevant internal information which is available to it and consider any other relevant facts and circumstances to confirm its intentions. Accordingly, the statements set out in this Section 3 are statements of current intentions only, are based on publicly available information only and may vary, as circumstances and further information require.

3.2 Intentions upon gaining more than 50.1% but less than 90% of DBS

As at the date of this Bidder's Statement, Photon is not in a position to determine, and has not determined, its intentions should the 50.1% minimum acceptance condition remain unsatisfied. However, Photon reserves its right to declare the Offer free from the 50.1% minimum acceptance condition (or any other condition to the Offer) at any time.

If Photon acquires a relevant interest in 50.1% or more of DBS Shares and the Offer is declared or becomes free of all other conditions but Photon does not become entitled to compulsorily acquire the outstanding DBS Shares, then DBS will become a partly owned subsidiary of Photon. In this event, Photon's current intentions are as set out below.

ASX listing
Subject to the Corporations Act and the Listing Rules, DBS is likely to remain as a company with official quotation on ASX as long as it meets the requirements of the Listing Rules for maintaining a listing (including a sufficient spread of shareholders).

Directors
Photon intends, subject to the Corporations Act and DBS's constitution, to seek to reconstitute the DBS Board to reflect Photon's majority ownership of DBS with a majority of directors nominated by Photon.

The candidates who are likely to be considered by Photon for appointment to the DBS Board are Matthew Bailey, Tony Rowlinson, Geoff Nesbitt and Jillian Masselos. The qualifications and experience of Matthew Bailey and Tony Rowlinson are summarised in Section 2.2.

Geoff Nesbitt is Chief Financial Officer and Company Secretary of the Photon Group. As Chief Financial Officer, Geoff Nesbitt is responsible for the financial management and reporting requirements of the Photon Group. Prior to joining Photon, Geoff Nesbitt was financial controller for advertising agency Saatchi & Saatchi Australia. He has a Bachelor of Business Degree in Accounting and is a member of CPA Australia and an affiliate member of the Institute of Chartered Secretaries of Australia.

Jillian Masselos is Group Finance Director of the Photon Group. Prior to joining Photon, Jillian spent nine years at KPMG working with a wide range of clients across various industries including media, retail, consumer goods, property development, hospitality, and banking and finance. She has a Bachelor of Business from UTS and is a member of the Institute of Chartered Accountants (ICAA). Jillian joined Photon in May 2004.

Photon believes the experience, qualifications and skills of each of these persons are suitable and appropriate for the DBS business.

Photon intends that DBS should in this circumstance retain directors who are independent of Photon. Photon will support the retention on the DBS Board of a number of the existing DBS directors. Photon will discuss with the DBS Board, after the Offer is concluded, which DBS directors should remain on the DBS Board.

Business review
Photon, through its nominees on the DBS Board, will propose for approval by the DBS Board a review of the business of DBS for the purpose of identifying areas and ways in which:

- DBS can leverage off the various Photon Group business units and expertise of Photon, to enhance the DBS business; and
- Photon can leverage off DBS and its expertise to enhance the Photon Group business.

This review by Photon will be subject to Photon and DBS complying with the requirements of the Listing Rules, the Corporations Act and any other applicable legislation, the legal obligations of the then DBS Board to act in good faith and in the best interests of DBS and for proper purposes.

Dividend policy
Based on publicly available information DBS has only ever paid one dividend of 1 cent per DBS Share on 27 October 2006.

The following statement was made by DBS in the DBS 2006 Annual Report, concerning DBS's dividend policy:

> "At this stage, it is difficult to formalise a capital management/dividend policy to a point where we can clearly articulate this to shareholders. However, we should be in a position to do so within the next year."

Photon is not aware of whether DBS has adopted a formal dividend policy since the date of the DBS 2006 Annual Report. Photon, through its nominees on the DBS Board, will attempt to ensure that any dividend policy adopted by DBS reflects an appropriate balance between ensuring that DBS retains sufficient funds to meet its ongoing activities and capital requirements and the payment of dividends to Shareholders.

Further acquisitions of DBS Shares
Photon may in the future acquire further DBS Shares in accordance with the requirements of the Corporations Act.

3.3 Intentions on gaining control of more than 90% of DBS

Photon's intentions if it acquires a relevant interest in more than 90% of DBS Shares are set out below.

Compulsory acquisition of DBS Shares
If Photon becomes entitled to do so under the Corporations Act, it will despatch notices seeking compulsory acquisition of all outstanding DBS Shares in accordance with the provisions of the Corporations Act.

Compulsory acquisition of DBS Options
If at the end of the Offer Period there are DBS Options which remain unexercised, Photon intends to compulsorily acquire the DBS Options pursuant to Part 6A.2 of the Corporations Act, subject to Photon obtaining any ASIC relief required to effect such compulsory acquisition.

ASX listing
To procure the removal of DBS Shares from the official list of ASX at the conclusion of the compulsory acquisition process.

Directors
To reconstitute the Board of Directors of DBS with its own nominees.

Business review and other matters
Consistent with Photon's philosophy to allow each of its business units to operate autonomously, Photon intends that DBS's business after the acquisition, will be conducted autonomously. However, Photon intends to conduct a review of the business of DBS for the purpose of identifying areas and ways in which:

- DBS can leverage off the various Photon Group business units and expertise of Photon, to enhance the DBS business; and
- Photon can leverage off DBS and its expertise to enhance the Photon Group business.

3.4 Other intentions

Subject to the above, it is the present intention of Photon that:

- the business of DBS will be continued in the same manner as it is currently being conducted;
- no major changes will be made to the business of DBS;
- there will not be any redeployment of the fixed assets of DBS; and
- the present employees of DBS will continue to be employed by DBS.

4 Bid Funding

4.1 Maximum cash consideration

As at the date of this Bidder's Statement, there are 84,615,517 DBS Shares on issue. As noted in Section 7.2, there are currently 4,157,000 options on issue under the ESOP, which may be exercisable as a result of the Bid. The Offer extends to all DBS Shares, including those that are issued prior to the end of the Offer Period due to the exercise of DBS Options.

Assuming all of the DBS Options are exercised prior to the end of the Offer Period, the maximum amount of the cash consideration which will be payable by Photon under the Offer is approximately $54,676,313.

4.2 Funding arrangements

Photon intends to drawdown on a Cash Advance Facility (**Facility**) that will be made available to Photon by the Australia and New Zealand Banking Group Limited (**ANZ**). The amount of the Facility is sufficient to pay the maximum consideration that will be payable under the Offer (refer to Section 4.1) and the costs and associated expenses of the Offer. The Facility terms have been approved by ANZ and accepted by Photon. Those terms are set out in a Committed Terms Sheet (**Term Sheet**), the material terms of which, for the purposes of the Offer, are summarised below. It is intended that formal documentation for the Facility, that will incorporate these terms, will be executed by ANZ and Photon before the Offers are despatched to Shareholders.

(a) Security

The Facility is to be secured by:

- in the event that Photon ultimately acquires less than 100% of DBS Shares, a shares and security mortgage over all DBS Shares acquired by Photon; or
- in the event that Photon ultimately acquires 100% of DBS Shares and subject to approval by Photon shareholders under section 260B of the Corporations Act, a cross guarantee and indemnity supported by a first ranking registered mortgage debenture from DBS.

(b) Repayment

Photon must repay all funds advanced under the Facility by the termination date which is 364 days from the execution of the formal facility agreement to be entered into in relation to the Facility (**Facility Agreement**). Early repayment may be required if an event of default under the Facility Agreement (see Section 4.2(d)) occurs and has not (where applicable) been remedied.

(c) Conditions precedent and limitations on drawdown

Photon must satisfy the following conditions precedent before making the first or any subsequent drawing under the Facility:

- formal documentation in relation to the Facility, including the Facility Agreement and associated security documentation (together, **Facility Documentation**) in a form satisfactory to ANZ having been executed by ANZ and Photon. As noted above, it is intended that these documents will be executed by ANZ and Photon before the Offers are despatched to Shareholders; and
- other conditions precedent to drawdown which are considered by Photon to be customary for facilities and arrangements of this nature, which include:
  - no event of default or potential event of default (see Section 4.2(d)) having occurred or occurring;
  - ANZ being satisfied that any duty payable in connection with the entry into the Facility Documentation has been duly paid, or ANZ has been provided with the amount of money which, in its opinion, is required for the payment of any duty payable in connection with the entry into the Facility Documentation;
  - ANZ having received all fees and expenses incurred by it in establishing the Facility and entering into the Facility Documentation; and
  - ANZ having received all legal opinions (if any) requested by it in a form and substance and from lawyers acceptable to ANZ.

(d) Events of default
The events of default applicable to the Facility are considered by Photon to be customary for facilities and arrangements of this nature and include:

- failure by Photon to pay any amount that is due and payable by it under the Facility;
- any representation or warranty made by Photon in connection with the Facility (see Section 4.2(e)) is untrue or misleading in any material respect when made (or when deemed to have been made);
- the occurrence of an insolvency event with respect to Photon or any of its related bodies corporate;
- failure by Photon to comply with any of its obligations under the Facility Documentation and, where ANZ considers that the failure can be remedied, such failure has not been remedied within 10 business days after Photon has received written notice from ANZ requiring the failure to be remedied;
- any event or change occurring which is likely to, or could in the reasonable opinion of ANZ, have a material adverse effect on Photon or any of its related bodies corporate; and
- certain cross-defaults by Photon or any of its subsidiaries.

(e) Representations and warranties
The representations and warranties given by Photon in connection with the Facility are considered by Photon to be customary for borrowing arrangements of this nature and include representations and warranties that:

- no event of default or potential event of default (see Section 4.2(d)) has occurred and is continuing, and Photon is not in breach of any other document or agreement in a manner that would have a material adverse effect on it or any of its related bodies corporate;
- none of Photon's property, and no property of any of its subsidiaries, is subject to any security interests, other than a security interest approved by ANZ or any current security interests granted over the property of DBS; and
- no controller is currently appointed in relation to any of Photon's property, or to any property of Photon's subsidiaries.

Each representation and warranty is taken to be repeated by Photon every time it makes a drawing or repayment or otherwise uses the facilities under the Facility.

(f) Undertakings
The undertakings by Photon under the Facility are considered by Photon to be customary for borrowing arrangements of this nature and include undertakings to:

- ensure that no entity within the Photon Group passes a resolution which:
  - approves the giving of financial assistance within the meaning of section 260A of the Corporations Act;
  - approves the reduction of its share capital;
  - limits its ability to make calls on its uncalled share capital; or
  - approves the purchase by Photon of shares in itself (other than redeemable preference shares);
- ensure that no entity in the Photon Group creates (or permits to exist) any security other than a security which is permitted under the Facility Agreement or any current security interest which has been granted by DBS;
- notify ANZ as soon as it becomes aware that an actual or potential event of default has occurred; and
- notify ANZ as soon as it becomes aware of any change in the circumstances of any entity within the Photon Group, which would give rise to a material adverse effect.

4.3 Provision of funds

Photon is unaware of any reason which would prevent any:

- condition precedent to drawdown under the Facility from being satisfied; or
- representation or warranty being given,

in sufficient time to allow funds to be advanced by ANZ to Photon under the Facility to enable Photon to pay Shareholders who accept the Offer, in accordance with the terms of the Offer.

On the basis of the arrangements described in this Section 4, Photon is of the opinion that it has a reasonable basis for holding the view, and it holds the view, that it will be able to provide the consideration required to satisfy its obligations under the Offer.

5 Photon's interest in DBS shares

5.1 DBS Shares and DBS Options

According to documents lodged by DBS with ASX:

(a) the total number of DBS Shares on issue as at the date of this Bidder's Statement and the date the first Offer is made under the Bid is 84,615,517; and

(b) the total number of DBS Options on issue at the date of this Bidder's Statement and the date the first Offer is made under the Bid is 4,157,000.

DBS Shares are quoted on ASX and may be freely traded. DBS Options are not quoted on ASX and are subject to restrictions on transfer.

5.2 Relevant interest and voting power of Photon

As at the date of this Bidder's Statement, and the date the first Offer is made under the Bid, Photon has a relevant interest in 16,830,000 DBS Shares pursuant to section 608(1)(a) of the Corporations Act. This interest was acquired by Photon on 8 December 2006 when it purchased 16,830,000 ordinary shares in DBS on ASX. The consideration paid for those shares was a cash amount of $0.65 per share.

As at the date of this Bidder's Statement, and the date the first Offer is made under the Bid, Photon's voting power in DBS is approximately 19.88%.

As at the date of this Bidder's Statement, Photon has no interest (legal, beneficial or otherwise) in DBS Options.

5.3 Acquisitions in the last four months

Subject to the acquisition of DBS Shares by Photon described in Section 5.2, neither Photon nor any Associate of Photon has provided or agreed to provide the consideration for DBS Shares under a purchase or agreement during the four months before the date of this Bidder's Statement or during the period between the date of this Bidder's Statement and the date the first Offer is made under the Bid.

5.4 No benefits

Neither Photon nor any Associate of Photon has in the four months before the date of this Bidder's Statement given, offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person to accept the Offer or to dispose of DBS Shares being a benefit not offered to all Shareholders under the Offer.

Neither Photon nor any Associate of Photon has during the period between the date of this Bidder's Statement and the date the first Offer is made under the Bid given, offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person to accept the Offer or to dispose of DBS Shares being a benefit not offered to all Shareholders under the Offer.

5.5 No escalation agreements

Neither Photon nor any Associate of Photon has entered into any escalation agreement in respect of DBS Shares that is prohibited by section 622 of the Corporations Act.

6 Tax consideration

6.1 Introduction

The information in this Section is intended to provide a general overview of the Australian income and capital gains tax implications for Shareholders who accept the Offer.

This summary in not intended to be comprehensive and is based on Photon's interpretation of Australian income tax legislation currently in force at the date of this Bidder's Statement. Shareholders should not rely on the information in this Section as advice in relation to their own affairs. Australian Tax Laws (**Tax Laws**) are complex and there could be implications for Shareholders in addition to those described in this Section. This summary does not consider any specific facts or circumstances that may apply to particular Shareholders. Shareholders should seek independent professional advice in relation to their own particular circumstances.

The comments in this Section do not apply to corporate shareholders (unless they hold their DBS Shares as trustee of a trust) and also do not apply to you:

(a) if you are exempt from Australian income tax; or

(b) if you hold Your DBS Shares under a DBS share plan or are issued Your DBS Shares as a result of the exercise of DBS Options.

6.2 Australian tax consequences

The Australian tax consequences of disposing of Your DBS Shares will depend on a number of factors, including:

(a) whether you are an Australian resident or non-resident for tax purposes;

(b) whether you hold Your DBS Shares on capital or revenue account;

(c) when you acquired Your DBS Shares; and

(d) whether you are an individual, a company or a trustee of a complying superannuation entity.

6.3 Holding DBS Shares on revenue or capital account

Broadly, if you acquired Your DBS Shares as part of a share trading business, as part of certain other business (e.g. banking and insurance) or for the purpose of reselling them at a profit, then you may be treated as holding Your DBS Shares on revenue account.

If, on the other hand, you acquired Your DBS Shares as a passive investment, for example, with the intention of generating dividend income and/or long term capital growth, then you may be treated as holding Your DBS Shares on capital account.

6.4 Sale of Your DBS Shares

Australian Resident – DBS Shares held on capital account
Shareholders who accept the Offer will dispose of their DBS Shares by way of transfer to Photon. For Australian resident shareholders who hold their DBS Shares on capital account, this disposal will constitute a capital gains tax event for Australian capital gains tax purposes.

Broadly, you will make a capital gain if the proceeds from the sale of Your DBS Shares are greater than the applicable cost base of Your DBS Shares. You will make a capital loss if the proceeds from the sale of Your DBS Shares are less than the reduced cost base of Your DBS Shares. If you make a capital loss, it can only be used to offset against capital gains made by you in the current, or a future, tax year.

The proceeds from the sale of Your DBS Shares will be equal to the amount of cash payable by Photon to you under the Offer.

The cost base of Your DBS Shares will depend on the circumstances in which you acquired the shares. In most cases, if you purchased Your DBS Shares for cash on market, your cost base will include the amount you paid for Your DBS Shares. It will also include certain incidental costs that you paid in relation to Your DBS Shares (e.g., stamp duty and brokerage fees (if any)).

In some circumstances, the Tax Laws apply to reduce the amount of capital gains made by individuals, trusts or complying superannuation entities (CGT Discount). If you are an individual, the trustee of a trust, or a complying superannuation entity, then you may reduce any capital gain otherwise liable to Australian tax provided that you acquired Your DBS Shares at least 12 months before disposing of them by accepting the Offer.

If the CGT Discount applies to you and you are an individual or a trust that will distribute the gain to an individual beneficiary then you will be subject to tax on half of any capital gain that you make on the sale of Your DBS Shares.

If the CGT Discount applies to you and you are a complying superannuation entity then you will be subject to tax on two-thirds of any capital gain that you make on the sale of Your DBS Shares.

Australian resident – DBS Shares held on revenue account
If you are an Australian resident and hold Your DBS Shares on revenue account, then you will be liable to Australian tax on any gain you make on the disposal of Your DBS Shares by accepting the Offer. Broadly, the amount of the gain liable to Australian tax will be the amount by which the cash proceeds received exceeds the cost of Your DBS Shares. You must include any gain in your assessable income and it will be subject to Australian tax at applicable rates.

If, on the other hand, the cost of Your DBS Shares exceeds the cash proceeds received in respect of the DBS Shares, then you will incur a loss equal to the excess. Any loss will be an allowable deduction from your assessable income or net capital gains.

Where you hold Your DBS Shares on revenue account and make a gain that is subject to both income tax and capital gains tax, your capital gain will be reduced by the amount of the income gain, thereby avoiding double taxation of the same gain.

Non-resident – DBS Shares held on capital account
If you are not a resident of Australia for the purposes of the Tax Laws, you will not be subject to Australian capital gains tax on the sale of Your DBS Shares unless:

(a) you and your associates held or hold, or had an option or right to hold, 10% or more of the shares in DBS at any time during the two years prior to the disposal of Your DBS Shares; and

(b) more than 50% of the value of DBS (and therefore the value of Your DBS Shares) is attributable to Australian real property.

If you are not a resident of Australia for the purposes of the Tax Laws and are subject to Australian income tax on capital gains then the calculation of your capital gain or loss from the sale of Your DBS Shares will be the same as discussed above in relation to Australian resident Shareholders. However, different rates of tax may apply.

Non-resident – DBS Shares held on revenue account
If you are a non-resident of Australia and you hold Your DBS Shares on revenue account, then you will be liable to Australian tax on any gain you make on the disposal of Your DBS Shares by accepting the Offer if the gain has an Australian source. The source of any gain will depend on a number of factors including the place of contract to acquire and dispose of Your DBS Shares and the place of any activities relevant to the holding of Your DBS Shares.

If you are a resident of a country with which Australia has entered into a double taxation agreement and hold Your DBS Shares on revenue account, then the terms of that double taxation agreement should also be taken into account. Typically, you will only be liable to Australian tax if the gain is attributable to a permanent establishment you have in Australia. In that case the amount of any gain liable to Australian tax will be the amount by which the amount of cash you receive exceeds the cost of Your DBS Shares. Broadly, a "permanent establishment" is a fixed place of business in Australia through which the enterprise of a non-resident is carried on.

6.5 Tax file numbers

You need not quote a tax file number when accepting the Offer.

6.6 GST and stamp duty

No Australian goods and services tax or stamp duty will be payable by you as a consequence of accepting the Offer.

7 Additional statutory and other information

7.1 Date for determining holders of securities

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) of the Corporations Act is the Register Date.

7.2 DBS employee share option plan

DBS has established an employee share option plan which was approved by shareholders at DBS' 2001 annual general meeting (**ESOP**). Under the ESOP, DBS may, at the discretion of the DBS Board, grant options over ordinary shares in DBS to certain employees of the DBS Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the DBS Board.

DBS Shares issued under the ESOP rank equally in all respects with other fully paid ordinary shares issued in DBS.

The options that have been issued to employees pursuant to the ESOP are not quoted on ASX or any other exchange. Based on information DBS has provided to ASX, details of the employee options currently on issue are as follows:

Option 1 Issue
2,402,000 options issued on 4 April 2005. Each is exercisable at $0.50 on or before 30 June 2007 and subject to the following conditions:

- the options cannot be transferred from the person to whom they were issued without the prior consent of the directors (which may be given or refused in their absolute discretion);
- the options cannot be exercised until 4 April 2007; and
- the employee must remain in continuous employment with DBS from the date of issue until the date of exercise.

Option 2 Issue
1,755,000 options issued on 30 June 2006. Each is exercisable at $0.90 on or before 30 September 2008 and subject to the following conditions:

- the options cannot be transferred from the person to whom they were issued without the prior consent of the directors (which may be given or refused in their absolute discretion);
- the options cannot be exercised until 30 June 2008; and
- the employee must remain in continuous employment with DBS from the date of issue until the date of exercise.

The ESOP provides that in the event that a takeover bid for DBS is made, all options issued under the Option 1 and Option 2 Issues (**DBS Options**) may be exercised by optionholders within 10 business days of DBS giving the optionholder written notice (**Option Notice**) that:

(a) a takeover bid for DBS has been made; and

(b) DBS Options may be exercised within 10 business days.

As at the date of this Offer, Photon does not know whether an Option Notice has been given by DBS to optionholders or whether DBS intends to give such a notice to optionholders. However, as noted in Section 8, the Offer extends to all DBS Shares including those which are issued prior to the end of the Offer Period as a result of the exercise of DBS Options.

Photon's intentions in relation to the DBS Options which remain unexercised at the end of the Offer Period are set out in Section 3.3.

7.3 Other material information

There is no other information that:

- is material to the making of a decision by a holder of DBS Shares whether to accept an Offer; and
- which is known to Photon,

other than:

- as set out or referred to elsewhere in this Bidder's Statement; or
- information which it would be unreasonable to require Photon to disclose because the information has previously been disclosed to holders of DBS Shares.

7.4 DBS disclosures

DBS is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, DBS is subject to regular reporting and disclosure obligations. Copies of any documents lodged in relation to DBS at ASIC may be obtained from or inspected at an office of ASIC. Copies of any documents lodged in relation to DBS with ASX may be obtained from or inspected at www.asx.com.au. Further information in relation to DBS is also available on its website at www.darkbluesea.com.au.

7.5 ASIC modifications

Photon has not obtained any modifications to or exemptions from the Corporations Act from ASIC specifically for the Bid.

ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including Photon, in relation to the operation of Chapter 6 of the Corporations Act.

Among others, Photon has relied on the modification to section 617(2) of the Corporations Act as contained in ASIC Class Order 01/1543 "Takeover Bids" to extend the Offer to all DBS Shares, including those issued as a result of the exercise of DBS Options between the Register Date and the end of the Offer Period.

Photon has also relied on the modification to section 636(3) of the Corporations Act as contained in ASIC Class Order 01/1543 "Takeover Bids" to include in the Bidder's Statement references to certain statements by DBS without obtaining DBS' consent. The relevant statements were taken from:

- DBS 2006 Annual Report;
- ASIC Form 484 lodged with ASX on 6 September 2006; and
- DBS' Employee Share Option Plan Rules lodged with ASX on 9 January 2001.

As required by ASIC Class Order 01/1543, Photon will make available a copy of these documents (or relevant extract from the document), free to Shareholders who request it during the Bid Period. To obtain a copy of this document (or relevant extracts), Shareholders may telephone the Shareholder Information Line on 1300 301 216 (toll free calls made from within Australia) or +61 3 9415 4607 for calls made from outside Australia.

7.6 Approval of Bidder's Statement

The Bidder's Statement was approved by a resolution of the Photon directors.

7.7 Consents

Gilbert + Tobin has given and has not withdrawn its consent to be named in this Bidder's Statement as legal advisers to Photon in the form and context in which it is named. Gilbert + Tobin has not authorised or caused the issue of this Bidder's Statement, does not make, or purport to make, any statement in this Bidder's Statement and takes no responsibility for any part of this Bidder's Statement (except to the extent required by the Corporations Act).

Computershare Investor Services Pty Limited has given and has not withdrawn its consent to be named in this Bidder's Statement as the registry for the purposes of receiving acceptances under the Offer in the form and context in which it is named. Computershare Investor Services Pty Limited has not authorised or caused the issue of this Bidder's Statement, does not make, or purport to make, any statement in this Bidder's Statement and takes no responsibility for any part of this Bidder's Statement (except to the extent required by the Corporations Act).

A copy of the relevant parts of reports and statements of third parties which have been lodged either with ASIC or ASX and which are referred to in this Bidder's Statement without the consent of those third parties but in accordance with ASIC Class Order 01/1543 will be provided free of charge to any Shareholder who requests a copy during the Bid Period. Requests can be made to the Shareholder Information Line on 1300 301 216 (toll free for calls made from within Australia), or +61 3 9415 4607 (for calls made from outside Australia). Under the Corporations Act, calls to these numbers will be recorded.

7.8 Regulatory and legal matters

Photon is not aware of any Shareholder who requires any approval referred to in Section 8.9(c) in order to receive any consideration under the Offer.

So far as Photon is aware, unless the Reserve Bank of Australia has given specific approval under the *Banking (Foreign Exchange) Regulations 1959* (Cth), payments or transfers to, or for the order of, prescribed governments (and their statutory authorities, agencies and entities) and, in certain cases, nationals of prescribed countries, are subject to certain limited exceptions, restrictions or prohibitions. Based on Photon's searches, the prescribed governments, countries and entities are as follows:

- supporters of the former government of the Federal Republic of Yugoslavia; and
- ministers and senior officials of the government of Zimbabwe.

The places to which and persons to whom the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth) currently apply include the Taliban, Usama bin Laden (also known as Osama bin Laden), a member of the Al Quaida organisation (also known as the Al-Queda organisation) and any person named on the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

The places to which and persons to whom the *Charter of the United Nations (Sanctions-Afghanistan) Regulations 2001* (Cth) currently apply include a bin Laden entity and a Taliban entity (as those terms are defined in those regulations).

The *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth) apply in respect of assets of the previous government of Iraq, and assets removed from Iraq or acquired by a senior official of the previous government of Iraq or their immediate families, and any entity owned or controlled by such persons.

7.9 Disclaimer

The information contained in this Bidder's Statement concerning DBS has been derived from publicly available information. Photon has had limited opportunity to independently verify this information and does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of the information.

8 The Offer

8.1 Offer

(a) Photon offers to acquire from you on the terms and conditions of this Offer all of Your DBS Shares together with all Rights attaching to them.

(b) This Offer extends to all DBS Shares which have been issued prior to the end of the Offer Period as a result of the exercise of DBS Options.

(c) Offers on terms and conditions identical to those contained in this Offer have been despatched or will be despatched to all holders of DBS Shares registered as such in the Register on the Register Date.

(d) This Offer is dated 25 January 2007.

8.2 Consideration for the Offer

Subject to the terms of this Offer, the consideration offered by Photon for the acquisition of all Your DBS Shares is $0.76 cash for each DBS Share.

8.3 Offer Period

(a) Unless the Offer Period is extended or the Offer is withdrawn, in either case in accordance with the requirements of the Corporations Act, this Offer will remain open for acceptance by you during the period commencing on the date of this Offer and ending at 7.00pm (Sydney time) on 26 February 2007 (**Offer Period**).

(b) Subject to the Corporations Act, Photon may extend the Offer Period.

(c) In addition, if, within the last seven days of the Offer Period:

(i) this Offer is varied to improve the consideration offered; or

(ii) Photon's voting power in DBS increases to more than 50%,

then the Offer Period will be mandatorily extended so that it ends 14 days after the relevant event.

8.4 Acceptance

(a) You may accept this Offer in respect of some or all of Your DBS Shares.

(b) To accept this Offer in respect of DBS Shares which, at the time of acceptance, are registered in your name in the issuer sponsored sub-register operated by DBS (in which case Your DBS Shares are not in a CHESS Holding and your Securityholder Reference Number will commence with "I"), you must complete and sign the Transfer and Acceptance Form enclosed with this Offer (which forms part of this Offer) in accordance with the instructions on it and return it together with all other documents required by those instructions (if any) to:

BY MAIL: Computershare Investor Services Pty Limited
GPO Box 2115
Melbourne VIC 8060

BY FAX: Computershare Investor Services Pty Limited
(02) 8235 8212 (from within Australia) or
+61 2 8235 8212 (from outside Australia)

BY HAND: Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Australia

so that it is received at an address specified above by no later than the end of the Offer Period. A reply paid envelope, which is valid if sent from within Australia, is enclosed for your use.

If your Transfer and Acceptance Form is returned by post, it will be deemed to be received in time if the envelope in which it is sent is post-marked before the end of the Offer Period even if it is received after that time.

If your Transfer and Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Transfer and Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration under this Offer to which you are entitled until your original Transfer and Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Transfer and Acceptance Form) is received at an address specified above.

(c) To accept this Offer in respect of DBS Shares which, at the time of acceptance, are held by you in a CHESS Holding (in which case your Holder Identification Number will commence with "X"), you must comply with the ASTC Settlement Rules. To accept this Offer in accordance with the ASTC Settlement Rules:

(i) if you are the Controlling Participant, you must initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period; or

(ii) if you are not the Controlling Participant, you may either:

(A) instruct your Controlling Participant, in accordance with the sponsorship agreement between you and the Controlling Participant, to initiate acceptance of this Offer in accordance with Rule 14.14 of the ASTC Settlement Rules, such initiation to occur before the end of the Offer Period. If you choose to accept this Offer in this way, your Controlling Participant will be obliged by Rule 14.14.1 of the ASTC Settlement Rules to initiate the acceptance within the following timeframes:

1 if you specify a time when or by which this Offer must be accepted, in accordance with those instructions; or

2 otherwise, by End of Day (as defined in the ASTC Settlement Rules) on the date that you instruct the Controlling Participant to accept this Offer or, if the Offer Period ends on the day you provide those instructions, before the end of the Offer Period; or

(B) otherwise, complete, sign and return the enclosed Transfer and Acceptance Form (using the enclosed reply paid envelope) in accordance with the terms of the Offer and the instructions on the Transfer and Acceptance Form, together with all other documents required by those instructions, so that they are received before the end of the Offer Period at one of the addresses indicated on the Transfer and Acceptance Form and as such authorise Photon to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules.

(d) To accept this Offer in respect of DBS Shares in respect of which, at the time of acceptance, you are entitled to be registered but are not registered you must complete and sign the Transfer and Acceptance Form enclosed with this Offer in accordance with the instructions on it and return it together with all other documents required by those instructions to one of the addresses referred to in paragraph (b) so that it is received not later than the end of the Offer Period.

(e) An acceptance of this Offer under paragraphs (b), (c)(ii)B or (d) shall not be complete until the Transfer and Acceptance Form, completed and signed in accordance with the instructions on it and all other documents required by those instructions, have been received at one of the addresses set out in paragraph (b). Notwithstanding the foregoing provisions of this paragraph, Photon may, in its absolute discretion, waive at any time prior to the end of the Offer Period all or any of the requirements specified in the Transfer and Acceptance Form but payment of the consideration in accordance with this Offer will not be made until any irregularity has been resolved and such other documents as may be necessary to procure registration of the DBS Shares have been lodged with Photon.

8.5 Entitlement to Offer

(a) If at the time this Offer is made to you, or at any time during the Offer Period and before you accept this Offer, another person is, or is entitled to be, registered as the holder of, or is able to give good title to, some or all of Your DBS Shares (such a DBS Share in this paragraph being called an **Entitlement Share**) then, in accordance with section 653B(1)(a) of the Corporations Act:

(i) a corresponding Offer shall be deemed to have been made at that time to that other person relating to the Entitlement Shares;

(ii) a corresponding Offer shall be deemed to have been made at that time to you relating to Your DBS Shares other than the Entitlement Shares; and

(iii) this Offer shall be deemed immediately after that time to have been withdrawn.

(b) If at any time during the Offer Period and before the Offer is accepted you hold DBS Shares on trust for, as nominee for or on account of another person or persons, then a separate Offer shall be deemed, in accordance with section 653B of the Corporations Act, to have been made to you in relation to each parcel of DBS Shares within Your DBS Shares. An acceptance by you of the Offer in respect of any such distinct portion of Your DBS Shares will be ineffective unless you have given Photon notice stating that Your DBS Shares consist of separate parcels and your acceptance specifies the number of DBS Shares in the distinct portions to which the acceptance relates. If Your DBS Shares are in a CHESS Holding, the notice may be transmitted in an electronic form approved by the ASTC Settlement Rules. Otherwise, the notice must be given to Photon in writing.

(c) Beneficial owners whose DBS Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in having this Offer accepted in respect of DBS Shares which they beneficially own.

8.6 Effect of acceptance

(a) By:

(i) completing, signing and returning a Transfer and Acceptance Form in accordance with Sections 8.4(b), (c)(ii)B or (d); or

(ii) causing the Offer to be accepted in accordance with the ASTC Settlement Rules if Your DBS Shares are in a CHESS Holding;

you will, or will be deemed to, have:

(i) subject to section 650E of the Corporations Act and Section 8.5, irrevocably accepted this Offer in respect of all Your DBS Shares;

(ii) subject to this Offer being declared free from the conditions set out in Section 8.8 or such conditions being fulfilled, agreed to transfer Your DBS Shares to Photon;

(iii) represented and warranted to Photon as a fundamental condition going to the root of the contract resulting from your acceptance of the Offer that, at the time of acceptance of this Offer and at the time the transfer of Your DBS Shares to Photon is registered, all of Your DBS Shares are and will upon registration be fully paid up and free from all mortgages, charges, liens and other encumbrances of any kind and restrictions on transfer of any kind, and that you have full power and capacity to sell and transfer such DBS Shares whether legal or equitable and that you have paid all amounts which at the time of acceptance have fallen due for payment in respect of those DBS Shares;

(iv) authorised Photon (by any of its directors), if necessary, to complete on the Transfer and Acceptance Form correct details of Your DBS Shares, fill in any blanks remaining on the Transfer and Acceptance Form and rectify any error in or omission from the Transfer and Acceptance Form as may be necessary to make the Transfer and Acceptance Form an effective acceptance of this Offer;

(v) irrevocably appointed Photon and each of its directors, secretary and officers from time to time jointly and each of them severally as your true and lawful attorney, with effect from the date that any contract resulting from the acceptance of this Offer is declared free from all its conditions or those conditions are satisfied, with power to exercise all powers and rights which you could lawfully exercise as the registered holder of Your DBS Shares including, without limitation, requesting DBS to register Your DBS Shares in the name of Photon, attending and voting at any meeting of DBS, demanding a poll for any vote taken at or proposing or seconding any resolutions to be considered at any meeting of DBS, requisitioning any meeting of DBS, signing any forms, notices or instruments relating to Your DBS Shares and doing all things incidental and ancillary to any of the foregoing and it is acknowledged and agreed that in exercising such powers the attorney may act in the interests of Photon as the intended registered holder of those DBS Shares;

(vi) agreed, with effect from the date that any contract resulting from the acceptance of this Offer is declared free from all conditions or those conditions are fulfilled, and in the absence of a prior waiver of this requirement by Photon, not to attend or vote in person at any meeting of DBS Shareholders or to exercise or purport to exercise any of the powers conferred on Photon or its nominee in Section 8.6(a)(v);

(vii) irrevocably authorised and directed DBS to pay to Photon or to account to Photon for all Rights, subject however to any such Rights received by Photon being accounted for by Photon to you in the event that this Offer is withdrawn or avoided;

(viii) except where Rights have been paid or accounted for under Section 8.6(a)(vi), have irrevocably authorised Photon to deduct from the consideration payable in respect of Your DBS Shares, the value of any Rights paid to you which, where the Rights take a non-cash form, will be the value of those Rights as reasonably assessed by the Chairman of ASX or his or her nominee;

(ix) if, at the time of acceptance of this Offer, Your DBS Shares are in a CHESS Holding, have, with effect from the date that either this Offer or any contract resulting from the acceptance of this Offer is declared free from all its conditions or those conditions are satisfied, authorised Photon to cause a message to be transmitted in accordance with ASTC Settlement Rule 14.17.1 (and at a time permitted by ASTC Settlement Rule 14.17.1(b)) so as to transfer Your DBS Shares to Photon's takeover transferee holding. Photon shall be so authorised even though at the time of such transfer it has not paid the consideration due to you under this Offer;

(x) agreed to indemnify Photon in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or in consequence of the transfer of Your DBS Shares being registered by DBS without production of your Holder Identification Number for Your DBS Shares;

(xi) represented and warranted to Photon that, unless you have notified it in accordance with Section 8.5(b), Your DBS Shares do not consist of several parcels of DBS Shares; and

(xii) agreed to exercise all such documents, transfers and assurances that may be necessary or desirable to convey Your DBS Shares and any Rights to Photon.

(b) If Your DBS Shares are in a CHESS Holding and you complete, sign and return the Transfer and Acceptance Form in accordance with Section 8.4(c)(ii)B (which you are not bound, but are requested, to do) you will be deemed to have irrevocably authorised Photon and any of its directors to:

(i) instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your DBS Shares which are in a CHESS Holding, in accordance with Rule 14.14 of the ASTC Settlement Rules if you have not already done so; and

(ii) give any other instructions in relation to Your DBS Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

8.7 Dividends and other entitlements

(a) Photon will be entitled to all Rights declared, paid, made, or which may arise or accrue at or after the Announcement Date in respect of DBS Shares which it acquires pursuant to this Offer.

(b) If any Rights are declared, paid, made or arise or accrue in cash after the Announcement Date to the holders of DBS Shares, Photon will (provided the same has not been paid to Photon) be entitled to reduce the consideration specified in Section 8.2 and payable by it to accepting holders of DBS Shares by an amount equal to the value of such Rights.

(c) If any non-cash Rights are issued or made or arise or accrue after the Announcement Date to the holders of DBS Shares then Photon will be entitled to reduce the consideration specified in Section 8.2 and payable by it to accepting holders of DBS Shares by an amount equal to the value (as reasonably assessed by the Chairman of ASX or his or her nominee) of such non-cash Rights.

8.8 Conditions

(a) Subject to paragraph (b), this Offer and the contract resulting from the acceptance of this Offer (and each other Offer and each contract resulting from the acceptance thereof) are subject to the following conditions:

(i) **50.1% Minimum acceptance condition**

At the end of the Offer Period, Photon has a relevant interest in more than 50.1% (by number) of DBS Shares.

(ii) **No regulatory actions**

Between the Announcement Date and the end of the Offer Period:

(A) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;

(B) no action or investigation is announced, commenced or threatened by any Public Authority; and

(C) no application is made to any Public Authority,

in consequence of, or in connection with, the Offer (other than an application to or a decision or order of ASIC or the Takeovers Panel for the purpose or in the exercise of the powers and discretions conferred on it by the Corporations Act), which restrains, prohibits or impedes or threatens to restrain, prohibit or impede or may otherwise materially adversely impact upon, the making of the Bid or which requires or purports to require the variation of the terms of the Offer or the completion of any transaction contemplated by the Bidder's Statement.

(iii) **No material adverse change**

Between the Announcement Date and the end of the Offer Period, no event, matter or thing occurs or information is disclosed by DBS concerning any event, matter or thing which will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profitability or prospects of DBS and its subsidiaries taken as a whole.

(iv) **No material acquisitions, disposals or new commitments**

Except for any proposed transaction publicly announced by DBS before the Announcement Date, none of the following events occur during the period from the Announcement Date to the end of the Offer Period:

(A) DBS or any subsidiary of DBS acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than $2 million or makes an announcement in relation to such an acquisition, offer or agreement;

(B) DBS or any subsidiary of DBS disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in DBS' statement of financial position as at 30 June 2006) is, in aggregate, greater than $2 million or makes an announcement in relation to such a disposition, offer or agreement;

(C) DBS or any subsidiary of DBS enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership or commitment which would require expenditure, or the foregoing of revenue, by DBS and/or its subsidiaries of an amount which is, in aggregate, more than $25 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;

(D) DBS or any subsidiary of DBS declares or pays any dividend or other distributions of profits or capital to any Shareholder; or

(E) DBS or any subsidiary of DBS resolves or announces an intention to do any of the things referred to in paragraphs (A) to (D) above.

(v) **Market change condition**

Before the end of the Offer Period, the S&P ASX 200 Index does not fall below 4,900.0 on any trading day.

(vi) **Change in control**

(A) After the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or any other instrument to which DBS or any subsidiary of DBS is a party, or by or to which DBS or any subsidiary of DBS or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of DBS or DBS and its subsidiaries taken as a whole, in:

1 any moneys borrowed by DBS or any subsidiary of DBS being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;

2 any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;

3 the interest of DBS or any subsidiary of DBS in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or

4 the business of DBS or any subsidiary of DBS with any other person being adversely affected,

as a result of the acquisition of DBS Shares by Photon.

(B) After the Announcement Date and before the end of Offer Period, DBS receives from each person who is entitled to exercise any right under any provision of any material agreement to which DBS or any subsidiary of DBS is a party that entitles the person to terminate or modify the agreement as a result of the acquisition of DBS Shares by Photon, an irrevocable and unconditional waiver or release of that right in writing and provides Photon with a copy of that written waiver or release.

(vii) **Equal access to information**

At all times during the period from the Announcement Date to the end of the Offer Period, DBS promptly (and in any event within two business days) provides to Photon a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to DBS or any subsidiary of DBS or any of their respective businesses or operations that has been provided by DBS or any subsidiary of DBS or any of their respective officers, employees, advisers or agents to any person (other than Photon) for the purpose of soliciting, encouraging or facilitating a proposal or offer by that person, or by any other person, in relation to a transaction under which:

(A) any person (together with its associates) may acquire voting power of 10% or more in DBS or any subsidiary of DBS (whether by way of takeover bid, compromise or arrangement under Part 5.1 of the Corporations Act, or otherwise);

(B) any person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure or otherwise), any interest in all or a substantial part of the business or assets of DBS or of any subsidiary of DBS; or

(C) that person may otherwise acquire control of or merge or amalgamate with DBS or any subsidiary of DBS.

(viii) **No prescribed occurrences**

None of the following events happen before the end of the Offer Period:

(A) DBS converting all or any of its shares into a larger or smaller number of shares under section 254H of the Corporations Act;

(B) DBS or a subsidiary of DBS resolving to reduce its share capital in any way;

(C) DBS or a subsidiary of DBS entering into a buyback agreement or resolving to approve the terms of a buyback agreement under sections 257C(1) or 257D(1) of the Corporations Act;

(D) DBS or a subsidiary of DBS making an issue of its shares or granting an option over its shares or agreeing to make such an issue or grant such an option;

(E) DBS or a subsidiary of DBS issuing, or agreeing to issue, convertible notes;

(F) DBS or a subsidiary of DBS disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;

(G) DBS or a subsidiary of DBS charging, or agreeing to charge, the whole, or a substantial part, of its business or property;

(H) DBS or a subsidiary of DBS resolving that it be wound up;

(I) the appointment of a liquidator or provisional liquidator of DBS or of a subsidiary of DBS;

(J) the making of an order by a court for the winding up of DBS or of a subsidiary of DBS;

(K) an administrator of DBS or of a subsidiary of DBS being appointed under section 436A, 436B or 436C of the Corporations Act;

(L) DBS or a subsidiary of DBS executing a deed of company arrangement; or

(M) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of DBS or of a subsidiary of DBS.

(b) The conditions in paragraph (a) are conditions subsequent. The non-fulfilment of any condition subsequent does not prevent a contract to sell Your DBS Shares resulting from your acceptance of this Offer, but entitles Photon by written notice to you, to rescind the contract resulting from your acceptance of this Offer.

(c) Subject to the provisions of the Corporations Act, Photon alone has the benefit of the conditions in paragraph (a) and any breach or non-fulfilment of any such conditions may be relied on only by Photon.

(d) The date specified for the giving of the notice referred to in section 630(3) of the Corporations Act is 19 February 2007, subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended in accordance with the Corporations Act.

(e) If at the end of the Offer Period in respect of the conditions specified in paragraph (a):

(i) Photon has not declared this Offer and all other Offers made by Photon under the Bid and all contracts resulting from the acceptance of Offers to be free from the conditions; and

(ii) the conditions have not been fulfilled,

then all contracts resulting from the acceptance of Offers and all Offers that have been accepted and from whose acceptance binding contracts have not yet resulted are void. In that event Photon will, if you have accepted this Offer:

(i) return at your risk your Transfer and Acceptance Form together with all documents forwarded by you with that form to your address as shown in the Transfer and Acceptance Form; or

(ii) if Your DBS Shares are in a CHESS Holding notify ASTC under the ASTC Settlement Rules that the contract resulting from your acceptance of the Offer is avoided.

8.9 Obligations of Photon

(a) Subject to this Section 8.9 and the Corporations Act, Photon will provide the consideration for Your DBS Shares by the end of whichever of the following periods ends earliest:

(i) one month after the Offer is accepted or, if the Offer is subject to a defeating condition when accepted, within one month after the Offer becomes unconditional; and

(ii) 21 days after the end of the Offer Period.

Under no circumstances will interest be paid on the consideration for Your DBS Shares under this Offer, regardless of any delay in making payment or any extension of this Offer.

(b) Where the Transfer and Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney):

(i) if that document is given with your acceptance, Photon will provide the consideration in accordance with paragraph (a);

(ii) if that document is given after acceptance and before the end of the Offer Period while the Offer is subject to a defeating condition, Photon will provide the consideration by the end of whichever of the following periods ends earlier:

(A) one month after the Offer becomes unconditional; or

(B) 21 days after the end of the Offer Period;

(iii) if the document is given after acceptance and before the end of the Offer Period while the Offer is not subject to a defeating condition, Photon will provide the consideration by the end of whichever of the following periods ends earlier:

(A) one month after the document is given; or

(B) 21 days after the end of the Offer Period; or

(iv) if that document is given after the end of the Offer Period, Photon will provide the consideration within 21 days after that document is given.

(c) If, at the time of acceptance of this Offer, any authority or clearance of the Reserve Bank of Australia or of the Australian Taxation Office is required for you to receive any consideration under this Offer or you are a resident in or a resident of a place to which, or you are a person to whom:

(i) the *Banking (Foreign Exchange) Regulations 1959* (Cth);

(ii) the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth);

(iii) the *Iraq (Reconstruction and Repeal of Sanctions) Regulation 2003* (Cth); or

(iv) any law of Australia that would make it unlawful for Photon to provide the consideration payable under the Offers,

applies then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite authorities or clearances have been obtained by Photon. Please refer to Section 7.8 of this Bidder's Statement for information as to whether this restriction applies to you.

8.10 Withdrawal

(a) Photon may withdraw this Offer at any time with the written consent of ASIC which consent may be given subject to such conditions (if any) as are specified in the consent. Notice of any withdrawal will be given to ASX, DBS and to each person to whom an Offer under the Bid has been made.

(b) If Photon withdraws this Offer, any contract resulting from its acceptance will automatically be void.

8.11 Variation

Photon may at any time, and from time to time, vary this Offer in accordance with the Corporations Act.

8.12 Costs, Taxes and GST

All costs and expenses of the preparation of the Bidder's Statement and of the preparation and circulation of this Offer will be paid by Photon. No GST is payable as a consequence of the Offer.

8.13 Notices

(a) Any notices to be given by Photon to DBS under the Bid may be given to DBS by leaving them at, or sending them by prepaid ordinary post to, the registered office of DBS or by sending them by facsimile transmission to DBS at its registered office.

(b) Any notices to be given to Photon by you or by DBS under the Bid may be given to Photon by leaving them at, or sending them by prepaid ordinary post to, Photon at one of the addresses referred to in Section 8.4(b).

(c) Any notices to be given by Photon to you under the Bid may be given to you by leaving them at, or sending them by prepaid ordinary post or if your address is outside Australia, by airmail, to your address as shown in the Register.

8.14 Governing Law

This Offer and any contract that results from your acceptance of this Offer is governed by the laws in force in New South Wales.

9 Glossary and interpretation

9.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

ANZ has the meaning given in Section 4.2.

Announcement means the announcement made by Photon in relation to the offer on Announcement Date.

Announcement Date means 11 December 2006.

Associate has the meaning given in section 12 of the Corporations Act.

ASIC means the Australian Securities & Investments Commission.

ASTC means the Australian Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

ASTC Settlement Rules means the operating rules of the settlement facility provided by ASTC.

ASX means the Australian Securities Exchange Limited ABN 98 008 624 691 and includes the market operated by ASX.

Bid means the Offer to acquire all of the DBS Shares, on the terms set out in this Bidder's Statement.

Bid Period means the period between the date on which this Bidder's Statement was provided to DBS and the end of the Offer Period (both inclusive).

Bidder's Statement means the bidder's statement served on DBS in relation to Photon's off-market bid to acquire all DBS Shares.

CGT Discount has the meaning given in Section 6.4.

CHESS means the Clearing House Electronic Subregister System, which provides for the electronic transfer, settlement and registration of securities in Australia.

CHESS Holding means a holding of DBS Shares on the CHESS subregister of DBS.

Controlling Participant has the meaning given in the ASTC Settlement Rules.

Corporations Act means the Corporations Act 2001 (Cth) and any regulations made under that Act.

DBS or **Company** means Dark Blue Sea Limited ABN 47 091 509 796.

DBS Board means the board of directors of DBS.

DBS Options means the 4,157,000 options over unissued DBS Shares on issue under the ESOP at the date of this Bidder's Statement.

DBS Shares means the fully paid ordinary shares on issue in DBS.

DBS 2006 Annual Report means the DBS Annual Financial Report for the financial year ending 30 June 2006 lodged with ASX on 28 September 2006.

Entitlement Share has the meaning given in Section 8.5.

ESOP has the meaning given in Section 7.2.

Facility has the meaning given in Section 4.2.

Facility Agreement has the meaning given in Section 4.2.

Facility Documentation has the meaning given in Section 4.2.

GST means the goods and services tax imposed under A New Tax System (Goods and Services Tax) Act 1999 (Cth) and the related imposition acts of the Commonwealth of Australia.

Holder Identification Number means the number used to identify a DBS Shareholder on the CHESS subregister of DBS.

Issuer Sponsored Holding has the meaning given in the ASTC Settlement Rules.

Listing Rules means the listing rules of ASX as amended or varied from time to time.

Offer means the offer in Section 8 of the Bidder's Statement and Offers means the several like offers which together constitute the Bid.

Offer Period means the period during which Offers will remain open for acceptance in accordance with Section 8.3.

Option Notice has the meaning given in Section 7.2.

Photon means Photon Group Limited ABN 97 091 524 515.

Photon Group means Photon and its related bodies corporate.

Public Authority means any government or any governmental, semi-governmental, statutory or judicial entity or authority, whether in Australia or elsewhere. It also includes any self-regulatory organisation established under statute and any stock exchange.

Register Date means the date to be specified by Photon by notice to DBS under section 633(2) of the Corporations Act, which must be on or after the date on which Photon gives the Bidder's Statement, or separate written notice, to DBS and on or before the date on which the first Offer is made to the DBS Shareholders.

Register means the register of Shareholders maintained by DBS in accordance with the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from or in respect of the DBS Shares whether directly or indirectly including without limitation all rights to receive dividends (and any attaching franking credit), to subscribe for shares, units, notes, options or other securities and all other distributions or entitlements declared, paid, made or issued by DBS after the Announcement Date.

Securityholder Reference Number means the number allocated by DBS to identify a shareholder on its issuer sponsored subregister.

Shareholder means a person who is registered as the holder of DBS Shares in the Register.

Takeover Transferee Holding means the CHESS Holding to which DBS Shares are to be transferred pursuant to acceptances of the Offer.

Tax Laws has the meaning given in Section 6.1.

Term Sheet has the meaning given in Section 4.2.

Transfer and Acceptance Form means the form of acceptance of the Offer enclosed with this Offer and the Bidder's Statement.

Your DBS Shares means the DBS Shares in respect of which you are registered as holder in the Register on the Register Date and any other DBS Shares of which you are registered or entitled to be registered as the holder in the Register from the Register Date to the end of the Offer Period, and to which you are able to give good title at the time you accept the Offer during the Offer Period.

9.2 Interpretation

(a) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules of ASX or the ASTC Settlement Rules have that meaning in this Offer and in the Transfer and Acceptance Form unless that meaning is inconsistent with the context in which the word or phrase is used.

(b) Headings are for convenience only and do not affect the interpretation of this Bidder's Statement.

(c) The singular includes the plural and vice versa and words importing any gender includes the other gender, and references to persons include corporations.

(d) References to Sections are to sections of the Bidder's Statement.

(e) References to paragraphs are references to paragraphs within the Section of this Bidder's Statement in which the reference to the paragraph is made.

(f) References to time are references to the time in Sydney, Australia on the relevant date, unless stated otherwise.

(g) References to "dollars", "$" or "cents" are to Australian currency.

Dated: 11 January 2007

Corporate Directory

Photon Group Limited
Level 9
155 George Street
Sydney NSW 2000

Legal advisers to Photon Group Limited

Gilbert + Tobin
Level 37
2 Park Street
Sydney NSW 2000

Share registrar for Photon Group Limited

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Shareholder Information Line:

1300 301 216 (toll free for calls made from within Australia) or
+61 3 9415 4607 (for calls made from outside Australia)

[redacted]