



October 13 2004

Company Announcements Office  
Australian Stock Exchange Limited  
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SYDNEY, NSW 2000

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### **Heads of Agreement to acquire 100% of Novacoat Business ("Novacoat")**

The Board of mBox.com Limited ("MBX") is pleased to announce that MBX has executed a conditional Heads of Agreement ("HOA") with Fero Industries Pty Ltd ("Fero") in regard to the acquisition of the Business and nominated assets of Fero Industries' blasting and protective coating business in Kwinana, currently trading as Novacoat ("Novacoat").

Novacoat is a leading supplier of anti-corrosion treatment services to the mining, oil & gas, marine, construction and engineering industries. The services supplied by Novacoat include abrasive blasting, painting, rubber lining and some site based maintenance services.

With the surge in demand in the resources sector in Australia and the corresponding investment in infrastructure across West Australia and around the country, Novacoat is ideally positioned to capitalise on work that will result the significant investment in new resource and infrastructure projects over the coming three to five years.

Novacoat has recently added to its Executive Management team to ensure the business is positioned to win larger maintenance contracts with a key focus on site based services. This focus and the surge in the resources sector should see solid growth in revenues and emerging opportunities for potential acquisitions.

It is proposed that Novacoat will be acquired by a newly created MBX wholly owned subsidiary (called Novacoat Holdings Limited). Novacoat Holdings Limited ("NHL") has been formed as part of the strategy associated with the acquisition by MBX of Virtualplus Limited ("VPL"). The VPL transaction is outlined in detail in an announcement also released today to the ASX.

The initial Board of Directors of NHL will mirror that of the existing MBX Board but will be reconstituted once the transaction is approved by MBX shareholders to reflect the change of industry for the new entity.

The proposed transaction is subject to conditions including shareholder approval, due diligence and regulatory approval.

Should all the conditions be met, MBX will circulate a Notice of Meeting, Explanatory Memorandum and an Independents Experts Report and shareholders will be asked to vote on the Novacoat acquisition at the MBX Annual General Meeting to be held on 30 November 2004. The acquisition of VPL will also be put to shareholders at this meeting.

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## TRANSACTION HIGHLIGHTS

As an unlisted public company, NHL will need to comply with the quotation and admission requirements contained in Chapters 1 and 2 of the ASX Listing Rules in order to complete the acquisition of Novacoat by achieving ASX quotation of the NHL shares.

Key transaction highlights are:

- NHL will acquire the business and assets of Novacoat for a total amount of A\$2.7 million satisfied by the issue of 9,000,000 new shares in NHL at an issue price of A\$0.30. NHL will have 6,476,762 shares prior to the acquisition. These shares will be subscribed for by MBX for a total cost of \$1,400,000. Following their issue, and on receipt of shareholder approval, there will be an in specie distribution to MBX shareholders of these 6,476,762 shares. NHL will have only one asset pre-acquisition, namely A\$1.4m in cash.
- Richard (Dick) Wright, Geoff Gander and Robert Franco will form the Board of NHL once the transaction has been approved at the AGM. Existing MBX directors Paul Price and Tony Ammendola will resign following the MBX AGM.
- NHL will issue a Prospectus to complete a Capital Raising of a minimum of A\$600,000 via the proposed underwritten issue of 2,000,000 shares in NHL at an issue price of A\$0.30. It is expected that the Prospectus will be issued in early December 2004.
- The Company will be required to comply with the ASX Listing Rules if the proposed resolutions are approved by shareholders at the forthcoming Annual General Meeting to be held on 30 November 2004.
- Following shareholder approval at the Annual General Meeting, NHL will apply for listing on the ASX and comply with the ASX Listing Rules. It is expected that NHL will list on the ASX.

## TRANSACTION RATIONALE

- MBX was floated on the ASX in March 2000, with the original business model focused on the sale of web based advertising space. Subsequently, the business model evolved to become a subscriber fee based ASP carrier grade unified messaging service provider.
- MBX has been operating at a loss for the past 4 years.
- The MBX Directors have been concerned about the continued viability of the business model of MBX despite cost cutting and a recent increase in the cost of subscriptions. As a result Directors have been looking at opportunities to acquire similar businesses that when combined with the MBX business offered a broader subscriber base, broader geographic spread and the opportunity for the Company to become a global player in the Unified Messaging and SMS market space. The directors of the Company believe that the acquisition of VPL will provide this opportunity.
- As it is expected that the combined MBX/VPL entity will be profitable from the outset, it was decided that some of MBX's A\$2.8m cash reserves would deliver more shareholder value by being set aside for an alternative transaction.
- NHL was formed to facilitate this with its sole asset being cash reserves of A\$1.4m.
- The acquisition of Novacoat by NHL represented an excellent opportunity for MBX shareholders to get exposure to the rapidly expanding resource sector in Australia via the purchase of an established, well respected services organisation with a

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dynamic Management Team made up of a group with long standing and proven industry experience and success.

Specifically:

- The acquisition of Novacoat provides MBX shareholders with the opportunity to participate in what is expected by all industry analysts to be a period of substantial growth in infrastructure projects, particularly in the Australian Mining and Oil & Gas sectors.
- The Board considers that the next 10 years will see not only a major level of expenditure in new CAPEX projects but also further growth in demand for the ongoing maintenance of the plants currently being built.

#### **ANTICIPATED TIMETABLE**

The anticipated timetable for completion of the acquisition and the balance of the matters referred to above is set out below:

ASX announcement of Novacoat Transaction	13 October 2004
Completion of Independent Experts Report and Due Diligence	20 October 2004
Sign Business Sale Agreement with Fero subject to Shareholder Approval at the MBX AGM	21 October 2004
Dispatch of Notice of Meeting seeking approval for Novacoat transaction	30 October 2004
Suspension of MBX's securities from trading on ASX at the opening of trading	30 November 2004
Annual General Meeting to seek approval of the Novacoat transaction	30 November 2004
Issue of a NHL Prospectus for the raising of a minimum of A\$600,000	2 December 2004
Opening of the Prospectus	9 December 2004
Closure of the Prospectus	17 January 2005
Listing of NHL on the ASX (subject to compliance with the ASX Listing Rules)	15 February 2005

#### **PROPOSED APPOINTMENT TO THE BOARD OF MBOX.COM LIMITED**

The Board of MBX is pleased to nominate Mr Richard (Dick) Wright for appointment to the NHL Board and approval for this appointment will be sought at the Annual General Meeting that is to be convened to approve the acquisition of Novacoat by NHL. It is proposed that upon conclusion of the meeting, Mr Tony Ammendola and Mr Paul Price will tend their resignation from the NHL Board.

Mr Richard (Dick) Wright – Mr Wright will serve as Non Executive Chairman of the new Board. Mr Wright has been involved with resource construction/maintenance companies for over 40 years. He is a Mechanical Engineer graduating from the University of New South Wales and has completed a postgraduate course in Business at the Hass Business School at the Berkeley Campus of the University of California. Dick's recent positions included the Executive Chairman of ADrail, who was responsible for the design and construction of the Alice Springs-Darwin rail project, and also the Managing Director of Flour Daniel Australia.

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In addition to the appointment of Dick Wright as Non Executive Chairman, NHL will also be seeking to appoint other leading industry specialists to strengthen the existing Novacoat Management team.

## **MATERIAL TERMS OF HEADS OF AGREEMENT**

MBX has signed a Conditional Heads of Agreement (HOA) for the acquisition of Novacoat. The material terms of the HOA are:

The purchase consideration of \$2,700,000 will be satisfied by the issue of 9,000,000 NHL shares issued at A\$0.30. The NHL shares issued to the shareholders of Fero will be held in escrow for either a mutually agreed time frame after settlement, or one determined by the ASX, but not exceeding 24 months.

The offer is subject to the following material conditions:

- I. MBX shareholders approving the investment of \$1.4 million in NHL.
- II. Approval of the Novacoat acquisition by MBX shareholders as required, by the Corporations Act and the ASX Listing Rules;
- III. MBX shareholders approving the in specie distribution of 6,476,762 shares held by MBX;
- IV. Acquisition is subject to compliance with the ASX Listing Rules;
- V. Completion to MBX's satisfaction of its detailed due diligence review of the Novacoat business;
- VI. All license agreements, brand names, assets and other intellectual property necessary to conduct/operate the Novacoat business or its subsidiaries remain with NHL for which no further consideration is payable;
- VII. No material adverse change to the Novacoat business' financial position or the book value of the business' NTA between the date of this offer and settlement;
- VIII. The assignment, if necessary, of any material or long term contracts held by Novacoat;
- IX. MBX commissioning and MBX shareholders receiving an independent experts report that the transaction is fair and reasonable for non-associated MBX shareholders;
- X. The receipt by MBX of the management accounts of Novacoat for the period ending 30/6/04;
- XI. Approval by the board of Fero Industries Pty Ltd to the sale of the Novacoat business by 19 October 2004; and
- XII. Any other relevant regulatory approvals in respect of the acquisition.

## **PROFIT & LOSS FOR PERIODS ENDING JUNE 30 2003 AND 2004**

An un-audited Profit & Loss for Novacoat for the 9 month period ending June 30 2003 and 12 month period ending June 30 2004 is provided in Annexure 1.

## **PROFORMA STATEMENT OF FINANCIAL POSITION**

A Proforma Statement of Financial Position of NHL following the completion of the successful listing of NHL is provided in Annexure 2.

## **PROFORMA CAPITAL STRUCTURE**

A Proforma Capital Structure of NHL is provided in Annexure 3.

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## **SUMMARY OF THE NOVACOAT BUSINESS**

A Summary of the Novacoat business is provided in Annexure 4.

Further detailed information will be provided to shareholders for the purpose of the Annual General Meeting of MBX shareholders to be held to approve any sale transaction.

If Shareholders have any queries please call MBX Executive Director Geoff Gander or MBX Company Secretary, Mr Andrew Meloncelli. Mr Gander can be reached on 0417 914 137 and Mr Meloncelli can be reached on (08) 9214 2540.

Yours faithfully,

Andrew Meloncelli  
**Company Secretary**

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## ANNEXURE 1

### NOVACOAT UN-AUDITED PROFIT AND LOSS 9 month period ending June 30 2003 and year ending June 30 2004

Line Item	Y/E June 30 2004 (\$Am)
Revenue	5,988,090
Cost of Sales	4,661,155
Gross Profit	1,326,935
Operating Expenses	571,702
<b>EBIT</b>	<b>755,233</b>

Period ending 30 June	Revenue (\$Am)	EBIT (\$Am)
2003 (9 months period ending)	3.48	0.44

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## ANNEXURE 2

### PRO-FORMA STATEMENT OF FINANCIAL POSITION

	Pre Acquisition Audited Proforma Consolidated 30 June 2004	Post Listing of NHL Proforma Consolidated
<b>Current Assets</b>		
Cash Assets	1,400,000	2,000,000
Receivables		0
WIP		300,000*
Stock		200,000*
<b>Total Current Assets</b>	1,400,000	2,500,000
<b>Non-Current Assets</b>		
Property, Plant and Equipment		1,600,000
Intangibles		630,000
<b>Total Non-Current Assets</b>		2,230,000
<b>Total Assets</b>	1,400,000	4,730,000
<b>Current Liabilities</b>		
Payables		0
Interest Bearing Liabilities		0
Provisions		30,000*
<b>Total Current Liabilities</b>		30,000
<b>Non Current Liabilities</b>		
<b>Total Non-Current Liabilities</b>		
<b>Total Liabilities</b>		30,000
<b>Net Assets</b>	1,400,000	<b>4,700,000</b>
<b>Equity Shareholders Equity</b>		
Contributed Equity	1,400,000	4,700,000
Accumulated Losses		
<b>Total Equity</b>	1,400,000	<b>4,700,000</b>

\* Estimated at time of Settlement

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## ANNEXURE 3

### PRO-FORMA CAPITAL STRUCTURE

<b>Shares *</b>	<b>Number</b>
Current	6,476,762
Acquisition of Novacoat	9,000,000
Total at Acquisition	15,476,762
Issue of new NHL shares @ \$0.30 to raise A\$600,000 (minimum)	2,000,000
<b>Total shares on issue at NHL listing</b>	<b>17,476,762</b>

\* Figures are based on a 1 for 10 consolidation of the existing 64,767,621 shares held by MBX shareholders as a result of an in specie distribution to create NHL. The figure also assumes that none of the existing unlisted options in MBX are exercised prior to the consolidation.

NHL will have no options on issue.

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## ANNEXURE 4

### SUMMARY INFORMATION ON NOVACOAT

Novacoat (formerly Novacoat Pty Ltd) was established in 1991 and became a division of a privately owned Western Australian company, Fero Industries Pty Ltd following its acquisition by that company in 2002.

The Novacoat business is located in the Kwinana industrial area and provides protective coating services predominantly to the mining, petroleum and refining industries. Since the change of ownership and significant corporate restructure effected by Fero Industries Pty Ltd in 2002, Novacoat has grown to one of the largest treatment service companies in Western Australia.

Novacoat has recently undergone significant facility upgrades and a reorganisation of its operations and is now producing strong profit levels. Novacoat's market position, coupled with the current activity in the resource industry, provides opportunities to improve turnover and profit by increasing the scope of services offered to its clients. The introduction of several key executives will assist the company in targeting new strategic opportunities.

Novacoat's success has been driven by Fero Industries Pty Ltd's investment in efficient and modern facilities, the maintenance of strong customer relations, and the provision of quality service. The Kwinana operations is recognised as one of the leading facilities in Western Australia with the capability of being able to apply a wide range of protective coatings to various different products and surfaces.

Contracts successfully performed by Novacoat to date include projects for BHP Billiton, Alcoa, Rio Tinto, Apache Energy, AGC Ltd, Monadelphous Ltd, Outokumpu, GRD Minproc, Ludowici, CSBP, B.P. Refinery and others.

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## ANNEXURE 5

### MBOX.COM LIMITED'S BACKGROUND

#### Introduction

MBX was listed on the ASX in March 2000 towards the end of a major downturn in the technology sector. As part of this process, an Initial Public Offering raised \$8 million from investors, many of whom continue to be shareholders of the Company.

The business model of MBX has been refined over the last 12 to 18 months to reflect the prevailing market conditions. The Company has been successfully focusing on reducing its operating costs.

There have been a number of changes to the Board of Directors over the last 12 months. Significantly, the appointment of experienced Information Technology executive Geoff Gander as Executive Director of MBX. Geoff has conducted a thorough review of the organisation with a focus on reducing costs and increasing revenue. Whilst the Company is now breaking even, the Board recognised the need to develop a broader business model and consequently has been seeking suitable acquisitions.

#### Results

The loss for the last financial year (2003/04) after income tax was \$590,909. This result was disappointing. This has resulted in a refocus on the MBX business model and subsequently a commitment to boost shareholder value by the proposed acquisition of VPL. As at 30 September 2004 cash at bank was \$2.8m which was in excess of that required by the combined MBX/VPL entity.

As a result, the MBX Board decided to create Novacoat Holdings Limited (NHL). NHL's only asset being A\$1.4m in cash. The NHL Board believes that the acquisition of Novacoat, the in specie distribution of its existing shares on issue, and the subsequent proposed listing of NHL on the ASX will give MBX shareholders excellent exposure to the expanding mining and resources sector and drive shareholder value.

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