

Chairman's Address to AGM 2006

You will be aware after reading your Sirius annual report that your company made a bottom line net loss of \$1.5m for the 2005/06 financial year and this compares to a loss of \$4.7m the previous year. Revenue for 2005/06 was \$16.1m compared to \$23.2m the previous year.

One year ago, at the time of the 2005 AGM, some major contracts had been lost and a decision by the previous Board to increase the size of the company's sales team in an effort to make up the revenue shortfall was not bearing fruit. Cash at Bank was declining rapidly and by January 2006 the company was in a precarious financial position.

A newly constituted Board took office in late February 2006 and the Directors were immediately faced with the responsibility of signing off the Sirius Half-year Financial Return and the Directors Declaration stating that the company could pay its debts as they fell due.

After an urgent and intensive review of the company's position the Board decided that by cutting absolutely all possible costs, reducing the size of the Board, eliminating all executive management except myself as Executive Chairman and Frank Licciardello as CFO/COO, and by selling SCS within a few months, we would get the company through, ready for rebuilding in the 2006/7 financial year. Every division of the company would be reviewed without exception, and every cost would be questioned.

Our Auditors at that time were insistent that the Directors place a "matter of emphasis" note in the Half Year Report pointing out the risk to the company as a going concern if the new Board was not successful in turning the company around. Although it was the right thing to do as required by company law, the warning caused considerable concern to clients, staff, suppliers, shareholders, and was almost self-fulfilling. I'm delighted to report that all of this concern has now passed and you will observe that no such notes are recommended by our auditors in the 2005/6 full year report. The Board views this as an outstanding result.

We worked through the SCS Sale process with an initial five interested parties that soon reduced to two. Eventually, in June 2006 a sale was agreed in principle and in August 2006 the financial pressure began to ease. Shareholders should be aware of the outstanding performance of Frank Licciardello who managed our precious cash reserves with little room for error through the period. Staff payroll and other vital payment commitments were always met. Following Frank's exceptional management under great pressure in operationally saving the company, the Board had no hesitation in promoting him to the position of CEO in August. We look forward to the beneficial effects on the company of Frank's enormous energy and talent.

I wish to express my gratitude to Arthur Lagos and Roger Moore for their courage in taking on the heavy responsibility of Directors at a time when other potential directors had been interviewed and of those selected, all had walked away when shown the financial position of the Company.

It's a great pleasure to report that the inflow of cash from the successful SCS sale, plus the improved operating financial management of the company, has meant that the severe liquidity position of Sirius has been overcome. Sirius has benefited from the restructure completed in 2005/06 and is focussed on achieving improving profitability in 2006/07. The company is free of any bank debt with an exceptionally clean Balance Sheet and Sirius is now on the lookout for an acquisition that will provide the growth and profitability that we need going ahead.

Sirius's Phoneware division continues to be accepted by the market as a leader in the provision of call accounting software with an estimated market share of 40%. Sirius is also launching the business higher up the value chain through its partnership with Tangoe Inc, a USA based global leader in TEM (Telecom Expense Management) software solutions. This places the Phoneware business in a much larger market segment, a market that it already operates within at call accounting level.

I confirm that the financial danger has passed but the next six months are crucial to the prosperity of the company. The existing Sirius business divisions have strong and growing potential, but they will not on their own provide sufficient revenue for Sirius as a Public Company. The Board is challenged with achieving the big picture plan that it has set for the company, a path to generating sufficient revenue and profits to produce real shareholder value and dividends as soon as possible.

The Board, in deciding the way ahead, has stepped back and taken a completely fresh look at what is best for the shareholders. Should we stay exclusively in IT&T or should we diversify into a safer, easier, industry with stronger margins? What are the current business cycles, what is the future of the economy, Australia's position compared to the emergence of China and India? If we stay in IT&T, what is the chance of industry rationalization to achieve economies of scale, what is the life of our technologies and what are the likely new technologies and services to be adopted by business?

On reflection it was obvious that we have a clear edge in IT&T. Although Sirius has been an unsatisfactory investment to date for the original shareholders, of the 100 or so technology companies that listed on the ASX in the Tech boom of 2000, Sirius is one of only a handful that survive today. Sirius has considerable industry knowledge, expertise and industry contacts. Sirius and Phoneware have a reputation for integrity.

The Telco and associated industries are coming alive again after five years of recession. The share prices of Australia's established IT companies have increased significantly; there is strong and growing interest in the sector both in Australia and Internationally. Corporations are spending more and more on their IT networks after spending very little for five years after Y2K. Our first priority must be IT&T but if we cannot identify the right opportunities in that sector, we must be prepared to look at other industries.

The Board has appointed a merger and acquisition consultancy firm to assist the Board to produce and implement a professional and clearly defined acquisition template and plan, focused purely on increasing shareholder value as quickly as possible. The template and acquisition plan is complete and is being used now to sort through a large number of potential acquisitions. Every business plan has risk and most business's looked at so far have not met our demanding criteria. We will

continue to be very discerning and will not make a move until we are convinced that the potential business is the right choice to give Sirius a strong core growth and profit engine for the future. The Board is fully aware of the challenge ahead and the urgency to get the business plan in place. We will keep you informed of our progress.

The previous Chairman, David Abraham, Independent Director Graeme Ward, and Executive Director Tracy Currie retired in February 2006 and I would like to thank each of them for their five years of service to the public company. Our SCS staff have been an important part of Sirius for over five years and I thank them for their contribution and wish them well. We are very fortunate today to have a team of high achieving core staff at Sirius who have worked with great courage and a “can do” attitude to get us through this extremely difficult time. I would like shareholders to be aware of their outstanding performance. We have a very loyal committed team at Phoneware. Our go-forward business plan is highly achievable because of the calibre of our people.

To sum up:

The company is out of financial danger

The SCS sale is complete and final payment is expected by months end

The company has been operationally profitable since June 1st

Cash at Bank is improving and the Balance Sheet getting stronger

Morale is improving daily

Phoneware is now in a larger revenue market with much greater potential

The acquisition template and Plan for the future is being put into effect

I seek your strong support for the resolutions before you to enable us as a team to complete the “in progress” strategic plan for the company and its shareholders.

Roger Mason