

LICENCE AGREEMENT

PARTIES: SELECT DESIGN TECHNOLOGIES LIMITED (ABN 50 087 910 996) ("SDTL")

Address: C/- Level 25, Chifley Tower,
2 Chifley Square, Sydney NSW 2000 AUSTRALIA

AND INTERNATIONAL INNOVATIONS LIMITED (ABN 36 107 014 675) ("IIL")

Address: Suite 1203, Quay Grand, 61 Macquarie Street
SYDNEY, NSW 2000, AUSTRALIA

INTRODUCTION

- A. SDTL and IIL have agreed to cooperatively design and develop SMARTMATIC™ transmission for automotive applications, referred hereinafter as "Projects".
- B. IIL has agreed to develop QISS gear actuation system that may be used by "Project(s)".
- C. IIL and SDTL have agreed to build prototype transmission(s) using either QISS and / or SMARTMATIC gear actuation systems at shared 50/50 costs.
- D. SDTL and IIL agreed that both parties undertake marketing of "Project(s)" transmission technology.
- E. SDTL is prepared to grant Smartmatic licence to the IIL on the following terms and conditions.
- F. IIL is prepared to grant QISS licence to the SDTL on the following terms and conditions.

OPERATIVE PROVISIONS

- 1. **Acknowledgement**
 - (a) IIL acknowledges that SDTL has invested considerable time, effort and money in developing Smartmatic™ Intellectual Property and Confidential Information and the restrictions and limitations imposed on IIL by this Agreement are reasonable in order to protect that investment.
 - (b) SDTL acknowledges that IIL has invested considerable time, effort and money in developing QISS Intellectual Property and Confidential Information and the restrictions and limitations imposed on SDTL by this Agreement are reasonable in order to protect that investment.
- 2. **Nature of Licence**
- 2.1 SDTL grants to IIL a non-transferable SMARTMATIC licence to use SDTL Patents for the sole purpose of constructing, testing and installing prototype automotive transmissions in the prototype vehicles for the sole purpose of marketing.
- 2.2 IIL grants to SDTL a non-transferable QISS licence to use IIL Patents for the sole purpose of constructing, testing and installing prototype automotive transmissions in the prototype vehicles for the sole purpose of marketing.
- 3. **Royalties**
- 3.1 Revenues from sales of the "SMARTMATIC" or "SMARTMATIC/QISS" transmission, reduced by direct costs are shared on 50/50% basis.
Direct costs include cost for engineering design, building prototypes, equipping vehicles, control systems, testing and cost associated with direct marketing activities.

- 4. **Confidentiality**
- 4.1 IIL and SDTL must hold Confidential Information in strict confidence and make proper and effective security arrangements to protect and preserve its confidential nature and secrecy.
- 4.2 Either entity may only use Confidential Information in connection with "Project(s)".
- 4.3 Confidential Information may only be disclosed:
 - (1) on a need-to-know basis to persons involved with "Project(s)".
 - (2) to persons who are aware of, and who agree to uphold, confidentiality obligations set out in this Agreement; and
 - (3) if required by law to do so.
- 5. **Technical Support**
- 5.1 SDTL and IIL in general and the inventor of "SMARTMATIC" Mr Boris Klaricic and the inventor of QISS Mr Franz Jegel will give all possible support and will closely be involved and work on "Project(s)".
- 6. **Ownership of Prototype(s)**
SDTL and IIL are joint owners of prototypes on 50/50% basis.
- 7. **Nature of Relationship**
The relationship between SDTL and the IIL will be that of independent contracting parties and no partnership, joint venture, agency, trust, fiduciary or other relationship will exist.
- 8. **Publicity and Marketing**
- 8.1 SDTL and IIL shall have equal rights to refer to "Project(s)" and use images of the prototype, for own publicity and marketing purposes.
- 8.2 SDTL and IIL must adequately acknowledge contribution by either party to "Project(s)" in any of its publicity and marketing.
- 9. **Enhancements**
- 9.1 New Intellectual Property which is in any way connected to or derived from SDTL or IIL Intellectual Property, which are developed during prototyping are SDTL and IIL joint property and either entity is entitled to the use of such enhancements and new Intellectual Property and share 50/50 any revenue..
- 10. **Assignment**
SDTL and IIL must not assign, transfer, sub-licence or otherwise deal with its rights pursuant to this Agreement without SDTL's, IIL's prior written consent.
- 11. **Continuing Rights**
- 11.1 The rights conferred on either party granted by this agreement will continue regardless of insolvency of either party. Insolvency includes receivership, liquidation, entering into administration, a deed of company administration or any other agreement with creditors.
- 12. **Further Assurance**
Each party must promptly at its own cost do all things (including executing all documents) necessary or desirable to give full effect to this Agreement.
- 13. **Severability**
If anything in this Agreement is unenforceable, illegal or void then it is severed and the rest of this Agreement remains in force.
- 14. **Entire Understanding**
- 14.1 This Agreement:
 - (1) is the entire agreement and understanding between the parties on everything connected with the subject matter of this Agreement; and
 - (2) supersedes any prior agreement or understanding on anything connected with that subject matter.
- 14.2 Each party has entered into this Agreement without relying on any representation by any other party or any person purporting to represent that party.

- 15. **Variation**
An amendment or variation to this Agreement is not effective unless it is in writing and signed by the parties.
- 16. **Governing Law and Jurisdiction**
The law of Sydney / Australia governs this Agreement. The parties submit to the non-exclusive jurisdiction of the courts of New South Wales and the Federal Court of Australia.

EXECUTED as an Agreement Friday 17th February 2006

EXECUTED by SELECT DESIGN TECHNOLOGIES LIMITED (ABN 50 087 910 996) in accordance with section 127 of the Corporations Act 2001:

Signed by and on behalf of SDTL:
DAVID FRANCIS DIAMOND
Executive Chairman / Director of SDTL

EXECUTED by INTERNATIONAL INNOVATIONS LIMITED (ABN 36 107 014 675) in accordance with section 127 of the Corporations Act 2001:

Signed by and on behalf of IIL:
STEPHEN MICHAEL HARGREAVES
Executive Chairman / Director of IIL

SCHEDULE

SDTL Patents / Applications

- 1. Australian Patent No.714,241, Constant mash transmission;
- 2. U.S. Patent No. 6,092,432; Constant mash transmission;
- 3. Canadian Patent Application No.2,269,515, Constant mash transmission;
- 4. Australian Patent No. 2002213667, Cone Selector;
- 5. EU Pat Application No. 01981966.3, Cone Selector;
- 6. US Pat Application No. 10/312,254, Cone Selector;
- 7. JP Pat Application No. 539,699/2002, Cone Selector;
- 8. China Patent Application No. 01821221.2, Cone Selector;
- 9. Argentina Patent Application No. P010105167, Cone Selector;
- 10. Malaysia Patent Application No. PI20015070, Cone Selector;
- 11. Thailand Patent Application No. 069460, Cone Selector;
- 12. US Patent Application No. 10/415,824, Hydraulic spring;
- 13. Australian Patent No. 2002213665, Hydraulic spring;
- 14. Australian Patent No. 2002213666, Drum selector;
- 15. AU Div Patent Application No. 200424415, Launch device;

IIL Patents / Applications

- 1. PCT Patent Application PCT/EP2004/005815