

**AQUAINT CAPITAL HOLDINGS LIMITED  
(TO BE RENAMED "SCHROLE GROUP LTD") (SUBJECT TO DEED  
OF COMPANY ARRANGEMENT)  
ACN 164 440 859**

**NOTICE OF ANNUAL GENERAL MEETING**

**The Annual General Meeting of the Company will be held at  
108 Outram Street, West Perth, Western Australia on  
Wednesday, 13 September 2017 at 10.20am (WST).**

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company.

If Shareholders do not approve the DOCA Proposal, then the Deed Administrators will, in absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to the creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to shareholders. See Section 6.1 for more details in regards to any potential return for Shareholders.

*The Independent Expert has determined that the Acquisition outlined in this Notice of Annual General Meeting is fair and reasonable to the non-associated Shareholders.*

*The Notice of Annual General Meeting and accompanying Independent Expert's Report should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*The Administrators (including in their capacity as Deed Administrators) have not independently verified any of the information contained in this Notice. The Administrators and their servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this Notice. To the extent permissible by law, all such parties and entities expressly disclaim any and all liability for, or based on or relating to, any such information contained in, or errors in or omissions from this Notice and accompanying Explanatory Statement. Notwithstanding this, the Administrators' consent to convening the Meeting and the issue and dispatch of this Notice and accompanying Explanatory Statement.*

*Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9486 7244.*

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

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# AQUAINT CAPITAL HOLDINGS LIMITED (TO BE RENAMED "SCHROLE GROUP LTD") (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 164 440 859

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2016 annual general meeting of Shareholders of Aquaint Capital Holdings Limited (to be renamed "Schrole Group Ltd") (Subject to Deed of Company Arrangement) (**Company**) will be held at 108 Outram Street, West Perth, Western Australia on Wednesday, 13 September 2017 at 10.20am (WST) (**Meeting**).

The Explanatory Memorandum provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of the Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on Monday, 11 September 2017 at 10.20am (WST).

Terms and abbreviations used in the Notice are defined in Schedule 1.

## AGENDA

### ORDINARY BUSINESS

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#### 1. Annual Report

To consider the Annual Report of the Company and its controlled entities for the financial year ended 31 December 2016 which includes the Financial Report, the Directors' Report and the Auditor's Report.

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#### 2. Resolution 1 - Remuneration Report

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

##### Voting Exclusion

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or

- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chair to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

## **SPECIAL BUSINESS**

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### **3. Resolution 2 - Consolidation of capital**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 60 Shares be consolidated into 1 Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be) in accordance with the timetable in the Explanatory Memorandum."*

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### **4. Resolution 3 - Approval to change in nature and scale of activities**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the nature and scale of the Company's activities resulting from the Acquisition and the Capital Raising, on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 5. Resolution 4 - Approval of creation of a new class of securities: Performance Shares

To consider and, if thought fit, to pass with or without amendment, as a **special resolution** the following:

*"That, subject to each of the other Acquisition Resolutions being passed, for the purpose of rule 21.6(a) of the Constitution, section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Memorandum."*

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## 6. Resolution 5 - Approval to issue Enerly Securities and Loan Shares - Related Party

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the issue (on a post-Consolidation basis) of up to:*

- (a) 70,363,529 Consideration Shares;
- (b) 2,975,312 Schrole Options;
- (c) 280,000,000 Performance Shares; and
- (d) 8,000,000 Loan Shares,

*(together, the **Enerly Securities**) to Enerly (or its nominee) on the terms and conditions set out in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by Enerly (and its nominee) and any of its associates.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides unless the Chair themselves is excluded from voting.

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## 7. Resolution 6 - Approval to issue Consideration Shares and Schrole Options - Unrelated Vendors

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue (on a post-Consolidation basis) of up to:*

- (a) 79,636,471 Consideration Shares; and
- (b) 94,024,688 Schrole Options,

*to the Unrelated Vendors (or their nominees) on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Unrelated Vendors (and their nominees) and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 8. Resolution 7 - Approval to issue Performance Shares - Unrelated Majority Vendors

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 10,000,000 Performance Shares (on a post-Consolidation basis) to the Unrelated Majority Vendors (or their nominees) on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Unrelated Majority Vendors (and their nominees) and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 9. Resolution 8 - Approval to issue Capital Raising Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 300,000,000 Shares (on a post-Consolidation basis) (Capital Raising Shares) at \$0.02 each on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 10. Resolution 9 - Approval to issue Facilitator Securities

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue (on a post-Consolidation basis) of up to:*

*(a) 80,000,000 Shares; and*

*(b) 25,000,000 Options,*

*(together, the Facilitator Securities) to Xcel Capital (or its nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Xcel Capital (and its nominees) any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 11. Resolution 10 - Approval to issue Adviser Shares

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 15,000,000 Shares (on a post-Consolidation basis) to Alto Capital (or its nominees) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Alto Capital (and its nominees) any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 12. Resolution 11 - Approval to issue Adviser Options

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 50,000,000 Options (on a post-Consolidation basis) to Xcel Capital (or its nominee) on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Xcel Capital (and its nominee) any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### **13. Resolution 12 - Election of Director - Mr Robert Graham**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject each of the other Acquisition Resolutions being passed and Completion occurring, for the purpose of rule 3.4 of the Constitution and for all other purposes, Mr Robert Graham, who is eligible and has consented to act, be appointed as a Director of the Company on and from Completion."*

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### **14. Resolution 13 - Election of Director - Mr Shaun Hardcastle**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject each of the other Acquisition Resolutions being passed and Completion occurring, for the purpose of rule 3.4 of the Constitution and for all other purposes, Mr Shaun Hardcastle, who is eligible and has consented to act, be appointed as a Director of the Company on and from Completion."*

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### **15. Resolution 14 - Election of Director - Mr Stuart Carmichael**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject each of the other Acquisition Resolutions being passed and Completion occurring, for the purpose of rule 3.4 of the Constitution and for all other purposes, Mr Stuart Carmichael, who is eligible and has consented to act, be appointed as a Director of the Company on and from Completion."*

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### **16. Resolution 15 - Election of Director - Mr Craig Read-Smith**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject each of the other Acquisition Resolutions being passed and Completion occurring, for the purpose of rule 3.4 of the Constitution and for all other purposes, Mr Craig Read-Smith, who is eligible and has consented to act, be appointed as a Director of the Company on and from Completion."*

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### **17. Resolution 16 - Approval to issue Director Options**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of up to 14,000,000 Options (on a post-Consolidation basis) to the Non-Executive Directors (or their nominees) as follows:*

- (a) 6,000,000 Options to Mr Stuart Carmichael;



(b) 4,000,000 Options to Mr Shaun Hardcastle; and

(c) 4,000,000 Options to Mr Craig Read-Smith,

*(together the Director Options) on the terms and conditions set out in Schedule 6 and the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director (or their nominees) who is eligible to participate in the Scheme and any of their respective associates.

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **18. Resolution 17 - Approval of issue of Shares and Attaching Options upon conversion of Convertible Notes**

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 25,000,000 Shares and 25,000,000 Attaching Options (on a post-Consolidation basis) to the Schrole Noteholders (or their nominees) upon conversion of the Convertible Notes on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Schrole Noteholders (and their nominees) any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 19. Resolution 18 - Non-Executive Directors' Remuneration

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

*“That subject to each of the other Acquisition Resolutions being passed and for the purposes of rule 9.2 of the Constitution, Listing Rule 10.17 and for all other purposes Shareholders approve an increase of the maximum total aggregate amount of fees payable to non-executive Directors from \$108,000 per annum to \$200,000 per annum in accordance with the terms and conditions set out in the Explanatory Memorandum.”*

### Voting Exclusion

In accordance with Listing Rule 14.11, the Company will disregard any votes cast on this Resolution by any Directors and their respective associates. However, the Company need not disregard a vote if:

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

### Voting Prohibition

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of the Key Management Personnel or a Closely Related Party of such member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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## 20. Resolution 19 - Participation in Capital Raising by related parties

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 10.11 of the Corporations Act and for all other purposes, Shareholders approve the issue of Capital Raising Shares (on a post-Consolidation basis) to Directors as follows:*

- (a) *up to 1,000,000 Capital Raising Shares to Mr Shaun Hardcastle (or his nominee);*
- (b) *up to 500,000 Capital Raising Shares to Mr Stuart Carmichael (or his nominee),*

*on the terms and conditions in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Mr Hardcastle and Mr Carmichael (and their nominees), and any of their respective associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 21. Resolution 20 - Approval to change Company name

To consider and, if thought fit, to pass as a special resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and Completion occurring, and pursuant to and in accordance with section 157 of the Corporations Act and for all other purposes, the name of the Company be changed to "Schrole Group Ltd" with effect from the date that ASIC alters the details of the Company's registration."*

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## 22. Resolution 21 - Approval of Employee Incentive Scheme

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

*"That, subject to each of the other Acquisition Resolutions being passed and Completion occurring, and pursuant to and in accordance with exception 9 of Listing Rule 7.2, Shareholders approve the establishment of an employee incentive scheme of the Company to be known as "Schrole Group Ltd Employee Incentive Scheme" and the issue of securities under that plan, on the terms and conditions in the Explanatory Memorandum."*

### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**BY ORDER OF THE BOARD**



**Kyla Garic**  
**Non-Executive Director and Company Secretary**  
**Aquaint Capital Holdings Limited (Subject to Deed of Company Arrangement)**  
Dated: 14 August 2017

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# AQUAINT CAPITAL HOLDINGS LIMITED (TO BE RENAMED "SCHROLE GROUP LTD") (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 164 440 859

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at 108 Outram Street, West Perth on Wednesday, 13 September 2017 at 10.20am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 1	Introduction
Section 2	Action to be taken by Shareholders
Annual General Meeting Ordinary Business	
Section 3	Annual Report
Section 4	Resolution 1 - Remuneration Report
Special Business	
Section 5	Conditional Acquisition Resolutions
Section 6	Background to the Acquisition of Schrole
Section 7	Risks associated with the Acquisition
Section 8	Independent Expert's Report
Section 9	Resolution 2 - Consolidation of capital
Section 10	Resolution 3 - Approval to change in nature and scale of activities
Section 11	Resolution 4 - Approval of new class of securities: Performance Shares
Section 12	Resolution 5 - Approval to issue Enerly Securities and Loan Shares - Related Party

Section 13	Resolution 6 - Approval to issue Consideration Shares and Schrole Options - Unrelated Vendors
Section 14	Resolution 7 - Approval to issue Performance Shares - Unrelated Majority Vendors
Section 15	Resolution 8 - Approval to issue Capital Raising Shares
Section 16	Resolution 9 - Approval to issue Facilitator Securities
Section 17	Resolution 10 - Approval to issue Adviser Shares
Section 18	Resolution 11 - Approval to issue Adviser Options
Section 19	Resolutions 12 to 15 - Election of Directors - Mr Graham, Mr Hardcastle, Mr Carmichael and Mr Read-Smith
Section 20	Resolution 16 - Approval to issue Director Options
Section 21	Resolution 17 - Approval of issue of Shares and Attaching Options conversion of Convertible Notes
Section 22	Resolution 18 - Non-Executive Directors' Remuneration
Section 23	Resolution 19 - Participation in Capital Raising by related parties
Section 24	Resolution 20 - Approval to change Company name
Section 25	Resolution 21 - Approval of Employee Incentive Scheme
Schedule 1	Definitions
Schedule 2	Pro forma balance sheet
Schedule 3	Terms and conditions of Schrole Options
Schedule 4	Terms and conditions of Facilitator Options
Schedule 5	Terms and conditions of Adviser Options
Schedule 6	Terms and conditions of Director Options
Schedule 7	Terms and conditions of Attaching Options
Schedule 8	Terms and conditions of Performance Shares
Schedule 9	Summary of Employee Incentive Scheme
Annexure A	Independent Expert's Report

A Proxy Form is located at the end of the Explanatory Memorandum.

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## 2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

### 2.1 Voting in person

To vote in person, attend the Meeting on the date and at the place set out above.

### 2.2 Proxies

#### (a) Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

#### (b) Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (i) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- (ii) if the proxy has 2 or more appointments that specify different ways to vote on the resolution - the proxy must not vote on a show of hands;
- (iii) if the proxy is the chair of the meeting at which the resolution is voted on - the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (iv) if the proxy is not the chair - the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

- (c) Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (i) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;
- (ii) the appointed proxy is not the chair of the meeting;
- (iii) at the meeting, a poll is duly demanded on the resolution; and
- (iv) either the proxy is not recorded as attending the meeting or the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

### 2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report the subject of the relevant Resolution; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person who is excluded from voting on the relevant Resolution and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution, but expressly authorises the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

## ORDINARY BUSINESS

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### 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 31 December 2016.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.asx.com.au](http://www.asx.com.au);
- (b) ask questions about, or comment on, the management of the Company; and



- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 Business Days before the Meeting to the Company Secretary at the Company's registered office.

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## 4. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders.

The Directors' Report contains the Remuneration Report, which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

If the Company's Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board, except the managing director.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received in relation to the Remuneration Report at the next annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Resolution 1 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 1.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected

directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

## SPECIAL BUSINESS

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### 5. Conditional Resolutions

The Acquisition Resolutions (Resolutions 2 to 18 (inclusive), 20 and 21) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition Agreement and other matters contemplated by the Acquisition Resolutions will not be completed.

If Shareholders reject the Acquisition Resolutions (and, therefore the Acquisition), it is possible that the Company will proceed into liquidation. In those circumstances, it is unlikely that there will be any return to Shareholders. Please see Section 6.1 for more details in regard to any potential. The Acquisition Resolutions are therefore important and will affect the future of the Company. Shareholders are urged to give careful consideration to the Notice and the contents of the Explanatory Statement.

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### 6. Background to the Company's Acquisition of Schrole

#### 6.1 General background

The Company was incorporated on 24 June 2013 and admitted to the Official List of ASX on 11 November 2013. The Company is an ASX-listed investment management company.

The Company's securities were suspended from official quotation on 14 August 2015.

On 14 June 2016, the Company announced that the Company's then board had resolved to appoint Samuel John Freeman, Clint Joseph and Adams Pauls Nikitins as joint and several voluntary administrators of the Company. On 15 November 2016 Clint Joseph resigned as one of the Joint and Several Deed Administrators for the Company.

Following a creditors' meeting on 22 August 2016:

- (a) the Deed Administrators prepared the Report to Creditors dated 12 August 2016 (**Creditors' Report**); and
- (b) the Company entered into a Deed of Company Arrangement (**DOCA**) with CPS Capital Group Limited (as proponent) (**CPS Capital**) on 9 September 2016.

As at the date the Administrators were appointed, the Company had various subsidiaries which are now deregistered or in liquidation. One of the subsidiaries, Aquaint Property Pte Ltd (**Aquaint Property**), which is currently in liquidation, has an interest in a 99 year lease over a parcel of land in Laos which was funded by the Company. The Deed Administrators noted in the Creditors' Report that there is a potential contingent asset in relation to the land (if re-zoned) which has been valued by the Deed Administrators at AUD\$12 million. The Company may potentially receive a distribution from Aquaint Property for up to an amount of AUD\$12 million, subject to certain circumstances, including re-zoning of the land. The Board considers the likelihood of a distribution from Aquaint Property to be low. However, in accordance with the terms of the DOCA, if the trustees of the Creditors' Trust (**Trustees**) receive funds from Aquaint Property it will be distributed in accordance with the terms of

Creditor's Trust Deed (see Section 6.2(d)), which provides that any surplus funds after all creditor claims have been satisfied will be distributed to the Company.

The Company has executed a binding deed poll which covenants that in the event that any surplus funds are received by the Company from the Creditors' Trust, the Company shall distribute the surplus funds to the Shareholders of the Company (as at 14 June 2016, which is the date the Deed Administrators were appointed) (**Eligible Shareholder**) on a pro rata basis.

Whilst the Board (on behalf of the Company) has entered into the deed poll, there is no guarantee that the Board at the time of receipt of any surplus funds will comply with the terms of the deed poll. In such circumstances, there is a risk that any claim made by an Eligible Shareholder against the Company for a breach of the deed poll may not be successful and may not result in any return of surplus funds to an Eligible Shareholder. Pursuant to the deed poll the Company is solely liable and provides an indemnity to each Eligible Shareholder for expenses in respect of the performance of the deed poll. However, Eligible Shareholders are cautioned not to rely on the terms of the deed poll (or a potential distribution of surplus funds via Acquaint Property) when voting on the Acquisition Resolutions.

Further, as part of the terms of the DOCA, all 'Available Property' is placed in to the Creditor's Trust. 'Available Property' is defined in the DOCA to include all of the Company's shareholdings, which includes 100% of the issued capital of Acquaint Property. On effectuation of the DOCA and to enable the Company to continue in existence without being subject to the DOCA, all of the Company's subsidiaries are excised from the Company and will be dealt with by the Trustees. The Trustees will hold and administer the trust fund (ie the Board has no control over the actions of the Trustees and any pursuit of any surplus funds that may be available from Acquaint Property will be a matter for the Trustees).

The term of the Creditor's Trust Deed (and the powers conferred on the Trustees thereunder to exercise such powers) expire on the earlier of:

- (a) as soon as reasonably practicable after distribution of the final distribution from the creditor's trust fund; or
- (b) 80 years from the commencement of the Creditor's Trust Deed.

The Creditor's Trust Deed may also be terminated by a court order or if the creditors pass a resolution at a meeting duly convened to terminate the trust.

Pursuant to the terms of the Creditor's Trust Deed, the Trustees shall not be obliged to take any action under the Creditor's Trust Deed until such time (if at all) that there are sufficient funds to pay the Administrators' and Trustees' costs and expenses.

Aquaint Property which is the subsidiary which holds the majority of the Company groups' assets entered liquidation on 7 November 2016 with Mr Victor Goh and Mr Sim Guan Seng appointed as joint and several liquidators (**Liquidators**). As such the Trustees have no control over the asset realisation process of the subsidiary company and at this time a distribution from Acquaint Property is uncertain. Further, whilst the Company understands that the Liquidators could potentially still progress any rezoning, Shareholders should be aware that there is no guarantee that the Liquidators will take any action to progress the rezoning of the land and/or any potential distribution from Acquaint Property. Any potential rezoning of the land would require sufficient funding for Acquaint Property. At this time the Company is not aware of any such funding being available to the Liquidators. Shareholders are therefore cautioned not to rely on a potential distribution of surplus funds via Acquaint Property when voting on the Acquisition Resolutions.

## 6.2 DOCA Proposal

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

As noted above, the Company's creditors approved the DOCA Proposal in respect of the Company on 22 August 2016. If the DOCA completes, all claims of Creditors against the Company will be extinguished, discharged and released.

A summary of the material terms of the DOCA Proposal is set out below:

- (a) the Company and the Deed Administrators will establish the Creditors' Trust, with the Deed Administrators acting as trustees;
- (b) the assets of the Company will be transferred to the Creditors' Trust, including the amount of \$400,000, to be paid by the Company out of the funds raised from the Capital Raising upon completion of the DOCA. The payment comprises \$370,000 (**DOCA Payment**) to be paid upon completion of the DOCA and a \$30,000 deposit paid by CPS Capital on 9 September 2016 (**Deposit**) (together, the **Recapitalisation Payment**);
- (c) the claims of all creditors against the Company will be replaced with a right to prove debts against the Trustee of the Creditors' Trust and payment will be made in accordance with the DOCA and the Creditors' Trust Deed;
- (d) upon completion of the DOCA, the Creditors' Trust Fund will be distributed as follows:
  - (i) first, to the Deed Administrators' costs, expenses and remuneration;
  - (ii) second, to pay the Trustees' costs expenses and remuneration;
  - (iii) third, to pay the admitted claims of the Secured Creditor;
  - (iv) fourth, to pay the admitted claims of any priority creditors;
  - (v) fifth, to pay any further admitted claims of the Secured Creditor;
  - (vi) sixth, to pay the admitted claims of any unsecured creditors; and
  - (vii) the balance, if any, to be returned to the Company immediately upon the distribution of the last dividend pursuant to the Creditors' Trust Deed;
- (e) the Deed Administrators cause the then Company Secretary and Directors of the Company to be removed and appoint nominees of CPS Capital as Company Secretary and Directors of the Company. The nominee Directors and Company Secretary were appointed on the 1 December 2016;
- (f) all security over the Company's assets will be discharged and released; and
- (g) the Company will undertake the Consolidation.

Key conditions precedent for completion of the DOCA include (amongst other things):

- (a) payment of the Recapitalisation Payment;
- (b) discharge and release of the security interest held by the Secured Creditor over the Company's assets;
- (c) the Company raising no less than \$3,800,000 (before costs);
- (d) the Company obtaining an ASX waiver from ASX Listing Rules 1.1 condition 12 and 2.1 condition 2;
- (e) termination or repudiation of existing employment and service contracts; and
- (f) Shareholder approval being obtained to give effect to the DOCA Proposal.

For the avoidance of doubt, upon completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent must be satisfied by 13 October 2017 or such later date as may be agreed in writing between the Deed Administrators, CPS Capital and the Secured Creditor.

### **6.3 Creditors' Trust Deed**

A creditors' trust is a mechanism used to accelerate a company's exit from external administration. Under the terms of a deed of company arrangement, a trust is created and the company's obligations to creditors which are bound by the deed of company arrangement are then compromised and transferred to the trust. Creditors become beneficiaries of the trust. The purpose of the trust is to deal with the debts and claims against the Company that, but for the release of claims under the deed of company arrangement, would have been payable by the Company.

The deed of company arrangement terminates upon creation of the trust. When the deed of company arrangement terminates, the company ceases to be externally administered and the directors regain full control of the company.

The DOCA provides for the creation of a creditors' trust to which the assets of the Company will be transferred and realised in satisfaction of Creditors' claims. The assets of the Creditors' Trust will comprise the DOCA Payment and any remaining assets of the Company that are realised by the Deed Administrators or Trustees.

Distribution of the fund by the Trustees is set out in Section 6.2(d).

### **6.4 New directors**

As noted above, it was a term of the DOCA that the directors at the date the DOCA was signed be removed. On 1 December 2016, the current Directors were appointed in accordance with the DOCA. Following Shareholder approval, it is intended that the incumbent directors Ms Sara Kelly, Ms Kyla Garic and Mr Jeremy King will resign as Directors and Mr Robert Graham, Mr Shaun Hardcastle, Mr Stuart Carmichael and Mr Craig Read-Smith will be appointed as directors in accordance with the Acquisition Agreement summarised in Section 6.8 below.

### **6.5 The proposed Acquisition**

On 13 June 2017, the Company announced that it had entered into a binding conditional agreement with Schrole Operations Ltd (formerly "Schrole Group Ltd") (**Schrole**) and its majority vendors pursuant to which the Company will acquire 100% of the issued capital of Schrole (**Acquisition**).

A summary of the material terms of the Acquisition Agreement is set out in Section 6.8 below.

Pursuant to the terms of the Acquisition Agreement, Schrole shall become a wholly owned subsidiary of the Company. Section 6.6 details the operations of Schrole.

This Notice sets out the Resolutions necessary to complete the Acquisition. Each of the Acquisition Resolutions are conditional upon the approval by Shareholders of each of the other Acquisition Resolutions. If any of the Acquisition Resolutions are not approved by Shareholders, all of the Acquisition Resolutions will fail and Completion will not occur.

A summary of the Acquisition Resolutions is as follows:

- (a) the Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations, for which Shareholder approval is required under Listing Rule 11.1.2 (Resolution 3);
- (b) approval to issue a new class of shares, being the Performance Shares, which are to be issued to the Vendors (or their nominees) as consideration for the cancellation of existing performance shares in Schrole (Resolution 4);
- (c) the issue at Completion of:
  - (i) 150,000,000 Consideration Shares; and
  - (ii) 290,000,000 Performance Shares,  
  
(on a post-Consolidation basis) to the Vendors (or their nominees) in consideration for the Company's acquisition of 100% of the issued capital in Schrole (Resolutions 5, 6 and 7);
- (d) the issue at Completion of 97,000,000 Schrole Options (on a post-Consolidation basis) to the Vendors (Resolutions 5 and 6);
- (e) the issue at Completion of up to 300,000,000 Shares (on a post-Consolidation basis) at an issue price \$0.02 per Share (**Capital Raising Shares**) (Resolution 8) to raise up to \$6,000,000 (**Prospectus**);
- (f) the issue at Completion of 80,000,000 Shares (**Facilitator Shares**) and 25,000,000 Facilitator Options (on a post-Consolidation basis) to Xcel Capital (or its nominee) in lieu of DOCA recapitalisation and advisory fees in respect of the Acquisition (**Facilitator Securities**) (Resolution 9);
- (g) the issue of 15,000,000 Shares (on a post-Consolidation basis) to Alto Capital (or its nominees) in lieu of advisory fees (**Adviser Shares**) (Resolution 10);
- (h) the issue of 50,000,000 Adviser Options (on a post-Consolidation basis) to those parties that participate in the Capital Raising as nominated by Xcel Capital (**Adviser Options**) (Resolution 11);
- (i) the appointment of four proposed Directors nominated by Schrole, Alto Capital and Xcel Capital to the Board, being Mr Robert Graham, Mr Shaun Hardcastle, Mr Stuart Carmichael and Mr Craig Read-Smith (Resolutions 12 - 15);

- (j) the issue of 8,000,000 Shares (on a post-Consolidation basis) as partial repayment of a Schrole shareholder loan to Enerly (**Loan Shares**) (Resolution 5);
- (k) the issue of 14,000,000 Director Options (on post-Consolidation basis) to the incoming non-executive Directors (**Director Options**) (Resolution 16);
- (l) the conversion of the convertible notes issued by Schrole into a total of 25,000,000 Shares (**Conversion Shares**) and 25,000,000 free attaching Options (**Attaching Options**) (**Conversion Securities**) (on a post-Consolidation basis) (Resolution 17);
- (m) approval to increase the maximum total aggregate amount of fees payable to the non-executive Directors from \$108,000 per annum to \$200,000 per annum (Resolution 18);
- (n) the issue of Capital Raising Shares (on a post-Consolidation basis) to Mr Shaun Hardcastle and Mr Stuart Carmichael, related parties of the Company (Resolution 19);
- (o) changing the Company's name to "Schrole Group Ltd" subject to Completion and with effect from when ASIC alters the details of the Company's registration (Resolution 20); and
- (p) approval of a new employee incentive scheme to be known as "Schrole Group Ltd Employee Incentive Scheme" and the issue of securities under that plan (Resolution 21).

The Vendors currently hold no Shares and have no voting power in the Company.

Other information considered material to the Shareholders' decision on whether to pass the Acquisition Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

## 6.6 Overview of Schrole

### (a) Background

Schrole is an Australian company that provides schools (both domestic and international) with innovative, technology-based recruitment platforms and consulting service solutions to enable schools to address staffing and recruitment challenges.

Schrole was incorporated on 15 May 2008. On 12 November 2015, Schrole changed its name to Schrole Group Pty Ltd following the consolidation by acquisition of Schrole Pty Ltd (**SPL**) and ETAS (WA) Pty Ltd trading as ETAS Group (**ETAS Group**), to create a single provider of integrated and comprehensive software solutions and professional services to the international and domestic schools sector.

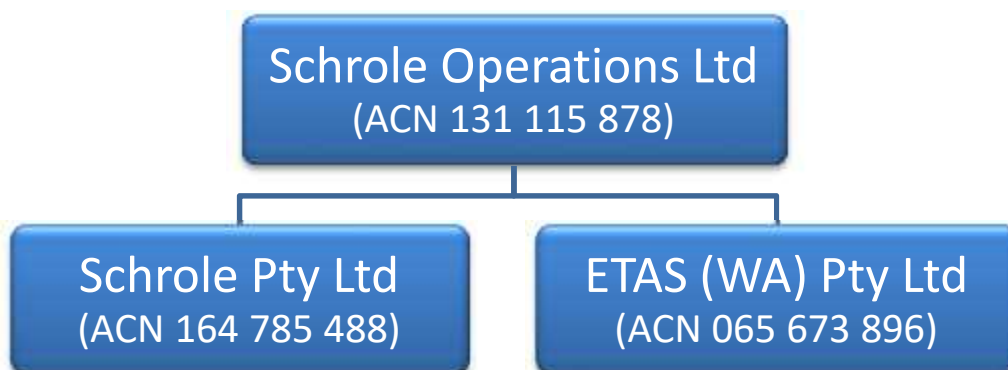
SPL was established in July 2013 to target the growing international schools market by developing innovative technical platforms and expert service solutions to assist in responding to issues, challenges and opportunities in schools.

ETAS Group was established in 1994 and is an accredited training solutions provider. ETAS has historically serviced the resources industry and in recent

years has provided leadership and management courses to the education sector.

On 17 June 2016, Schrole converted into a public unlisted company. On 25 July 2017, the Company change its name to Schrole Operations Ltd.

Schrole’s corporate structure is as follows:



Further details of Schrole, including historical statements of financial position and comprehensive income, are set out in sections 6.2 and 6.3 of the Independent Expert's Report.

Schrole has three Business Units:

- (i) **Schrole Connect** - an online software-as-service (SaaS) platform that enables international schools to streamline its teacher recruitment and candidate management activities;
- (ii) **Schrole Cover** - a cloud-based SaaS platform providing fast-fill casual teacher recruitment services into schools; and
- (iii) **Schrole Develop** - an expert consulting and professional services business. This unit also incorporates ETAS Group which provides customised accredited training solutions to established clients.

A brief description of the key milestones Schrole has achieved since incorporation is set out below:

Product	Date	Description	Number of school licences
<b>Schrole Connect</b>	October 2013	Launch of Schrole Connect to trial schools	6 trial schools
	August 2014	Commercial sales of Schrole Connect begin	12
	June 2017	Number of Schrole Connect schools	103
<b>Schrole Cover</b>	May 2016	Launch of Schrole Cover	9 trial schools
	November 2016	Launch of White Label version of Schrole Cover	



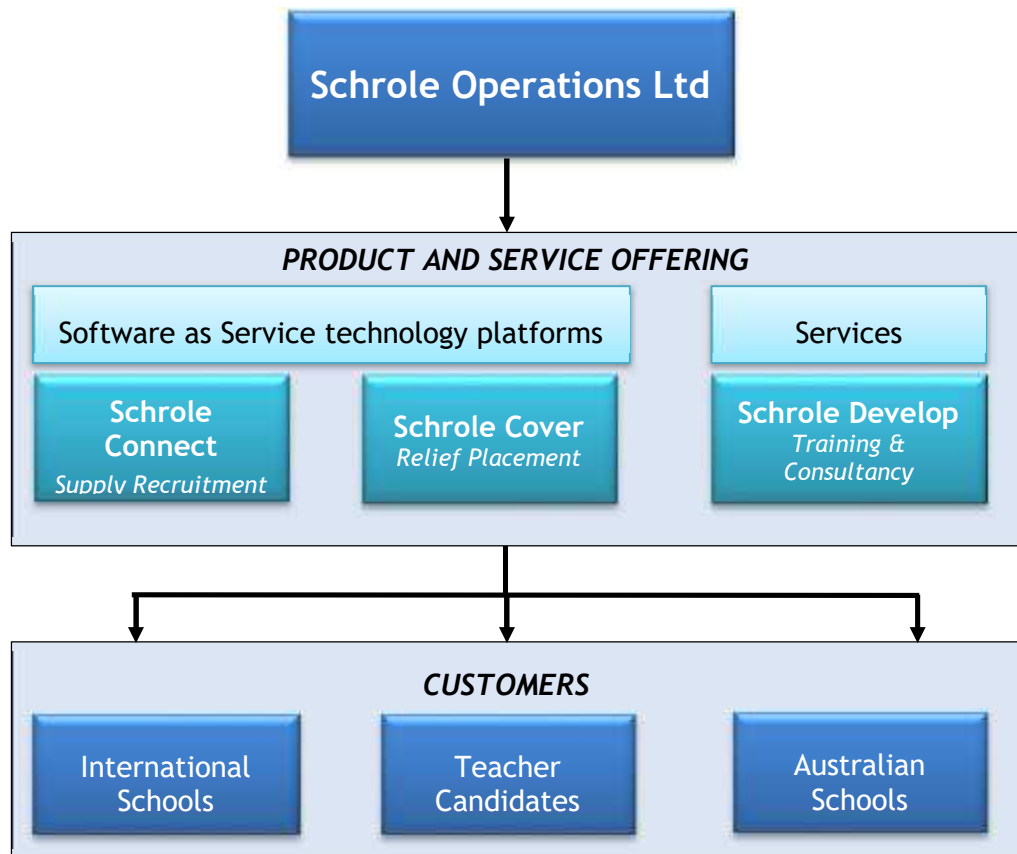
	June 2017	Number of Schrole Cover Schools	71
<b>Total - Connect &amp; Cover</b>	June 2017	<b>Total schools</b>	<b>174 in 31 countries</b>

(b) **Schrole's business model**

Schrole's business is focused on the education industry internationally and in Australia. Schrole's core competence is the design and development of technology platforms that seek to solve short and long term recruitment challenges and the development and delivery of customised advisory and training services.

Schrole's vision is to provide globally recognized innovative solutions for teachers and schools.

Schrole's business model is diagrammatically set out below:



Schrole provides products and services to the customers as set out below:

Who uses Schrole?	How does Schrole help them?
International schools use Schrole Connect and Schrole Develop	Schrole's international customers aspire to best practice educational outcomes to attract students. In order to attract students, international schools need to attract the best possible teaching candidates with specific qualifications and experience for each role. Moreover, they need to retain these candidates

Who uses Schrole?	How does Schrole help them?
	<p>for as long as possible to maintain continuity within their system. Schrole Connect is a technology platform that provides international schools with high quality solutions and full customer support which are aligned to meet these recruitment needs and help drive a school's performance.</p> <p>In addition, Schrole understands that schools seek to provide high quality training and development opportunities to ensure that their teachers are well qualified and feel valued by the school. There are ongoing opportunities to deliver training through Schrole Develop.</p>
<p>Australian schools use Schrole Cover</p>	<p>Schrole's Australian school customers require a process to recruit the appropriate relief/supply teaching candidate for the vacant casual role in the most efficient way possible. Schrole Cover is a technology platform that aims to achieve these goals for schools by enabling efficient recruiting and placing of vacant casual roles with the most suitable candidate for the position.</p>
<p>Teachers use Schrole Connect, Schrole Cover and Schrole Develop</p>	<p>Aspirational teacher candidates looking for work or new opportunities require access to as many opportunities as they can source. In addition, candidates seek high quality training and development opportunities provided by institutions to ensure that any application made is targeted towards an institution with the optimal cultural fit. Candidates will seek institutions who can, or may, provide the right training opportunities. Schrole Connect is a technology platform that provides teacher candidates access to information on international schools and relevant job opportunities. Schrole Develop also provides teachers with training courses that are aligned to meet each candidate's needs and expectations.</p>

To date Schrole has been focussed on providing its products and services to the Australian and international schools markets. However, the business activities of Schrole are strongly synergistic with opportunities for business development within Australia and internationally in education markets and other areas such as health and aged care, potentially developing a further diversified series of revenue streams for Schrole.

Schrole's unique and sustainable competitive advantage comes from a focused strategy to bring together core competencies in technology development, recruitment and educational management. Schrole has leveraged existing intellectual property and deep industry knowledge to create a related product and service portfolio with a diversified global revenue stream.

Further details of each Business Unit are set out in Sections 6.6(c) to 6.6(e) below.

(c) **Schrole Connect**

Based on Schrole's research, a critical issue for international schools is the effective and efficient recruitment of excellent teachers in the face of growing competition in the sector. Schrole Connect is a new way to link candidate teachers to some of the best international schools through a global database. Schrole Connect is an innovative SaaS system offering recruiting and candidate management systems for international schools. The cloud-based software was developed by experienced international school educators and uses a unique process to rank and rate candidates, which aims to save time and cost for school administration.

The Schrole Connect platform provides a secure system for schools to promote roles, receive applications and manage teacher candidate information. The online application process gathers qualifications and references from teachers to pre-qualify those candidates. The system collates standard and specific candidate information and allows schools to tailor the matching process to suit their particular needs. School-based recruiting teams can access vital information anytime through the Schrole Connect application to assess and shortlist candidates.

Schrole Connect helps to reduce the time-consuming process of sorting applications, searching emails, and copying information to share with colleagues. Schrole Connect's unique system provides recruiting teams with applications which have been rated and ranked to make it easier to identify the top candidates for each role. Pre-qualification, rating and ranking of candidates seeks to allow school administrators to determine a shortlist quickly, consistently and efficiently.



Schrole Connect has a deep and rich prequalified candidate database with over 42,000 registered candidates as at 30 June 2017. From 1 December 2016 to 24 June 2017, 4,364 new candidates were registered in the Schrole Connect system. Each Schrole Connect candidate must supply 2 referee letters with every job application. Currently over 53,000 individual referees have been contacted to provide references using Schrole Connect's online human resources system. Schrole averaged over 44,000 sessions on its Schrole Connect website ([www.schrole.com](http://www.schrole.com)) per month from 1 December 2015 to 1 June 2017.

Schrole Connect also links teacher candidates with some of the world's best international schools. The number of schools using Schrole Connect has increased by more than 100% for each year of operation since its launch in 2013. A premium paid service is also available to all candidates giving powerful options to quickly find the right vacancy in the right schools. A premium candidate is able to configure their own unique job alert preferences and have the ability to apply for all vacancies from their dashboard. As at 30 June 2017, over 1,300 candidates were signed up to the Schrole Connect premium service.

As at 30 June 2017, the Schrole Connect system was being used by 103 of the leading international schools in 31 countries (see **Figure 1**) and holds a growing database of over 42,000 education professionals.

**Figure 1 - Countries where Schrole Connect is currently sold as at 30 June 2017**



Source: Schrole, 30 June 2017

The annual recurring subscription fee for the use of Schrole Connect by schools is a key revenue stream for Schrole. Schrole will also be looking to unlock additional income from advertising and premium services over the next 12 months. Revenues from China and the European Union represent Schrole's largest market share to date, with the Middle East being the third largest.

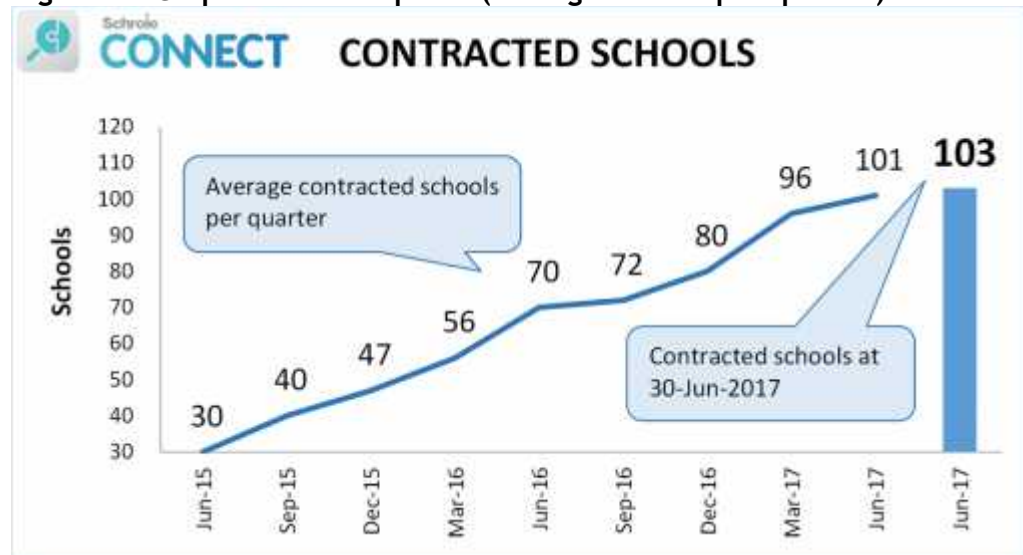
Revenue streams for Schrole Connect include:

- (i) annual licence for Schrole Connect - schools are charged an annual licence fee based on the size of the school;
- (ii) annual licence for Schrole Connect premium - schools are charged an additional fee for a premium service to access the candidate dataset;
- (iii) annual premium licence for candidates - candidates can opt for a premium account. This gives candidates access to all school vacancies and regular updates on new positions;

- (iv) advertising - schools are able to opt for several advertising packages; and
- (v) placement fees for customised recruitment programs for schools.

The current revenues derived from Schrole Connect are annuity based with the number of schools covered by contracts growing from 12 at 30 June 2014 to 103 at 30 June 2017 (see Figure 2). The figures in relation to Schrole Connect in this Section 6.6(c) are based on past performance and are not a guide to future performance.

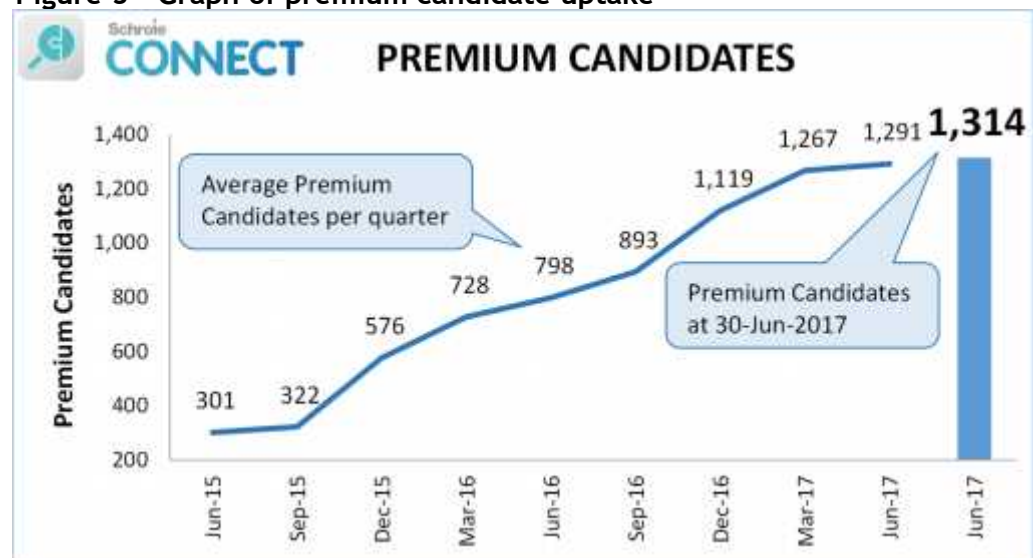
Figure 2 - Graph of school uptake (average schools per quarter)



Source: Schrole

Revenue from candidates in 2015 and 2016 came from a growing number of teacher candidates who pay for premium access to Schrole Connect (see Figure 3).

Figure 3 - Graph of premium candidate uptake



Source: Schrole

(d) **Schrole Cover**

Schrole Cover is a cloud-based SaaS platform that uses smart phone notifications to simplify and automate the process for finding replacement staff when workers are absent or to assist employers to fill casual placements.

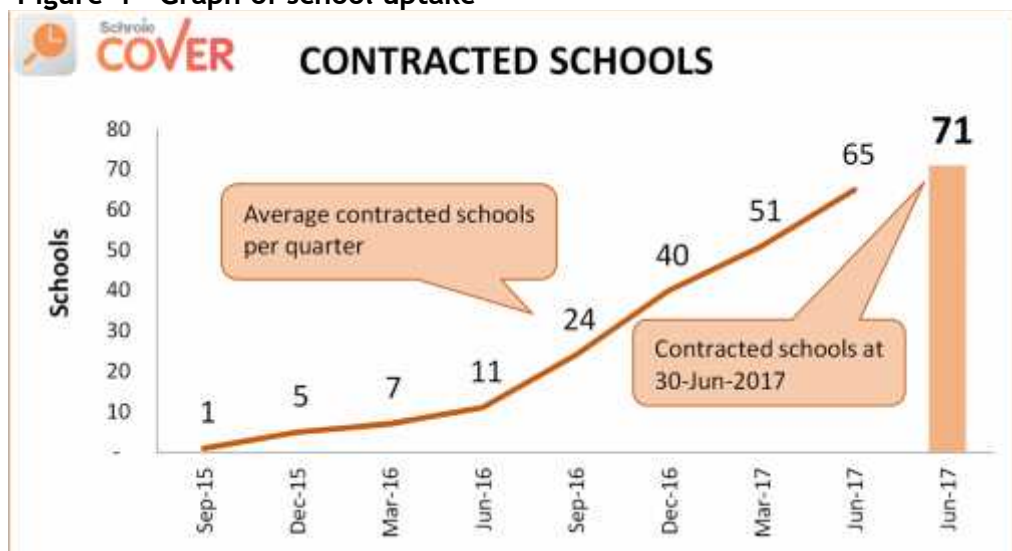
Staff absences, planned and unplanned, can cause serious disruption to businesses and finding temporary staff solutions at short notice may cause stress for managers. In many cases, the administration of last-minute vacancies costs additional money.

The Schrole Cover application allows school leaders to send job listings to pre-approved, specifically selected lists of relief staff who fit specific criteria and requirements set by the relevant school. The application uses intelligent technology to prioritise urgent listings and only sends the listings to available relief staff. In listing or ongoing communication with potential candidates, schools are able to provide detailed information to users including job descriptions, task lists, site information and more.



The software for Schrole Cover, which is available on both iOS and Android platforms, was initially designed for the education market and is currently marketed to schools in Australia and New Zealand to provide for short term relief teachers. Schrole Cover was made commercially available to schools in May 2016 and the number of schools signing up to the system increased from 8 to 71 as at 30 June 2017 (see Figure 4). The figures in relation to Schrole Connect in this Section 6.6(d) are based on past performance and are not a guide to future performance.

**Figure 4 - Graph of school uptake**



Source: Schrole

Schrole Cover may potentially be used for a wide range of applications in other industries and Schrole is exploring the possibility of expanding the use of the software into other industries requiring temporary replacement staff (such as



hospitality, aged care, security and hospitals) by providing a "white labelled" version of the software. The most recent version of Schrole Cover was released in November 2016 and since that date the number of users has increased by over 40% (see table below). This version enables Schrole Cover to be used in other industries in addition to education, with the system currently being trialled in hospitality, hospitals, and local councils.

<b>Schrole Cover user numbers</b>			
	<b>Nov 2016</b>	<b>Jun 2017</b>	<b>% increase</b>
Coordinators	160	343	114%
Teachers	1,318	2,990	127%
Relief staff	1,887	4,233	124%

Schrole Cover is built on Microsoft Azure services with native Android and iOS mobile applications. This system provides a highly scalable, multi-tenanted solution with support for single-tenant deployments for medium to large clients. It incorporates regional solutions to meet local privacy and language requirements.

Flexible payment models support either subscription based or "per job filled" fees for small and medium-sized enterprises to national enterprises.

**(e) Schrole Develop**

Schrole Develop provides expert consultancy services to international schools across a wide range of needs including school start-up and expansion, personnel searches, accreditation, training and curriculum development. Through specialist expertise in international schools' management and vocational training, Schrole Develop has engaged with schools in 8 countries providing services across all levels of education (including Malaysia, Germany, Laos, Mongolia, China, Egypt, UAE and Hong Kong).

Schrole Develop leverages existing intellectual property derived from the experience of Schrole's key management and personnel to deliver certified or specialised training to employees at international schools around the world.

Schrole Develop consultants are able to deliver customised qualifications onsite directly to staff in international schools. This is quite different to the training courses currently on offer internationally, which are usually only available in the United States of America or United Kingdom, and presents a significant opportunity for Schrole.

Through ETAS Group, which is a Registered Training Organisation (RTO), Schrole Develop is also able to provide training and award Australian government recognised qualifications for teachers and school administrative staff. These qualifications are highly sought after, particularly in the developing world where accessing accredited training in English can be problematic. Australian certified qualifications are a major point of difference between Schrole's training and consultancy products and those of competitors.

ETAS Group specialises in building the capacity of supervisors and first level managers through programs in training, leadership and management, and has been successfully providing training services across a variety of industries for more than 20 years. ETAS Group has successfully worked with a client group consisting of recognised names in the resources industry in Australia, major government agencies and also has a wide global footprint with successful projects in Africa, China, Germany, Kazakhstan, Laos, Mongolia and Papua New Guinea.

ETAS Group has also worked with foreign government agencies to deliver Australian qualifications in training and assessment to vocational teachers. It is this wide scope of successful projects that supports the synergistic delivery of training to international school clients.

ETAS Group continues to provide accredited training services to large companies in Western Australia and globally.

Schrole Develop generates revenue from consultancy and training fees. Schrole's main historic revenues have been generated from training provided by ETAS Group, however Schrole intends to focus more on the consultancy services provided by Schrole Develop, as well as its Schrole Connect and Schrole Cover SaaS products.

**(f) Schrole's board and management team**

As at the date of this Notice, Schrole employs 14 people across Australia and Thailand. Schrole's management team is comprised of managing director Mr Robert Graham, director and general manager, and Mr Michael Kirkwood, as well as Chief Financial Officer Mr Nick Allan, who collectively have decades of senior level experience as educators and administrators in international schools, finance, and technology.

Managing Director and co-founder of Schrole, Mr Robert Graham, has more than 30 years of experience in education and business. Mr Graham has an extensive understanding of the training and education market through his direct involvement in recruitment and training as an international school principal and then as owner of an international school recruitment firm prior to developing the Schrole Connect system with fellow co-founder, Mr Greg Smith. Subject to Shareholder approval, the Company intends to appoint Mr Graham as a Director of the Company on Completion of the Acquisition. Refer to Section 19 for further details.

Director and General Manager of Schrole, Mr Michael Kirkwood oversees the operations of Schrole Cover. He has more than 30 years of Australian and international finance experience in a variety of industries including insurance, mining, gas exploration and commodity trading.



Mr Greg Smith (a former director and co-founder of Schrole), has been retained by the Company on a fixed term contract to work on strategic projects for Schrole.

**(g) Intellectual property**

Schrole has been developing its proprietary technology and intellectual property underlying its SaaS systems via third party developers and employees since 2013.

Schrole's intellectual property, including the algorithms, code base, online processes, functionality, data infrastructure and other information technology underlying the technology platforms are key assets of the business.

Schrole has ensured that each third party developer and employee has entered into a deed of assignment of intellectual property rights to assign to Schrole all of its rights, title and interest in the intellectual property rights created, developed or otherwise held by the third party or employee, as well as all future intellectual property rights and improvements to intellectual property rights.

Schrole primarily relies on trade secrets and copyright to protect its intellectual property rights in the Schrole Connect and Schrole Cover SaaS applications. Consistent with an approach taken by many technology companies, Schrole believes that its intellectual property rights are best protected through the use of trade secrets rather than through registration of patents, which is expensive to develop, obtain and maintain and which can involve public disclosure of the relevant intellectual property. In order to assist in protecting these trade secrets, Schrole ensures that any engagement with employees, consultants, contractors or third parties contains appropriate confidentiality provisions in its contracts and agreements to ensure that Schrole's trade secrets are kept confidential and protected.

Schrole has registered two trade marks for "Schrole" in Australia.

Whilst domain name themselves provide no proprietary rights, they are generally recognised as extremely useful vehicles for marketing in the online space. As at the date of this Notice, Schrole has registered various domain names including:

- (i) [www.schrole.com](http://www.schrole.com)
- (ii) [www.schrolegroup.com](http://www.schrolegroup.com)
- (iii) [www.schrolecover.com](http://www.schrolecover.com)
- (iv) [www.schroledvelop.com](http://www.schroledvelop.com)

For further information on the risks associated with intellectual property, please refer to Section 7.2(e).

(h) **Industry overview**

Schrole's primary target market for Schrole Connect and Schrole Develop is the international schools market.

The international schools market comprises more than 8,900 schools, 4.8 million students, 400,000 international school teachers and US\$39 billion in fee income.

According to The International Schools Consultancy of Faringdon, Oxfordshire (ISC), as at 22 June 2017, there were 8,924 English-medium international schools around the world, with a fee income for these schools estimated at USD\$39 billion in aggregate. Recent growth in the sector has been led by Asia and the Middle East. According to the ISC:

- (i) Asia now accounts for more than half of all international schools and 60% of all international students; and
- (ii) there were 4,846,987 international students studying at schools in 238 countries as at 22 June 2017.

Schools in Australia and New Zealand are the initial target market for Schrole Cover with significant potential to expand into health and other industries.

In 2016 there were 9,414 schools in Australia (Australian Bureau of Statistics 2017).

At 1 July 2016, the number of state, state-integrated, private, and partnership schools in New Zealand was 2,529.

(i) **Trends and key drivers**

Based on Schrole's research, a number of trends and key drivers relevant to the international and domestic schools industry have been identified, including the rapid growth of for profit international schools located in Asia and the Middle East. This is due to the demand from an increasing number of host country nationals who are seeking an English language education for their children. According to the ISC, the number of international schools is forecast to more than double in the next 10 years, and there is an ongoing need to source excellent teachers to work in these schools.

(j) **Competitive landscape**

(i) **Schrole Connect**

Currently traditional recruitment providers are servicing the education recruitment industry. These include International School Services and Search Associates. Both companies use recruitment databases and recruitment fairs at key locations around the world to help schools recruit teachers. These recruitment fairs are expensive to attend, inefficient, and have not changed in nature in the last twenty years. The Schrole Connect system presents an alternative to this model, and presents recruiters with the ability to conduct all their recruiting from their own schools.

No single company dominates the recruitment of teachers in the international schools market.

Traditional recruiting agency companies include:

- (A) Search Associates;
- (B) International School Services;
- (C) Teachers International Consultancy Recruitment;
- (D) Teachanywhere;
- (E) Teacher Horizons;
- (F) Edvectus; and
- (G) The International Educator.

(ii) Schrole Cover

Within the Australian market there are competitors offering similar, although not identical SaaS products for fast-fill relief placements. Other companies offering similar services within Australia include Class Cover, Tap for Teacher and relief teacher agencies.

(k) **Barriers to entry**

(i) Schrole Connect

There are a number of barriers to entry into international schools. These include the following:

- (A) the need to understand the international school market and have developed long term relationships with key staff in schools;
- (B) development of competing technology takes time, extensive domain knowledge, money, and ongoing school relationships;
- (C) Schrole Connect has been in the market since 2013 and has significant market penetration. This first mover advantage will be enhanced with the application of funds to sales and marketing; and
- (D) many competitors have legacy candidate management systems that are difficult to update to compete with the Schrole Connect system.

(ii) Schrole Cover

- (A) The founders of Schrole Cover have a deep understanding of the needs of schools and have developed the software based on specific requirements of schools and this has resulted in robust sales growth. Additional sales and marketing funds will support ongoing growth.
- (B) Schrole is committed to rolling out incremental upgrades to meet additional school requirements and maintain its competitive advantage.

(l) **Competitive strengths**

The main point of difference between Schrole's technology products and other competitors' offerings resides in Schrole's process management solutions designed specifically for an entire value chain for the education industry. Schrole's other competitive advantages in the industry include:

- (i) two SaaS platforms, Schrole Connect and Schrole Cover, for short and long term recruitment, which aims to disrupts the traditional recruitment model in the international and domestic education sector;
- (ii) the scalability of the Schrole's SaaS product offerings, being cloud-based and deployable to clients quickly and efficiently without heavy personnel requirements for installation and support;
- (iii) Schrole's unique business model combining technology platforms and service offerings in the education and training sectors;
- (iv) multiple revenue streams;
- (v) a large base of existing customers around the world using Schrole Connect and Schrole Cover, as well as the existing customers of ETAS Group;
- (vi) the ability to cross sell its SaaS products and training and consultancy services to existing customers;
- (vii) minimal exposure to a supplier threat - Schrole sees no threat or shortage in supply of contractors for its teaching and training services, and software developers;
- (viii) the ability to offer Australian certified qualifications; and
- (ix) the Schrole Cover application is unrestricted by geography or industry, whereas other software platforms are industry specific.

Schrole believes that these competitive advantages may also be applicable to other industries which could utilise Schrole Cover for the temporary replacement of staff, such as hospitality, aged care, security and hospitals.

(m) **Key Dependencies**

The key factors that the Company will depend on to meet its objectives are:

- (i) the successful completion of the Acquisition Agreement;
- (ii) the ability to protect the Company's intellectual property;
- (iii) retaining key personnel of Schrole; and

- (n) a comprehensive sales and marketing strategy for both Connect and Cover.

(o) **Key strengths of Schrole**

- (i) Value propositions

Schrole's software platforms were developed to simplify the short and long term recruitment processes in internationally schools globally. This means that administrators can utilise the software to conduct the recruitment process more efficiently and as a result may reduce time and money spent on such tasks. This can lead to direct improvement in productivity and enables schools to focus on providing better outcomes for the students and the school in general.

- (ii) Customer relationship

While many of Schrole's software systems are designed to be automated there is also a dedicated customer support and account management for the SaaS products. Within the expert services portfolio, the development of a strong customer relationship can form the basis upon which expansion and continuation of service provision is formed. This ongoing support and customisation of services is a key point of difference between Schrole and other competitors.

- (iii) Key resources

The key resources of Schrole are its SaaS products, client data, intellectual property, brand, and highly skilled team of software developers and education trainers and consultants.

The two software platforms are fully developed, deployed and scalable. Key employees of Schrole bring significant knowledge through their experience as principals and heads of schools in the international schools industry as well as experience in the international schools recruitment industry. This knowledge and experience has been used in developing the two SaaS products and has resulted in purpose-built software to assist in solving problems faced by schools in dealing with short and long-term recruitment.

- (iv) Growing market

Schrole's key target market is the growing international schools market. According to the ISC, as at 22 June 2017, there were 8,924 English-medium international schools around the world. This is more than a 40% increase in the past 5 years with a fee income for these schools estimated at USD\$39 billion in aggregate. The ISC predicts fee income to increase to USD\$89 billion by 2026.

- (v) Established brands

The Schrole Connect and Schrole Cover brands are established in the market, and school and teacher communities. Schrole believes these brands will continue to grow with further selective marketing and advertising.

(p) **Revenue model**

Schrole currently derives revenue from all three of its Business Units. It earns United States dollar denominated revenue from Schrole Connect and Schrole Develop and ETAS Group's international work, and Australian dollar denominated revenue from Schrole Cover and ETAS Group's training services within Australia. Schrole derives its SaaS revenues from a number of overseas jurisdictions, with China, the European Union and the Middle East representing the largest portion of the Company's revenue to date.

Schrole generates revenue from multiple revenue streams, including:

- (i) annuity payments for software - both Schrole Connect and Schrole Cover are sold with annual contracts;
- (ii) advertising - there are opportunities offered to schools to advertise featured vacancies and also directly market vacancies and associated services to the Company's entire candidate database;
- (iii) consultancy services - Schrole provides a range of paid consultancy services to schools, such as management procedures and policies and human resources processes; and
- (iv) training services - ETAS Group continues to provide accredited training services to large companies in Western Australia and globally.

SPL has received a total of \$346,807 in research and development grants as at the date of Notice. Development of Schrole's SaaS platforms concluded in November 2016 and SPL will be lodging a claim for the 2016/17 financial year estimated at \$111,500.

Schrole's entities generated sales revenue of \$3.5 million and \$1.7 million in the years ending 30 June 2015 and 30 June 2016 respectively. Historically Schrole's revenue has primarily been driven by ETAS Group. However, in line with Schrole's business objectives and strategy, Schrole is now focused on Schrole Connect, Schrole Cover and Schrole Develop and, therefore, historic revenues of ETAS should be read with that in mind. The historical financial information in relation to Schrole Connect is based on past performance and is not a guide to future performance.

(q) **Growth strategy**

- (i) Strategic intent and focus

Schrole's strategic intent is to enhance educational outcomes for students by providing the most innovative and effective solutions to help schools recruit and produce the best teachers.

Schrole's proposes to leverage its reputation as a trusted source of high quality solutions and products to become a dominant provider in the high growth international and Australian school markets in order to achieve Schrole's strategic intent. Schrole's corporate strategy to achieve this is focused on responding to three critical needs in the education sector:

- (A) recruitment of quality teachers for the right roles;

- (B) training and developing international teachers; and
- (C) providing consulting expertise to international school operators to open and manage new schools.

Broadly, Schrole intends to meet these needs by focusing on the following areas:

- (A) developing and designing SaaS platforms, as well as educational training and consulting services, targeted at domestic and international markets; and
- (B) sales and marketing activities for each of the Business Units.

(ii) Defined business opportunities

Schrole's Business Units currently operate in the education and training sectors with Schrole's products and services targeting recruitment, training, and consultancy. Schrole has purposely diversified its product offering to de-risk its revenue model.

Schrole has identified two main pathways for immediate growth and expansion following Completion of the Acquisition:

(A) Expansion by geography - All Business Units

Schrole aims to provide its suite of products and services to markets which Schrole understands are growing quickly, where it believes its disruptive technologies will continue to attract new customers and incumbents alike.

Schrole is currently targeting the Australian and international schools markets across the global market place, and has already sold its technology platforms to 174 schools across 31 countries and provided training and consultancy services in 8 countries. This strong demand for Schrole's products and services supports its strategic decision to continue to target the global market as its products and services seek to meet the immediate functional requirements of teachers, administrators and developers globally.

In particular, Schrole plans to market Schrole Cover in the United Kingdom in the future.

Where customers purchase Schrole's SaaS products, Schrole has the opportunity to add value by cross selling its training and consulting services to these customers.

In order to do this, resources will be committed to ongoing software and services development, as well as expansion of sales and marketing activities for each of the Business Units.

(B) Expansion by industry - Schrole Cover

Schrole has identified multiple vertical opportunities to expand its audiences where implementation of Schrole Cover would assist other businesses to find temporary staff

solutions. Schrole is currently trialling the use of Schrole Cover in hospitality, hospitals and local councils; other potential industries may include aged care and security.

Resources may also be utilised to develop "white labelled" versions of Schrole Cover for use by other industries, with the intention to generate revenue from a subscription-based fee model.

(r) **Material contracts**

In addition to the DOCA and Acquisition Agreement, Schrole is a party to the material contracts described below.

(i) **Minority Vendor share sale agreements and cancellation of options in Schrole**

As noted in Section 6.8, Completion of the Acquisition Agreement is conditional on satisfaction of certain conditions precedent, including:

- (A) the Minority Vendors of Schrole each entering into separate share sale agreements for the sale of their shares in Schrole to the Company; and
- (B) the optionholders of Schrole agreeing to cancel their options in Schrole.

(ii) **Joint Lead Manager Mandate**

The Company entered into a mandate with Alto Capital (as **Lead Manager**) and Xcel Capital (as **Co-Lead Manager**, together the **Joint Lead Managers**) for joint lead manager and corporate advisory services (**Joint Lead Manager Mandate**). Pursuant to the Joint Lead Manager Mandate, the following fees are payable:

- (A) a capital raising fee of 6% plus GST to the Joint Lead Managers of all funds raised under the Capital Raising by the Joint Lead Managers;
- (B) the Joint Lead Managers reserve the right to a lead manager fee of 2% of any amount that is not raised by the Joint Lead Managers under the Capital Raising;
- (C) Alto Capital will receive a success fee with respect to the Capital Raising of:
  - (1) 15,000,000 Advisor Shares; and
  - (2) \$20,000 plus GST; and
- (D) a corporate adviser retainer of \$10,000 per month plus GST is payable to the Alto Capital for 12 consecutive months following the Quotation Date, (which will be the subject of a separate mandate and subject to agreement of the incoming Directors).

The Joint Lead Managers also reserve the first right of refusal to participate in a minimum of 10% of any intended capital raising and



be paid a minimum of 4% in the event Alto Capital is not the lead manager for a period of up to 6 months following termination of the Joint Lead Manager Mandate.

(iii) Xcel Capital Mandate

The Company entered into a mandate with Xcel Capital for financial advisory services (**Xcel Capital Mandate**). Pursuant to the Xcel Capital Mandate and subject to Completion of the Acquisition, the Company will issue the following Securities to Xcel Capital:

- (A) the Facilitator Securities (comprising 80,000,000 Shares and 25,000,000 Facilitator Options) pursuant to Resolution 9, as detailed in Section 16 and on the terms conditions in Schedule 4); and
- (B) 50,000,000 Adviser Options pursuant to Resolution 11, as detailed in Section 18 and on the terms conditions in Schedule 5.

On Completion of the Acquisition, the Company will also pay Xcel Capital a success fee of \$100,000 out of the Capital Raising funds.

(iv) Agency Agreement

On 11 March 2016, SPL engaged Turnbull Nominees Pty Ltd ATF The John Turnbull Family Trust (**Turnbull**) as the exclusive agent to market and sell the Schrole Cover software within Australia and provide support to customers for a period of 12 months (**Agency Agreement**). The Agency Agreement does not restrict SPL in any way from marketing and selling Schrole Cover to any third party. On 5 December 2016, the parties agreed to extend the Agency Agreement for a further period of 36 months ending 31 March 2020.

In consideration for the services SPL has agreed to pay Turnbull the following commission:

- (A) 20% of the sales revenue from any 12 month subscription for Schrole Cover; and
- (B) 15% of the sales revenue from any additional 12 month renewal of the subscription for Schrole Cover,

received by SPL from a customer who has signed SPL's terms and conditions (exclusive of GST and any costs incurred by SPL for installation or set-up of Schrole Cover).

(v) Other agreements

As noted in Section 6.6(q)(ii) above, Schrole aims to expand its Schrole Cover business into other industries. At the date of this Notice, Schrole is in advanced negotiations with a party with respect

to creating a white labelled version of Schrole Cover for use in the education and a separate party in relation to the healthcare industry.

## 6.7 Re-compliance with Chapters 1 and 2 of the Listing Rules

ASX has advised the Company that, given the Company is proposing to make a change in its activities from a management investment company to a technology-based company providing recruitment platforms and consulting service solutions across the education and training sectors, it requires the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules prior to Completion of the Acquisition.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2 and pursuant to Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the Listing Rules.

## 6.8 Key terms of the Acquisition Agreement

### (a) Consideration

In consideration for 100% of the issued capital of Schrole, the Company will issue to the Vendors a total of:

- (i) 150,000,000 Consideration Shares; and
  - (ii) 290,000,000 Performance Shares,
- (together, the **Consideration Securities**).

### (b) Conditions Precedent

Completion is conditional upon the satisfaction (or waiver) of the following material conditions precedent:

- (i) **ASX reinstatement:** conditional approval from ASX to reinstate the securities of the Company to trading on conditions reasonably satisfactory to the Company;
- (ii) **Shareholder approvals:** the Company obtaining all necessary shareholder approvals required by the Corporations Act and the Listing Rules in relation to the Acquisition including, without limitation, approval for:
  - (A) the issue of the Consideration Securities;
  - (B) the issue of the Schrole Options;
  - (C) the issue of Capital Raising Shares;
  - (D) the issue of the Facilitator Securities;
  - (E) the issue of the Adviser Shares;
  - (F) the issue of the Adviser Options;
  - (G) the issue of the Director Options;
  - (H) the issue of the Loan Shares;

- (I) the issue of 25,000,000 Shares and 25,000,000 Attaching Options on conversion of the Convertible Notes;
  - (J) Enerly's voting power in the Company potentially increasing over 20% (on a fully diluted basis) as a result of the Acquisition (including the commissioning of the Independent Expert's Report);
  - (K) the Consolidation;
  - (L) the Director Appointments; and
  - (M) the change of the Company's name to "Schrole Group Ltd";
- (iii) **ASX waivers:** the Company obtaining:
- (A) a waiver from ASX in respect of:
    - (1) Listing Rule 2.1 (Condition 2) to undertake the Capital Raising at an issue price of \$0.02 per share;
    - (2) Listing Rule 1.1 condition 12 to permit the Company to issue Options at an exercise price of less than \$0.20 per share (including a waiver in respect of the Schrole Options, Facilitator Options, Director Options, Adviser Options and Attaching Options); and
    - (3) Listing Rule 9.1.3 to the extent necessary to apply the restrictions in paragraph 1, 2 and 10 of Appendix 9B (as applicable) to Shares to be issued to the Vendors as Consideration Shares; and
  - (B) approval from ASX that the terms of the Performance Shares satisfy Listing Rule 6.1;
- (iv) **Schrole shareholder approvals:** Schrole obtaining all necessary shareholder approvals required in relation to the Acquisition;
  - (v) **Capital Raising:** the Company completing the Capital Raising;
  - (vi) **Board changes:** the current Directors resigning and the appointment of four directors to the Board nominated by Schrole, Alto Capital and Xcel Capital;
  - (vii) **Cancellation of options:** Schrole cancelling all options that are on issue at the date of the Acquisition Agreement;
  - (viii) **DOCA effectuation:** the DOCA effectuating in accordance with its terms and the Deed Administrators having lodged formal notice with ASIC to that effect;
  - (ix) **Agreement of minority Vendors:** completion of the share sale agreements with the minority Vendors;
  - (x) **Other approvals:** the Company and Schrole obtaining any other necessary shareholder and regulatory approvals pursuant to the

Listing Rules, Corporations Act or any other applicable law or regulations to lawfully complete the Acquisition; and

- (xi) **Third party consents:** the Company and Schrole obtaining any other necessary third party consents to allow the Company and Schrole to lawfully complete the Acquisition, including but not limited to assignment of any relevant agreements in accordance with their terms.

If the Conditions Precedent are not satisfied (or waived) on or before 5.00pm (WST) on 4 December 2017, or such other date as the parties agree in writing, the Acquisition Agreement may be terminated by Schrole, the majority Vendors or the Company.

(c) **Performance Shares**

The Performance Shares will convert into Shares on a one for one basis upon satisfaction of the following milestones:

- (i) 40,000,000 Performance Shares will convert upon Schrole obtaining 215 schools with a subscription for the Schrole Connect product or 198 licences with a subscription for the Schrole Cover product prior to the date that is within 18 months of re-listing;
- (ii) 100,000,000 Performance Shares will convert upon Schrole achieving total annual sales revenue of \$7,000,000 over any 12 months period prior to the date that is within 36 months of re-listing; and
- (iii) 150,000,000 Performance Shares will convert upon Schrole achieving an accumulated earnings before interest, taxes, depreciation and amortisation of \$3,000,000 over any 12 month period prior to the date that is within 48 months of re-listing.

The other terms of the Performance Shares are detailed in Schedule 8.

## 6.9 Capital Raising

As set out in Section 6.8(b) above, one of the conditions precedent to Completion is the completion of the Capital Raising.

The Capital Raising will include an offer, by way of Prospectus, of up to 300,000,000 Capital Raising Shares at an issue price of \$0.02 per share to raise up to \$6,000,000.

## 6.10 Pro forma balance sheet

An unaudited pro forma statement of financial position of the Company as at 31 December 2016 based on the audited accounts of the Company and Schrole is set out in Schedule 2.

## 6.11 Effect on capital structure

The pro forma capital structure of the Company following completion of the Acquisition and Capital Raising is set out below:

	Minimum Subscription	Maximum Subscription	Options	Performance Shares
	Shares			
Securities currently on issue (post consolidation 60:1)	2,050,007	2,050,007	-	-
Consideration Securities	150,000,000 <sup>1</sup>	150,000,000 <sup>1</sup>		290,000,000 <sup>2</sup>
Schrole Options <sup>3</sup>	-	-	97,000,000	-
Conversion Securities	25,000,000	25,000,000	25,000,000 <sup>4</sup>	-
Facilitator Securities	80,000,000 <sup>5</sup>	80,000,000 <sup>5</sup>	25,000,000 <sup>6</sup>	-
Adviser Shares <sup>7</sup>	15,000,000	15,000,000	-	-
Adviser Options <sup>8</sup>	-	-	50,000,000	-
Director Options <sup>9</sup>	-	-	14,000,000	-
Shareholder Loan Shares <sup>10</sup>	8,000,000	8,000,000	-	-
Capital Raising <sup>11</sup>	275,000,000	300,000,000	-	-
<b>TOTAL</b>	<b>555,050,007</b>	<b>580,050,007</b>	<b>211,000,000</b>	<b>290,000,000</b>
<b>FULLY DILUTED<sup>12</sup></b>	<b>1,056,050,007</b>	<b>1,081,050,007</b>	<b>-</b>	<b>-</b>

### Notes:

1. Issued to the Vendors as consideration for the Acquisition.
2. Issued to the directors and senior management of Schrole as consideration for cancellation of existing performance shares (see Schedule 8 for the terms and conditions of the Performance Shares).
3. Options issued to existing shareholders of Schrole and optionholders of Schrole to cancel existing options in Schrole, exercisable at \$0.04, with an expiry date that is 3 years after the issue date (see Schedule 3 for the terms and conditions of the Schrole Options).

4. Options issued to lenders of Schrole on conversion of the notes, exercisable at \$0.02 on re-listing with an expiry date that is 3 years after the issue date (see Section 21 for further detail and Schedule 7 for the terms and conditions of the Attaching Options).
5. Issued to Xcel Capital (or its nominee) in lieu of DOCA recapitalisation and advisory fees in respect of the Acquisition.
6. Options issued to Xcel Capital (or its nominee) exercisable at \$0.02, with an expiry date that is 3 years after the issue date (see Section 16 for further detail and Schedule 4 for the terms and conditions of the Facilitator Options).
7. Issued to Alto Capital (or its nominee) on successful completion of the Acquisition.
8. Options issued to Xcel Capital (or its nominee) exercisable at \$0.03, with an expiry date that is 3 years after the issue date (see Section 18 for further detail and Schedule 5 for the terms and conditions of the Adviser Options).
9. Comprised of:
  - a. 7,000,000 options exercisable at \$0.03 each on or before a date that is 3 years after issue; and
  - b. 7,000,000 options exercisable at \$0.04 each (and vesting only if the 10 day VWAP of the Company's shares is \$0.04 or more) on or before a date that is 3 years after issue (see Section 20 for further detail and Schedule 6 for the terms and conditions of the Director Options).
10. Issued to Enerly as partial repayment of \$160,000 of the outstanding loan owed by Schrole.
11. Based on a minimum raise of \$5,500,000 and a maximum raise of up to \$6,000,000 with an issue price of \$0.02 per share.
12. Based on all the Performance Shares & Options having converted to Shares.

## 6.12 Voting power of Enerly

Enerly (of which Mr Graham, incoming Director, is a beneficiary) currently holds no Shares and has no voting power in the Company.

Enerly will have the following voting power in the Company assuming Completion of the Acquisition, all the Capital Raising Shares are issued:

Shareholder	Minimum Subscription		Maximum Subscription	
	Shares	Voting power (%)	Shares	Voting power (%)
Enerly <sup>1</sup>	78,363,529	14.1	78,363,529	13.5

### Note:

1. Comprising of 70,363,529 Consideration Shares and 8,000,000 Loan Shares. As at the date of this Notice, Enerly holds 16,706,456 fully paid ordinary shares and 589,868 performance shares in Schrole. At Completion, the 589,868 performance shares will convert into fully paid ordinary shares in Schrole (totalling 17,296,324 shares) and the Company will issue 70,363,529 Consideration Shares in consideration for the acquisition of Enerly's 17,296,324 shares in Schrole.

Enerly will have the following voting power in the Company assuming Completion of the Acquisition and all the Capital Raising Shares are issued and all the Performance Shares are converted and no other Securities have been issued:

Shareholder	Minimum Subscription		Maximum Subscription	
	Shares	Voting power (%)	Shares	Voting power (%)
Enerly	358,363,529	42.4	358,363,529	41.2

Enerly will have the following voting power in the Company assuming Completion of the Acquisition, all the Capital Raising Shares are issued, all the Performance Shares are converted and all Options are exercised and no other Securities have been issued:

Shareholder	Minimum Subscription		Maximum Subscription	
	Shares	Voting power (%)	Shares	Voting power (%)
Enerly	361,338,841	34.2	361,338,841	33.4

### 6.13 Proposed budget

The Company intends to use the funds raised under the Capital Raising, together with the Company's existing cash reserves post-Acquisition, following the reinstatement of the Company's Securities to quotation on the Official List of ASX as follows:

Allocation of funds	Amount (\$)	%	Amount (\$)	%
Sales and marketing	1,700,000	31	1,700,000	28
Customer support and retention	800,000	15	800,000	13
Software development	700,000	13	700,000	12
Finance lease and bank loan repayment	300,000	5	300,000	5.0
Offer costs	390,000	7	420,000	7
Costs associated with the Acquisition	310,000	6	310,000	5
Recapitalisation Payment <sup>1</sup>	400,000	7	400,000	7
Repayment of Enerly Loan <sup>2</sup>	100,000	2	100,000	1.7
General working capital <sup>3</sup>	800,000	15	1,270,000	21
<b>Total</b>	<b>5,500,000</b>	<b>100</b>	<b>6,000,000</b>	<b>100</b>

**Notes:**

1. \$400,000 of the funds raised under the Capital Raising will be allocated to payment to the Deed Administrators as part of the Trust Deed, including \$370,000 DOCA Payment and \$30,000 to be refunded to CPS for the Deposit.
2. \$100,000 of the funds raised under the Capital Raising will be allocated to partly repay a loan to the Company made by Enerly with funds used for development of the Schrole Connect, Schrole Cover and Schrole Develop products and services.
3. General working capital will be utilised by the Company to pay for cost overruns in forecast expenditures (if any).

The above table is a statement of current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Capital Raising, the Company will have sufficient working capital to meet its stated objectives.

The use of further equity funding or Share placements will be considered by the Board where it is appropriate to accelerate a specific business objective or project.

For the immediate future, the Company's focus will be on the continued development and expansion of the Company's operations, together with assessing further complementary acquisition opportunities.

#### 6.14 Anticipated timetable for the key business the subject of the Acquisition Resolutions

Event	Indicative Timing
Despatch of this Notice of Meeting to Shareholders	14 August 2017
Lodgement of Prospectus	18 August 2017
Prospectus offers anticipated to open	26 August 2017
Shareholder Meeting ASX notified whether Shareholders' approval has been granted for the Resolutions	13 September 2017
Prospectus offers close	15 September 2017
Completion of the Acquisition Agreement	25 September 2017
Issue date	29 September 2017
Reinstatement of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and subject to ASX agreeing to reinstate the Shares to quotation)	20 October 2017

This timetable is a proposed indicative timetable only and the Board reserves the right to vary the dates in accordance with the Listing Rules.



## 6.15 Composition of Board of Directors

The Board currently comprises:

- (a) Ms Sara Kelly;
- (b) Ms Kyla Garic; and
- (c) Mr Jeremy King.

Subject to Completion of the Acquisition, the current directors will resign and the Company will appoint the following persons as directors at Completion, subject to prior shareholder approval:

- (a) Mr Robert Graham as Managing Director;
- (b) Mr Shaun Hardcastle as Non-Executive Director;
- (c) Mr Stuart Carmichael as Non-Executive Director; and
- (d) Mr Craig Read-Smith as Non-Executive Director.

Set out below is background information in relation to the skills and experience of the proposed incoming Directors nominated by Schrole, Xcel Capital and Alto Capital.

(a) **Mr Robert Graham**

Mr Graham has over 30 years of experience in education and business. Mr Graham has a unique understanding of the education market through his direct involvement in recruitment and training as an international school principal and then as owner of an international school recruitment firm. His eight years as Managing Director of ETAS Group ensures a strong connection to the vocational education market and a close engagement with major clients.

(b) **Mr Shaun Hardcastle**

Mr Hardcastle is a corporate lawyer with experience on a broad range of cross-border and domestic transactions including equity capital markets, mergers & acquisitions, project finance and corporate governance. He is a Partner of Bellanhouse Lawyers which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries.

He has worked both domestically and internationally for top-tier law firms, and spent time as corporate counsel for a major international oil and gas company. Mr Hardcastle holds a Bachelor of Laws, and is a member of the Australian Institute of Company Directors and the Association of International Petroleum Negotiators.

Mr Hardcastle is also a non-executive director of Hawkstone Mining Limited (ASX: HWK).

(c) **Mr Stuart Carmichael**

Mr Carmichael is a Chartered Accountant with over 20 years of experience in the provision of corporate advisory services both within Australia and internationally. Mr Carmichael is a principal and director of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate and financial advice to small cap ASX listed companies including

capital raisings, initial public offerings, corporate restructures and mergers and acquisitions.

Mr Carmichael holds a Bachelor of Commerce from the University of Western Australia.

Mr Carmichael is also a non-executive director of De.mem Limited (ASX: DEM).

(d) **Mr Craig Read-Smith**

Mr Read-Smith is an experienced Software Development Manager and Senior Software Engineer/Architect who has significant experience in the design, development and management of software projects in the defence, investment banking and telecommunications industries. Mr Read-Smith has commercial experience in the United States of America, Australia and the United Kingdom and has helped successfully deliver many projects using the latest of technologies.

## **6.16 Board intentions if Completion occurs**

In the event that the conditions precedent to the Acquisition are satisfied (including successful completion of the Capital Raising), the funds raised from the Capital Raising will be used to:

- (a) expand the sales and marketing of the Schrole Connect, Schrole Cover and Schrole Develop product and service offering into further international and domestic schools, other short term employment industries;
- (b) complete the development of Schrole Cover to market for use in other industries;
- (c) meet the ongoing administration costs of the Company;
- (d) pay the costs of the Capital Raising and Acquisition (including repayment of the Loan); and
- (e) otherwise contribute to the working capital of the Company.

It is intended to allocate the funds raised from the Capital Raising and existing cash reserves as set out in Section 6.13 above.

## **6.17 Advantages of the proposals in the Acquisition Resolutions**

The advantages identified by the Independent Expert are:

- (a) the Acquisition is fair;
- (b) Shareholders will own shares in an operating company with greater potential to earn a return for shareholders;
- (c) potential cash injection to the Company;
- (d) incoming director experienced in the industry that the business that will be operating in;
- (e) Schrole is being acquired for initial cash outlay; and

- (f) the issue of Performance Shares aligns the interests of Enerly and the other incoming shareholders.

See section 13.4 of the Independent Expert Report for further information.

## **6.18 Disadvantages of the proposals in the Acquisition Resolutions**

The disadvantages identified by the Independent Expert are:

- (a) limited financial history of profitable performance of Schrole;
- (b) dilution of existing Shareholder's interests; and
- (c) change in operations as a result of the Acquisition may not suit the risk profile of certain existing Shareholders.

See section 13.5 of the Independent Expert Report for further information.

## **6.19 Taxation**

The Acquisition may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Resolutions.

## **6.20 Plans for the Company if the Acquisition Resolutions are not passed or if the Acquisition does not proceed**

If the Acquisition Resolutions are not passed or if the Acquisition is otherwise not completed, the Company will continue to seek potential acquisitions across all industries.

## **6.21 Directors' interests in the Acquisition Agreement**

None of the Company's existing Directors have any interest in the Acquisition pursuant to the Acquisition Agreement, other than those disclosed elsewhere in this Notice.

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# **7. Risks associated with the Acquisition**

This Section identifies the major areas of risk associated with the Acquisition, but should not be taken as an exhaustive list of the risk factors to which the Company and its Security holders are exposed. References to the Company in this Section 7 include Schrole post Completion.

## 7.1 Risks relating to the change in nature and scale of activities

### (a) Reinstatement of Shares to quotation on ASX

The Acquisition constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the Listing Rules as if it were seeking admission to the Official List of ASX.

There is a risk that the Company will not be able to satisfy one or more of those requirements. Should this occur the Company's listed securities may remain suspended from quotation until such time as the Company does re-comply with the Listing Rules.

### (b) Dilution risk

As at the date of the Meeting it is expected that Company will have 123,000,392 Shares on issue (on a pre-consolidated basis). On Completion, the Company proposes to consolidate the existing Shares, issue Shares, Options and Performance Shares as required pursuant to the Acquisition Agreement and issue Shares as part of the Capital Raising.

On issue of the Consideration Securities under the Acquisition and the subscription of Shares under the Capital Raising (assuming maximum subscription under the Capital Raising and no convertible Securities are exercised or converted), the existing Shareholders will retain approximately 0.35% of the issued capital of the Company, the Vendors (or their nominees) will hold 25.9%, and the investors under the Capital Raising will hold 51.7% of the issued capital of the Company on a post-Consolidation basis.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the future development of the Company.

### (c) Liquidity risk

The Company estimates that approximately 221,804,057 Shares, representing 40% of the undiluted issued capital of the Company on a minimum subscription basis, will be subject to escrow restrictions in accordance with Chapter 9 of the Listing Rules. This could be considered an increased liquidity risk as the issued capital will not be able to be traded freely for a period of time.

Following the end of the relevant escrow period, a significant sale of Shares by some or all of the Shareholders or the perception that such sales have occurred or might occur, could adversely affect the price of Shares.

Alternatively, the absence of any sale of Shares by the existing Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

### (d) Contractual and Completion risk

Pursuant to the Acquisition Agreement the Company has agreed to acquire Schrole subject to the fulfilment of certain conditions precedent. If any of the conditions precedent are not satisfied or waived, or any of the counterparties do not comply with their obligations, completion of the Acquisition may be deferred or not occur. Failure to complete the Acquisition would mean the Company may not be able to meet the requirements of ASX for re-quotation

of its Shares, and the Company's listed securities may remain suspended from quotation until such time as the Company does re-comply with the Listing Rules.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Acquisition Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

## **7.2 Specific risks to the Company's operations**

There are a number of specific risks involved for the Company, and consequently its security holders, in the Acquisition of Schrole, including risks specific to the business and assets of Schrole, which include the following non-exhaustive list.

### **(a) Limited operating history of Schrole**

Schrole has a limited operating history for its Schrole Connect, Schrole Cover and Schrole Develop products and services on which to evaluate its business and prospects. Schrole's operations are subject to all of the risks inherent in a recently formed business enterprise. There is the possibility that revenue may be lower and costs may be higher than currently anticipated. The ETAS Group, which provides business to business accredited training, has been operating for 20 years. Schrole has no significant history of operations for Schrole Connect, Schrole Cover and Schrole Develop, which is expected to generate the largest portion of the future business, and there can be no assurance that Schrole will be able to generate or increase revenues from these proposed products or even avoid losses in any future period.

### **(b) Future capital requirements**

Schrole intends to use the net proceeds of the Capital Raising to expand the sales and marketing of the Schrole Connect, Schrole Cover and Schrole Develop product and service offering into further international and domestic schools, other short term employment industries and complete the development of Schrole Cover to market for use in other industries. There is always a risk that the Company will not spend the net proceeds wisely or that it will underestimate the costs associated with the operation and expansion of the Company and Schrole. The Company could spend the net proceeds from the Capital Raising in ways that may be ineffective or with which the Shareholders may not agree.

The Company may require further financing in the future, in addition to amounts raised pursuant to the Capital Raising (particularly if only the Minimum Subscription is met). Any additional equity financing may be dilutive to Shareholders, may be undertaken at lower prices than the current market price (or price of the Capital Raising) or may involve restrictive covenants that limit the Company's operations and business strategy. Debt financing, if available, may involve restrictions on financing and operating activities.

Although the Directors believe that additional capital can be obtained, no assurances can be made that appropriate capital or funding, if and when needed, will be available on terms favourable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and this could have a material

adverse effect on the Company's activities and could affect the Company's ability to continue as a going concern.

**(c) Competition risks**

The international schools recruitment market has a number of companies offering recruitment services. Should any of Schrole's competitors repurpose their databases leading to similarities to the Schrole Connect system or participate more aggressively on price, product, innovation or other means then this could have a material adverse impact on Schrole's financial performance and future prospects of the business. There are already companies providing products that cover the short term relief market in Australia. There is no guarantee that the Company, through Schrole, will be able to gain market share.

Existing competitors may take steps to compete with or hinder the Schrole's plans to market, launch, and commercialise its products and may take steps to cause downward price pressure, thus potentially reducing margins and revenues available to the Company.

While the market for professional development is less developed, other companies may also see the same opportunities and establish a competitive presence offering similar products.

An increase in competition may result in Schrole having to increase its sales and marketing activities or adjust Schrole's pricing model to respond to the increased competition. Schrole may also, from time to time, introduce new and expanded services in order to generate additional revenues, there can be no guarantee that these new businesses will eventuate or be successful.

**(d) Technology risks**

Schrole's business of providing online products relies on the availability, reliability and performance of its technology platforms, communications systems, servers, the internet, hosting services and the cloud-based environment in which it provides its products. Although Schrole has back-up, restoration and recovery procedures in place there is a risk that these systems may be affected by various factors such as damage, faulty or aging equipment, power surges or failures, computer viruses, or misuse by staff or contractors. Other factors such as hacking, denial of service attacks or natural disasters may also adversely affect these systems and cause them to become unavailable. Any significant interruption to Schrole's technology systems or a major loss of data could impair the ability of Schrole to continue to provide its products and/or services.

There is also a risk that Schrole's current information technology and software products may be superseded or displaced in the market by new technology offerings or software, which clients perceive have advantages over the Company's offerings. This could adversely affect Schrole's business and/or require that the Company outlay additional capital to improve Schrole's platforms or software. This could have a material and adverse impact on the Company's financial position and performance.

**(e) Intellectual property risks**

Schrole's business relies on intellectual property of its development software: Schrole Connect and Schrole Cover. There is a risk that if Schrole, or any of the businesses it may partner or invest in, does not own or have licences to

use any of the intellectual property it relies upon, its business could be adversely affected.

The Company may be required to incur significant expenses in monitoring and protecting Schrole's intellectual property rights, in particular its trade secrets and copyright rights. Although no third party has asserted a claim of intellectual property against the Company, others may hold proprietary rights that could prevent the Company's products from being marketed.

Schrole relies on trade secrets to help protect its proprietary know-how. However, trade secrets are difficult to protect. Schrole relies in part on confidentiality agreements with its employees, consultants, contractors and other third parties to protect its trade secrets. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorised disclosure of confidential information. In addition, others may independently discover Schrole's trade secrets and proprietary information. Costly and time-consuming litigation could be necessary to enforce and determine the scope of Schrole's proprietary rights. Failure to obtain or maintain trade secret protection, or failure to adequately protect Schrole's intellectual property could enable competitors to develop generic products or use Schrole proprietary information to develop other products that compete with Schrole's products or cause additional, material adverse effects upon Schrole's business, results of operations and financial condition.

**(f) Brand and reputation**

Maintaining the strength of the Company's reputation is important for attracting potential users to Schrole Connect and Schrole Cover, as well as maintaining relationships with clients through Schrole Develop in the education industries. There is a risk that the actions of any one of the Company's Directors, employees, agents, education institutions or educational professionals may damage the Company's reputation or that unforeseen issues or events may adversely affect the Company's brand and/or reputation. Significant erosion in the reputation of, or value associated with the Schrole's brands, could have an adverse effect on customer loyalty, relationships with key clients, employee retention rates and overall demand on Schrole's products.

**(g) Market and business risks**

The success of the Company is dependent on market growth and acceptance of the Schrole Connect and Schrole Cover technology, training and development products. Factors affecting market acceptance include software development and repurposing costs, sales and hiring prices, marketing and operational aspects of Schrole. Failure to attain sufficient market acceptance will have a material adverse impact on the success and prospects of the Company. There are already competitors marketing technology for relief teachers in Australia and there is no guarantee that the Company will gain significant market share in the domestic relief teacher market.

**(h) Growth risks**

Schrole's software products are at an early start up stage, and as such its future success is modelled on accelerating market growth and acquiring a significant amount of new clients. If Schrole doesn't achieve its expected results, its financial performance could be adversely affected.

(i) **Response to market dynamics**

The inability to respond to developments in recruitment, relief cover, training and development in a timely manner could have an adverse impact on the revenue and operating results of the Company. While the Company is not aware of any other party who is presently developing a product similar to Schrole, this may occur, and that party may be more successful in releasing its competing products to the market. In that event, the release of the competing product could likewise have an adverse impact on the revenue and operating results of the Company.

(j) **Barriers to entering new markets**

As described in Section 6.6(q), Schrole's long term goal is to offer its products and services in numerous overseas markets. The Company's ability to grow and enter these new markets may involve certain barriers to entry from competitors in those overseas markets, different or prohibitive regulatory requirements, further investment in the products to adapt the technology for local market requirements and funding to expand the Company's business operations to these overseas markets.

(k) **Regulatory risks**

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which the Company may operate. Changes to the regulatory environment could have a material effect in a number of ways. For example, changes to legislation involving the imposition of additional reporting or licensing requirements on the Company may increase costs of compliance, and impact the Company's profitability. In addition, change to legislation relating to data security in any relevant market or jurisdiction may impact the way the Company's platform operates or the cost of operation of the platform, and impact the Company's ability to offer certain products or features of products to customers. While the Directors are not aware of any current issues, or any impending regulatory change in relevant markets, there is the potential for any such measures to materially reduce the Company's revenues or increase its costs.

ETAS Group (a subsidiary of Schrole) is a RTO, and is registered by the Training Accreditation Council until August 2019. There is a risk that at the time of re-registration in 2019 ETAS Group could lose the accreditation to deliver courses which would impact on the Company's revenue streams until such time that ETAS Group could be accredited again (if at all).

(l) **Marketing and promotion risks**

Following Completion of the Acquisition, the Company intends to continue with the commercialisation of Schrole's SaaS products and services, including brand development and sales and marketing. By its nature, there is no guarantee that the Company's brand development and sales and marketing campaign will be successful. In the event that it is not, the Company may encounter difficulty in creating market awareness of the brand. This would likely have an adverse impact on the Company's ability to generate revenue.

Even if the Company does successfully commercialise its SaaS products and services, there is a risk the Company will not achieve a commercial return. The Company may not be able to sell products and services to clients at a rate which covers its operating and capital costs, or new technology may overtake the Company's technology.



(m) **Reliance on key personnel**

Schrole has a number of key management personnel, and its future depends on retaining and attracting these and other suitable qualified personnel. Although these individuals have entered into contracts with Schrole, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed, which may adversely affect the business. The Company is also substantially dependent on the continued service of its existing development personnel because of the complexity of its services and technologies. There is no assurance that the Company will be able to retain the services of these persons.

(n) **Protection of personal information and data**

Schrole collects a wide range of personal information from its clients. This information includes (without limitation) personal data, employment history and banking details. The Company's efforts to protect such information may be unsuccessful due to the actions of third parties, software bugs or other technical malfunctions, employee error or other factors.

Allegations of, or actual, unauthorised access or loss of such sensitive data could occur, resulting in a breach of the Company's obligations under applicable laws or regulations. Affected clients or government authorities could initiate legal or regulatory action against the Company in connection with any such breaches. Any such allegations, unauthorised access or breaches of laws or regulations could have an adverse effect on the Company's reputation, future financial position and performance and market position.

(o) **Domain name risk**

Schrole's businesses depend to some extent on customers being attracted to its websites. Schrole has registered several domain names. Should the Company not renew or otherwise lose control of the domain names, it would lose all website traffic direct to that domain. This would likely adversely affect the Company's potential to earn revenue.

(p) **Changes to Privacy Legislation**

The collection, use, storage and disclosure of personal and sensitive information in Australia is governed by the Privacy Act and the Australian Privacy Principles contained in Schedule 1 of the Privacy Act. Any future changes in privacy legislation (including changes to the Privacy Act, Privacy Principles or any other privacy laws in other applicable jurisdictions), or changes in the way privacy laws are interpreted in the future could render Schrole's products, or the way it currently operates, less attractive or contrary to law, which could have a material adverse effect on its business, operations and financial performance, and the price of its Shares.

(q) **Operations in People's Republic of China**

Schrole conducts part of its business in the People's Republic of China (PRC). Accordingly, Schrole's operations in the PRC are dependent on any economic and political developments in the PRC and Schrole's ability to enforce its contracts in the PRC.

Schrole's operations in the PRC are governed by PRC laws and regulations. The PRC has a civil law legal system based on written statutes. Unlike the common

law system, previous court decisions in the PRC may be cited for reference but have limited precedential value. Although the overall effect of legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investments in the PRC, it has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities. In particular because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. Such uncertainties may limit the legal protections available to the Company and its investors.

In addition, the legal system in the PRC is based in part on government policies and certain internal rules, some of which are not published on a timely basis or at all and which may have retroactive effect. As a result, the Company may not be aware of its violation of these policies and internal rules until sometime after the violation. Also, any administrative or court proceedings may be protracted, resulting in substantial costs and diversion of resources and management attention if the Company seeks to enforce its legal rights through administrative or court proceeding. Moreover, compared to more developed legal systems, the PRC administrative and court authorities have significantly wider discretion in interpreting and implementing statutory and contractual provisions. As a result, it may be more difficult to evaluate the outcomes of the administrative and judicial proceedings as well as the level of protections the Company is entitled to. These uncertainties may impede the Company's ability to enforce its contracts, which could in turn materially and adversely affect the Company's business and operations.

**(r) Foreign currency and exchange rate fluctuations**

Schrole conducts business in other jurisdictions and is therefore exposed to the effects of changes in currency exchange rates. Schrole has a policy to undertake all overseas transactions primarily in USD, which is the preferred currency of international schools and many multi-national entities which reduces the risk exposure of foreign exchange fluctuations to a single currency. Schrole maintains USD denominated trading accounts, which may provide access to favourable exchange rates.

Unhedged, unfavourable movements in foreign exchange rates may have an adverse effect on the Company's revenue and/or cost of operating and therefore affect the market price of the Shares.

**(s) Previous revenue streams**

Historically Schrole's revenue has primarily been driven by ETAS Group. However, in line with Schrole's business objectives and strategy, the Company will be focused on Schrole Connect, Schrole Cover and Schrole Develop and, therefore, historic revenues of ETAS Group should be read with that in mind. The Company provides no guarantees or forecasts as to the future revenues.

**(t) Distribution of surplus funds from Aquaint Property**

As detailed in Section 6.1, the Company has executed a binding deed poll in favour of Eligible Shareholders (as at 14 June 2016, which is the date the Deed Administrators were appointed) with respect to any surplus funds that the Company may receive from Aquaint Property. Whilst the Board (on behalf of the Company) has entered into the deed poll, there is no guarantee that the

Board at the time of receipt of any surplus funds will comply with the terms of the deed poll. In such circumstances, there is a risk that any claim made by an Eligible Shareholder against the Company for a breach of the deed poll may not be successful and may not result in any return of surplus funds to an Eligible Shareholder. Eligible Shareholders are cautioned not to rely on the terms of the deed poll (or a potential distribution of surplus funds from the Acquaint Property) when voting on the Acquisition Resolutions.

As detailed in Section 6.1, pursuant to the terms of the Creditor's Trust Deed, the Trustees shall not be obliged to take any action under the Creditor's Trust Deed until such time (if at all) that there are sufficient funds to pay the Administrators' and Trustees' costs and expenses. Acquaint Property which is the subsidiary which holds the majority of the Company groups' assets entered liquidation on 7 November 2016 with the Liquidators. As such the Trustees have no control over the asset realisation process of the subsidiary company and at this time a distribution from Acquaint Property is uncertain. Further, whilst the Company understands that the Liquidators could potentially still progress any re-zoning, Shareholders should be aware that there is no guarantee that the Liquidators will take any action to progress the rezoning of the land and/or any potential distribution from Acquaint Property. Any potential rezoning of the land would require sufficient funding for Acquaint Property. At this time the Company is not aware of any such funding being available to the Liquidators. Shareholders are therefore cautioned not to rely on a potential distribution of surplus funds via Acquaint Property when voting on the Acquisition Resolutions.

### **7.3 General risks**

#### **(a) General economic climate**

Factors such as inflation, currency fluctuations, interest rates, legislative and taxation changes, political decisions and industrial disruption have an impact on operating costs. The Company's future income, asset values and share price can be affected by these factors and, in particular, by exchange rate movements.

#### **(b) Policies and legislation**

Any material adverse changes in government policies or legislation of Australia, or any other country that the Company has economic interests and operations may affect the viability and profitability of the Company.

#### **(c) Negative publicity may adversely affect the Share price**

Any negative publicity or announcement relating to any of the Company's substantial Shareholders, key personnel or activities may adversely affect the stock performance of the Company, whether or not this is justifiable. Examples of such negative publicity or announcements may include involvement in legal or insolvency proceedings, failed attempts in takeovers, joint ventures or other business transactions.

#### **(d) Stock market conditions**

As with all stock market investments, there are risks associated with an investment in the Company. Share prices may rise or fall and the price of Shares might trade below or above the offer price under the Capital Raising. Neither the Company nor the Directors warrant the future performance of the

Company or any return on an investment in the Company. Further, the stock market is prone to price and volume fluctuations. There can be no guarantee that trading prices will be sustained. These factors may materially affect the market price of the Shares, regardless of Company's operational performance.

General factors that may affect the market price of Shares include without limitation economic conditions in both Australia and internationally, investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

(e) **Other industries**

The Company will aim to expand Schrole Cover into other industries where staff must be replaced if they are not available (such as hospitality, aged care, security and hospitals). Any efforts by the Company to enter into a new market space holds the risk that the product offering does not meet the needs or demand of that market. New markets usually cost substantially more to penetrate than a market known to the Company and may result in a diversion of attention and time of the management and technical team. Accordingly, such efforts may have a materially adverse effect on the value and prospectus of the Company.

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## **8. Independent Expert's Report**

The Directors resolved to appoint BDO as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the issue of the Consideration Securities and Loan Shares to Enerly, is fair and reasonable to the existing Shareholders.

This report was prepared to satisfy the requirements of item 7 of section 611 of the Corporations Act. Item 7 of section 611 of the Corporations Act permits a party (and its associates) acquiring a Relevant Interest in more than 20% of the issued share capital of a public company with the approval of that company's shareholders.

Enerly will acquire a Relevant Interest in more than 20% of the issued share capital of the Company if the Acquisition Resolutions are approved and become effective (on a fully diluted basis).

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert concluded that the proposed transaction is fair and reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is attached at Annexure A.

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## **9. Resolution 2 - Consolidation of capital**

## 9.1 General

Resolution 2 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

## 9.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

## 9.3 Fractional entitlements

Not all Security holders will hold that number of Shares (as the case may be) which can be evenly divided by 60. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

## 9.4 Taxation

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Deed Administrators (nor the Deed Administrators' advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

## 9.5 Holding statements

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security holder to check the number of Securities held prior to disposal or exercise (as the case may be).

## 9.6 Effect on capital structure

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the table below. All numbers are subject to rounding. A table of the indicative capital structure of the Company post-completion of the DOCA Proposal is set out in Section 6.2 of this Explanatory Memorandum.

Security	Current	Post-Consolidation
Shares	123,000,392	2,050,007

## 9.7 Consolidation timetable

If Resolution 2 is passed, the Consolidation will take effect following the receipt by the Company of a re-instatement letter from the ASX. The Company will release a timetable in accordance with the ASX Listing Rules following satisfaction of this condition.

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## **10. Resolution 3 - Approval to change in nature and scale of activities**

### **10.1 General**

Resolution 3 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the Acquisition.

A detailed description of the Acquisition is outlined in Section 6.5 above.

Resolution 3 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 3 is an ordinary resolution.

### **10.2 Listing Rule 11.1**

Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and/or scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the Official List of ASX.

ASX has advised that it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under Listing Rule 11.1.2 and pursuant to Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the Listing Rules.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

### **10.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 3.

The Chair intends to exercise all available proxies in favour of Resolution 3.

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## **11. Resolution 4 - Creation of new class of securities: Performance Shares**

### **11.1 Requirements for Shareholder approval**

Resolution 4 seeks Shareholder approval for the Company to be authorised to issue the Performance Shares.

A company with a single class of shares on issue which proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing Shareholders unless the Constitution already provides for such an issue.

Section 246B of the Corporations Act and rule 21.6(a) of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or
- (b) the written consent of the members who are entitled to at least 75% of the votes that may be cast in respect of shares in that class.

Pursuant to the Acquisition Agreement, the Company proposes to issue (amongst other Securities) 290,000,000 Performance Shares, on the terms and conditions set out in Schedule 8.

The purpose of the issue of the Performance Shares is to link part of the consideration for the Acquisition to certain key performance criteria. If the milestones are not achieved within the prescribed timeframe, the Company will redeem the Performance Shares.

The Company currently has only one class of shares on issue being fully paid ordinary shares. The terms of the Performance Shares are not the same as the Shares. Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

Resolution 4 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

### **11.2 ASX Approval pursuant to Listing Rule 6.1**

Listing Rule 6.1 provides that the terms that apply to each class of equity security must, in ASX's opinion, be appropriate and equitable.

The Company has applied to ASX for, and expects to receive, confirmation for the issuance of the Performance Shares required under Listing Rule 6.1.

### **11.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 4.

The Chair intends to exercise all available proxies in favour of Resolution 4.

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## 12. Resolution 5 - Approval to issue Enerly Securities and Loan Shares - Related Party

### 12.1 General

Resolution 5 seeks Shareholder approval under item 7 of section 611 of the Corporations Act and Listing Rule 10.11 for the issue to Enerly (of which incoming Director, Mr Robert Graham is a beneficiary) (or its nominee) of the following Securities (on a post-Consolidation basis):

- (a) 70,363,529 Consideration Shares, 2,975,312 Schrole Options and 280,000,000 Performance Shares as consideration for the acquisition of Enerly's interest in Schrole; and
- (b) 8,000,000 Shares at a deemed issue price of \$0.02 each Shares (**Loan Shares**) as partial repayment (i.e. \$160,000) of a shareholder loan for the amount of \$260,000 that Enerly provided to Schrole (**Loan**),

(together, the **Enerly Securities**).

Resolution 5 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 5 is an ordinary resolution.

Refer to Section 6 for further details regarding the background to Resolution 5.

### 12.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of the Enerly Securities constitutes giving a financial benefit and Enerly is a related party of the Company by virtue of being a proposed Director of the Company, if approved by Shareholders in accordance with Resolution 12.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Enerly Securities because the Acquisition Agreement was negotiated on an arm's length basis.

Accordingly, approval will not be sought under Chapter 2E for the issue of Enerly Securities.

### 12.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.



As the issue of the Enerly Securities involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that exception 6 in ASX Listing Rule 10.12 applies in the current circumstances. That exception provides that a person is a related party by reason only of the transaction which is the reason for the issue of Securities.

Approval pursuant to ASX Listing Rule 7.1 is not required for the issue of the Enerly Securities as approval is being obtained under item 7 section 611 of the Corporations Act. Accordingly, the issue of the Enerly Securities to Enerly (or its nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

## 12.4 Section 611 of the Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a Relevant Interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a 'Relevant Interest'.
- (c) In accordance with section 608 of the Corporations Act a person will have a 'Relevant Interest' in shares if:
  - (i) the person is the registered holder of the shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the shares; or
  - (iii) the person has over 20% of the voting power in a company that has a Relevant Interest in shares, then the person has a Relevant Interest in those shares.
- (d) In accordance with section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:
  - (i) the first person is a body corporate and the second person is:
    - (A) a body corporate the first person controls;
    - (B) a body corporate that controls the first person; or
    - (C) a body corporate that is controlled by an entity that controls the first person;
  - (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and/or

- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.
- (e) Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders may approve an issue of shares to a person which would otherwise be prohibited pursuant to section 606 of the Corporations Act.
- (f) As at the date of this Notice, Enerly currently holds no Securities in the Company.
- (g) Under the terms of the Acquisition Agreement, subject to the receipt of the requisite Shareholder approvals, Enerly or its nominee will be issued with up to 78,363,529 Shares, 2,975,312 Schrole Options and 280,000,000 Performance Shares.
- (h) Assuming the requisite Shareholder approvals are received, the minimum Shares are issued under the Capital Raising and all convertible Securities are converted, Enerly and its associates will have a voting power of 34.2% upon Completion and up to 42.4% if the Performance Shares are converted and no Options are exercised.
- (i) Without Shareholder approval, Enerly would be precluded by section 606(1)(c) of the Corporations Act from acquiring the Enerly Securities.
- (j) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in this Explanatory Memorandum to Shareholders in relation to Resolution 5.

## **12.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74**

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

- (a) **The identity of the parties to be issued the Enerly Securities and their associates**  
  
It is proposed that the Enerly Securities will be issued to Enerly (or its nominee), an associate of Mr Robert Graham (a proposed Director of the Company).  
  
Mr Graham and his associates currently hold no Shares in the Company.
- (b) **The maximum extent of the increase in Mr Graham's voting power in the Company**  
  
Refer to Section 6.12 for full particulars (including the number and percentage) of the Shares in which Mr Graham will have a Relevant Interest immediately before and after the issue, the maximum extent of Mr Graham's voting power in the Company and for factors which may change Mr Graham's voting power in the Company.
- (c) **The voting power Mr Graham would have as a result of the issue of the Securities as contemplated by Resolution 5**

Refer to Section 6.12.

- (d) **The maximum extent of the increase in the voting power of each of Mr Graham's associates that would result from the issue of the Securities as contemplated by Resolution 5**

None of Mr Graham's associates' voting power will increase as a result of the issue of the Enerly Securities.

- (e) **The voting power that each of Mr Graham's associates would have as a result of the issue of the Securities as contemplated by Resolution 5**

Mr Graham's associates' will not hold any voting power in the Company following the issue of the Enerly Securities.

- (f) **An explanation of the reasons for the Acquisition**

A detailed summary of the Acquisition, including the advantages and disadvantages of the Acquisition, is provided in Sections 6.17 and 6.18.

- (g) **When the Acquisition is to occur**

Subject to the passing of the Acquisition Resolutions, the Enerly Securities are proposed to be issued at Completion. The Company intends that Completion will occur on or about 25 September 2017.

- (h) **Details of the terms of any other relevant agreement between Mr Graham and the Company (or any of his associates) that is conditional on approval of Resolution 5**

The Acquisition Agreement. Details of the Acquisition Agreement are set out in Section 6.8.

- (i) **Mr Graham's intentions regarding the future of the Company if the Acquisition is completed**

This Section sets out Mr Graham's intentions in relation to the Company if the Acquisition proceeds.

The intentions of Mr Graham detailed in this Section are based on information concerning the Company, its business and the business environment which is known to Mr Graham at the date of this Notice, which is limited to the publicly available information and a due diligence review of certain non-public material provided to Mr Graham by the Company.

Other than as set out above or elsewhere in this Explanatory Memorandum, Mr Graham (each on a post-Consolidation basis):

- (i) has no intention to change the business of the Company (except in relation to the Acquisition of Schrole);
- (ii) has no current intention to inject further capital into the Company;
- (iii) has no intention to change the future employment of the present employees of the Company other than the intended changes to management of the Company set out in Section 6.15 above;

- (iv) has no intention to otherwise redeploy the fixed assets of the Company; and
  - (v) has no current intention to change to the Company's existing financial or dividend distribution policies.
- (j) **The interest that any Director has in the issue of the Securities contemplated by Resolution 6 or the contract referred to in Section 12.5(h) above**
- None of the Directors have an interest in Resolution 5 or the contract referred to in Section 12.5(h) above.
- (k) **Details about any person who is intended to become a Director if Shareholders approve the Acquisition**
- Mr Graham, Mr Hardcastle, Mr Carmichael and Mr Read-Smith have agreed to be appointed as Directors on and from Completion.
- Refer to Section 6.15 above for information on the qualifications and relevant professional or commercial experience of each of these proposed Directors.
- (l) **Recommendation of each Director as to whether Shareholders should approve the Acquisition**
- The Board unanimously recommends that Shareholders vote in favour of each of the Acquisition Resolutions.
- (m) **An analysis of whether the proposed allotment of Shares to Mr Graham is fair and reasonable when considered in the context of the Shareholders other than Mr Graham and his associates**
- Refer to Section 7.3(a) and Annexure A.
- (n) **Additional information**
- Neither Mr Graham nor his associates or the Company is aware of any other information that may be relevant to Shareholders' decision whether or not to vote in favour of Resolution 5.

## **12.6 Independent Expert's Report**

As noted in Section 7.3(a), BDO was appointed to prepare an opinion as to whether or not the proposal in Resolution 5 is fair and reasonable to the existing Shareholders.

The Independent Expert has concluded that the proposed transaction is fair and reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in the Annexure.

## **12.7 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 5.

The Chair intends to exercise all available proxies in favour of Resolution 5.

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## **13. Resolution 6 - Approval to issue Consideration Shares and Schrole Options - Unrelated Vendors**

### **13.1 General**

Resolution 6 seeks Shareholder approval for the issue of the following Securities (on a post-Consolidation basis) to the Unrelated Vendors:

- (a) 79,636,471 Consideration Shares; and
- (b) 94,024,688 Schrole Options.

The effect of Resolution 6 will be to allow the Directors to issue the Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

### **13.2 Application of Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The Shares to be issued pursuant to this Resolution 6 will be issued such that no individual Vendor or their associates will hold more than 19.9% of the Shares on issue, other than the issue of the Enerly Securities to Enerly (or its nominee) for which separate Shareholder approval is sought pursuant to Resolution 5.

### **13.3 Technical Information Required by Listing Rule 7.3**

The following information is provided in relation to the proposed issue of Securities to the Unrelated Vendors pursuant to and in accordance with Listing Rule 7.3:

- (a) the maximum number of Unrelated Vendors' Securities to be issued at Completion is:
  - (i) 79,636,471 Shares; and
  - (ii) 94,024,688 Schrole Options,
- (b) the Securities will be issued for nil cash consideration in satisfaction of the acquisition of the Unrelated Vendors' interest in Schrole pursuant to the Acquisition;
- (c) the Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the Securities will be issued to the Unrelated Vendors who are not a related parties of the Company;
- (e) the Securities are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) the Schrole Options issued as part of the Unrelated Vendors' Securities will be issued on the terms and conditions set out in Schedule 3;

- (g) no funds will be raised from the issue of the Unrelated Vendors' Securities as they are to be issued in consideration for the Unrelated Vendor's shares in Schrole; and
- (h) a voting exclusion statement is included in the Notice.

#### **13.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 6.

The Chair intends to exercise all available proxies in favour of Resolution 6.

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## **14. Resolution 7 - Approval to issue Performance Shares - Unrelated Majority Vendors**

### **14.1 General**

Resolution 7 seeks Shareholder approval for the issue of 10,000,000 Performance Shares (on a post-Consolidation basis) to the Unrelated Majority Vendors as consideration for cancellation of the performance shares the Unrelated Majority Vendors hold in Schrole in accordance with the Acquisition Agreement.

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of Resolution 7 will be to allow the Directors to issue the Performance Shares during the period of 3 months after the Annual General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

### **14.2 Technical Information Required by Listing Rule 7.3**

The following information is provided in relation to the proposed issue of the Performance Shares to the Unrelated Majority Vendors pursuant to and in accordance with Listing Rule 7.3:

- (a) the maximum number of Performance Shares to be issued is 10,000,000 Performance Shares;
- (b) the Performance Shares will be issued for nil cash consideration in satisfaction of the cancellation of the Unrelated Majority Vendors' performance shares in Schrole;
- (c) the Performance Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that allotment will occur on the same date;
- (d) the Performance Shares will be issued to the Unrelated Majority Vendors who are not a related parties of the Company;
- (e) the Performance Shares will be issued on the terms and conditions set out in Schedule 8;
- (f) no funds will be raised from the issue of the Performance Shares as they are to be issued in consideration for the cancellation of the Unrelated Majority Vendors' performance shares in Schrole; and
- (g) a voting exclusion statement is included in the Notice.

### **14.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 7.

The Chair intends to exercise all available proxies in favour of Resolution 7.

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## **15. Resolution 8 - Approval to issue Capital Raising Shares**

### **15.1 General**

Resolution 8 seeks Shareholder approval for the issue of up to 300,000,000 Capital Raising Shares (on a post-Consolidation basis) at an issue price of \$0.02 each to raise up to \$6,000,000 (before costs) under the Capital Raising.

The Capital Raising Shares will be issued under a Prospectus to be issued by the Company in order to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company has applied to ASX for, and expects to receive, a waiver from Listing Rule 2.1 condition 2 to permit the issue price of the Capital Raising Shares to be \$0.02 each.

Resolution 8 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 8 is an ordinary resolution.

### **15.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of Resolution 8 will be to allow the Company to issue the Capital Raising Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% placement capacity.

### **15.3 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued as Capital Raising Shares is 300,000,000;
- (b) the Capital Raising Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Capital Raising Shares will be \$0.02 per Share;
- (d) the Capital Raising Shares are proposed to be issued at the Board's discretion in consultation with the proposed Directors pursuant to a public offer via a Prospectus for the purpose of Listing Rule 1.1 condition 3;
- (e) the Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (f) the Company's intended use of the funds raised from the issue of the Capital Raising Shares is set out in Section 6.13 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

#### **15.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 8.

The Chair intends to exercise all available proxies in favour of Resolution 8.

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## **16. Resolution 9 - Approval to issue the Facilitator Securities**

### **16.1 General**

Resolution 9 seeks Shareholder approval for the issue of the following Securities (on a post-Consolidation basis) to Xcel Capital (or its nominee) on Completion in lieu of corporate advisory, DOCA recapitalisation and advisory fees for their services in relation to the Acquisition:

- (a) 80,000,000 Shares; and
  - (b) 25,000,000 Facilitator Options,
- (together, the **Facilitator Securities**).

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of Resolution 9 will be to allow the Company to issue the Facilitator Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Facilitator Securities will be subject to any trading restrictions required by the Listing Rules and are expected to be restricted for a period of two years from the date that the Company is re-admitted to ASX.

Resolution 9 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 9 is an ordinary Resolution.

### **16.2 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Facilitator Securities the subject of Resolution 9:

- (a) the maximum number of Securities to be issued as part of the Facilitator Securities to the Facilitator is as follows:
  - (i) 80,000,000 Shares; and
  - (ii) 25,000,000 Facilitator Options,



- (b) the Facilitator Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of all of the Securities will occur on the same date;
- (c) the Facilitator Securities will be issued for nil cash consideration in satisfaction of services provided by Xcel Capital who have assisted, or will assist, the Company with the Acquisition;
- (d) the Facilitator Securities will be issued to Xcel Capital (or its nominee), who is not a related party of the Company;
- (e) the Shares to be issued as part of the Facilitator Securities will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Facilitator Options will be issued on the terms and conditions set out in Schedule 4; and
- (g) no funds will be raised from the proposed issue as the Facilitator Securities, are proposed to be issued in satisfaction of services provided by Xcel Capital.

### **16.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 9.

The Chair intends to exercise all available proxies in favour of Resolution 9.

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## **17. Resolution 10 - Approval to issue the Adviser Shares**

### **17.1 General**

Resolution 10 seeks Shareholder approval for the issue of 15,000,000 Shares (on a post-Consolidation basis) to Alto Capital (or its nominee) on Completion in lieu of success fees in relation to the Acquisition.

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of Resolution 10 will be to allow the Company to issue the Adviser Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Adviser Shares will be subject to any trading restrictions required by the Listing Rules and are expected to be restricted for a period of two years from the date that the Company is re-admitted to ASX.

Resolution 10 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 10 is an ordinary Resolution.

### **17.2 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Adviser Shares the subject of Resolution 10:

- (a) the maximum number of Shares to be issued is 15,000,000;

- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue of all of the Securities will occur on the same date;
- (c) the Shares will be issued for nil cash in lieu of success fees in relation to the Acquisition;
- (d) the Shares will be issued to Alto Capital (or its nominees), who are not related parties of the Company;
- (e) the Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the proposed issue as the Adviser Shares, are proposed to be issued to Alto Capital in lieu of success fees in relation to the Acquisition.

### **17.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 10.

The Chair intends to exercise all available proxies in favour of Resolution 10.

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## **18. Resolution 11 - Approval to issue the Adviser Options**

### **18.1 General**

Resolution 11 seeks Shareholder approval for the issue of 50,000,000 Adviser Options (on a post-Consolidation basis) to those parties that participate in the Capital Raising as nominated by Xcel Capital on Completion of the Acquisition.

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of Resolution 11 will be to allow the Company to issue the Adviser Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Adviser Options will be subject to any trading restrictions required by the Listing Rules and are expected to be restricted for a period of two years from the date that the Company is re-admitted to ASX.

Resolution 11 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 11 is an ordinary Resolution.

### **18.2 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Adviser Options the subject of Resolution 11:

- (a) the maximum number of Adviser Options to be issued is 50,000,000;
- (b) the Adviser Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or

modification of the Listing Rules) and it is intended that issue of all of the Securities will occur on the same date;

- (c) the Adviser Options will be issued for nil cash consideration in lieu of advisory services;
- (d) the Adviser Options will be issued to parties nominated by Xcel Capital, who is not a related party of the Company;
- (e) the Adviser Options will be issued on the terms and conditions set out in Schedule 5; and
- (f) no funds will be raised from the proposed issue as the Adviser Options, are proposed to be issued in lieu of advisory services.

### **18.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 11.

The Chair intends to exercise all available proxies in favour of Resolution 11.

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## **19. Resolutions 12 to 15 - Election of Directors - Mr Graham, Mr Hardcastle, Mr Carmichael and Mr Read-Smith**

Rule 3.4 of the Company's Constitution allows the Company to elect a person or persons as a Director by resolution passed in general meeting.

Rule 3.5 of the Company's Constitution provides that a person is not eligible for election as a Director at a general meeting unless:

- (a) the person is a director retiring by rotation;
- (b) the Board recommends the appointment; or
- (c) the person, or some Shareholder intending to propose his or her nomination has, more than 35 Business Days before the meeting, left at the registered office of the Company a notice in writing duly signed by the nominee giving his or her consent to the nomination and signifying his or her candidature for the office or the intention of the Shareholder to propose the person.

Notice of every candidature for election as a Director shall be given to each Shareholder not less than 7 days before the meeting at which the election is to take place.

Pursuant to the Acquisition Agreement, at Completion it is proposed that Mr Graham, Mr Hardcastle, Mr Carmichael and Mr Read-Smith each be appointed as a Director.

Resolution 12 seeks approval for the election of Mr Graham as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. He will be appointed as Managing Director.

Resolutions 13 seeks approval for the election of Mr Hardcastle as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. He will be appointed as a Non-Executive Director.

Resolution 14 seeks approval for the election of Mr Carmichael as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. He will be appointed as a Non-Executive Director.

Resolution 15 seeks approval for the election of Mr Read-Smith as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. He will be appointed as a Non-Executive Director.

Please refer Section 6.15 for information on the qualifications, skills and experience of Mr Graham, Mr Hardcastle, Mr Carmichael and Mr Read-Smith respectively.

Resolutions 12 to 15 are Acquisition Resolutions and subject to Shareholders passing each of the Acquisition Resolutions.

Resolutions 12 to 15 are ordinary resolutions.

## 19.2 Board recommendation

The Board recommends that Shareholders vote in favour of Resolutions 12 to 15.

The Chair intends to exercise all available proxies in favour of Resolutions 12 to 15.

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## 20. Resolution 16 - Approval to issue Director Options

### 20.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue a total of 14,000,000 Director Options to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their respective nominees) as follows:

- (a) 6,000,000 Options (comprising of 3,000,000 Tranche 1 Director Options and 3,000,000 Tranche 2 Director Options) to Mr Carmichael (or his nominee);
- (b) 4,000,000 Options (comprising of 2,000,000 Tranche 1 Director Options and 2,000,000 Tranche 2 Director Options) to Mr Hardcastle (or his nominee); and
- (c) 4,000,000 Options (comprising of 2,000,000 Tranche 1 Director Options and 2,000,000 Tranche 2 Director Options) to Mr Read-Smith (or his nominee).

The Tranche 1 Director Options will be issued for nil consideration, exercisable at \$0.03 each and expiring on or before the date that is 3 years after the date of issue (**Tranche 1 Director Options**). The Tranche 2 Director Options will be issued for nil consideration, exercisable at \$0.04 (vesting only if the 10 day VWAP of the Company's shares is \$0.04 or more), and expiring on or before the date that is 3 years after the date of issue (**Tranche 2 Director Options**). The full terms and conditions of the Director Options are detailed in Schedule 6.

Resolution 16 seeks Shareholder approval for the issue of Director Options under the Company's Employee Incentive Scheme to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their nominees). Shareholder approval is required under Listing Rule 10.14 where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director (or associate of a director), being a related party of the entity.

Resolution 16 is subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 16 is an ordinary Resolution.

The Company has applied to ASX for, and expects to receive, a waiver from Listing Rule 1.1 condition 12 to permit the exercise price of the Director Options to be less than \$0.20.

## **20.2 Chapter 2E of the Corporations Act and Listing Rule 10.14**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must obtain Shareholder approval unless the giving of the financial benefit falls within an exception in sections 210 to 216 of the Corporations Act.

Each of Mr Carmichael, Mr Hardcastle and Mr Read-Smith is a related party of the Company by virtue of being a Director or proposed Director.

The current Directors have considered the application of Chapter 2E of the Corporations Act and has resolved that the reasonable remuneration exception provided by section 211 of the Corporations Act is applicable in the circumstances. Accordingly, the Company will not seek approval for the issue of the Director Options pursuant to Section 208 of the Corporations Act.

## **20.3 Technical information required by Listing Rule 10.15**

Pursuant to and in accordance with Listing Rule 10.15, the following information is provided in relation to the issue of the Director Options to the Directors:

- (a) the Director Options will be issued to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their nominees);
- (b) the maximum number of Directors Options to be issued to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their respective nominees) is 14,000,000 Director Options as follows:
  - (i) 6,000,000 Options to Mr Carmichael (or his nominee);
  - (ii) 4,000,000 Options to Mr Hardcastle (or his nominee); and
  - (iii) 4,000,000 Options to Mr Read-Smith (or his nominee);
- (c) no Securities have previously been issued under the Scheme nor has the Scheme previously been adopted by Shareholders;
- (d) the Director Options will be issued to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their respective nominees) no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Options will be issued on one date (being the same date that the Capital Raising Shares are issued);
- (e) the Director Options are being issued to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their respective nominees) for nil cash consideration and otherwise on the terms and conditions set out in Schedule 6;
- (f) no loans will be made in relation to, and no funds will be raised from the issue of the Director Options; and
- (g) a voting exclusion statement is included in the Notice.

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## 21. Resolution 17 - Approval of issue of Shares and Attaching Options upon conversion of Convertible Notes

### 21.1 General

Schrole currently has convertible notes on issue for approximately \$500,000 (excluding interest) (**Convertible Notes**). The conversion of the Convertible Notes forms part and is a condition of the Acquisition. Resolution 17 seeks Shareholder approval for the issue of the following Securities (on a post-Consolidation basis) to the Schrole Noteholders for the conversion of the Convertible Notes:

- (a) 25,000,000 Shares at a deemed conversion \$0.02 per Share upon conversion of the Convertible Notes; and
- (b) 25,000,000 Attaching Options.

A summary of Listing Rule 7.1 is set out in Section 13.2 above.

The effect of this Resolution will be to allow the Company to issue the Shares upon conversion of the Convertible Notes during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 17 is an Acquisition Resolution and is subject to Shareholders passing each of the Acquisition Resolutions.

### 21.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the conversion of the Convertible Notes:

- (a) the maximum number of Securities to be issued in respect of the conversion of the Convertible Notes (on a post-Consolidation basis) is as follows and any interest will be paid out of the proceeds of the Capital Raising:
  - (i) 25,000,000 Shares; and
  - (ii) 25,000,000 Attaching Options,
- (b) the Shares and Attaching Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Securities will occur on the same date;
- (c) the Shares will be issued upon conversion of the Convertible Notes for nil cash consideration at a deemed issue price of \$0.02 each, and accordingly no funds will be raised;
- (d) the Attaching Options are free attaching to the Shares to be issued upon conversion of the Convertible Notes, and accordingly no funds will be raised;
- (e) the Shares and Attaching Options will be issued to the Schrole Noteholders, none of whom are related parties of the Company;
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

- (g) the Attaching Options will be issued on the terms and conditions set out in Schedule 7; and
- (h) the funds raised from the Convertible Loan have been applied towards the development of Schrole's business. No funds will be raised from the issue of Shares pursuant to the Conversion as the Securities will be issued in conversion of the Convertible Notes and part of the Acquisition.

### 21.3 Board recommendation

The Board recommends that Shareholders vote in favour of Resolution 17.

Resolution 17 is an ordinary Resolution.

The Chair intends to exercise all available proxies in favour of Resolution 17.

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## 22. Resolution 18 - Non-Executive Directors' Remuneration

Listing Rule 10.17 provides that an entity must not increase the total aggregate amount of directors' fees payable to all of its non-executive directors without the approval of holders of its ordinary securities.

Rule 9.2 of the Constitution also requires that remuneration payable to the non-executive Directors will not exceed the sum determined by the Company in general meeting, from time to time.

The maximum aggregate amount of fees payable to all of the non-executive Directors is currently set at \$108,000. This level was set by the Board prior to the Company's listing on ASX in 2013 and has not been increased.

This amount includes superannuation contributions made by the Company for the benefit of non-executive Directors and any fees which a non-executive Director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out of pocket expenses, genuine "special exertion" fees paid in accordance with the Constitution, or securities issued to a non-executive Director under Listing Rules 10.11 or 10.14 with approval of Shareholders.

The maximum aggregate amount of fees proposed to be paid to the non-executive Directors per annum has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

The proposed limit is requested to ensure that the Company:

- (a) maintains its capacity to remunerate both existing and any new non-executive Directors joining the Board;
- (b) remunerates its non-executive Directors appropriately for the expectations placed upon them both by the Company and the regulatory environment in which it operates; and
- (c) has the ability to attract and retain non-executive Directors whose skills and qualifications are appropriate for a company of the size and nature of the Company.

The Company has been in administration since 14 June 2016 and the Company's operations were suspended by the Administrators. As a result, the Company does not

have adequate information for the year ended 31 December 2016 with respect to the remuneration of the non-executive Directors as required under Listing Rule 10.17.

No Securities have been issued to the non-executive Directors, or their nominees, the under Listing Rules 10.11 and 10.14 with Shareholder approval within the past 3 years.

Given the interest of the non-executive Directors in this Resolution, the Board makes no recommendation to Shareholders regarding this Resolution.

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## **23. Resolution 19 - Participation in Capital Raising by related parties**

### **23.1 General**

Pursuant to Resolution 8 the Company is seeking Shareholder approval for the Capital Raising, being the issue of up to 300,000,000 Capital Raising Shares (on a post-Consolidation basis) to raise up to \$6,000,000 before costs.

Mr Shaun Hardcastle and Mr Stuart Carmichael (the **Related Party Participants**) each may wish to participate in the Capital Raising, subject to shareholder approval being obtained.

Resolution 19 seeks Shareholder approval for the issue of up to a total of 1,500,000 Shares (on a post-Consolidation basis) to the Related Party Participants (or their nominees) arising from the participation by the Related Party Participants in the Capital Raising (**Participation**).

Resolution 19 is an ordinary resolution.

### **23.2 Chapter 2E of the Corporations Act and Listing Rule 10.11**

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to Related Party Participants on the same terms as Shares issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

As the Participation involves the issue of Shares to related parties of the Company, Shareholder approval pursuant to Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances.



Approval pursuant to Listing Rule 7.1 is not required for the Participation as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Shares to the Related Party Participants (or their nominees) will not be included in the use of the Company's 15% placement capacity pursuant to Listing Rule 7.1.

### **23.3 Technical information required by Listing Rule 10.13**

Pursuant to and in accordance with Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Capital Raising Shares will be issued to Mr Hardcastle and Mr Stuart Carmichael (or their nominees);
- (b) the maximum number of Capital Raising Shares to be issued to the Related Party Participants is as follows:
  - (i) up to 1,000,000 Shares to Mr Hardcastle (or his nominee); and
  - (ii) up to 500,000 Shares to Mr Carmichael (or his nominee);
- (c) the Capital Raising Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (d) Mr Hardcastle and Mr Carmichael are proposed Directors and therefore a related party of the Company;
- (e) the issue price of the Capital raising Shares will be \$0.02 per Share, being the same as all other Shares issued under the Capital Raising;
- (f) the Capital Raising Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (g) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in Section 6.13 of this Explanatory Statement.

### **23.4 Section 195**

Section 195 of the Corporations Act essentially provides that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a 'material personal interest' are being considered.

Some of the Directors may have a material personal interest in the outcome of Resolution 19.

The Directors have accordingly exercised their right under section 195(4) of the Corporations Act to put the issue to Shareholders to resolve upon.

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## **24. Resolution 20 - Approval to change Company name**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 20 seeks the approval of Shareholders for the Company to change its name to "Schrole Group Ltd".

If Resolution 20 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 20 is an Acquisition Resolution and subject to Shareholders passing each of the Acquisition Resolutions.

Resolution 20 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

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## **25. Resolution 21 - Approval of Employee Incentive Scheme**

### **25.1 General**

The Company considers that it is desirable to maintain a securities incentive plan pursuant to which the Company can issue Securities to eligible Directors, employees and consultants in order to attract, motivate and retain such persons and to provide them with an incentive to deliver growth and value to all Shareholders.

Accordingly, Resolution 21 seeks Shareholders' approval for the adoption of the employee securities plan titled 'Schrole Group Ltd Employee Incentive Scheme' (**Scheme**) in accordance with Listing Rule 7.2 (Exception 9(b)).

Under the Scheme, the Board may offer to eligible persons the opportunity to subscribe for such number of Securities in the Company as the Board may decide and on the terms set out in the rules of the Scheme, a summary of which is set out at Schedule 9.

In addition, a copy of the Scheme is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Scheme can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

### **25.2 Application of Listing Rule 7.1**

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

### **25.3 Listing Rule 7.2, Exception 9(b)**

Listing Rule 7.2, Exception 9(b) provides an exception to Listing Rule 7.1 by which Equity Securities issued under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of Equity Securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 21 is passed, the Company will be able to issue Equity Securities under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

No Equity Securities have been issued under the current Plan as it is a new employee incentive scheme and has not previously been approved by Shareholders.

Prior Shareholder approval will be required under Listing Rule 10.14 before any Director or related party of the Company can participate in the Plan.

Pursuant to the Listing Rules, Shareholders must re-approve the Plan and all unissued Securities issuable pursuant thereto every 3 years.

#### **25.4 Board recommendation**

Resolution 21 is an ordinary resolution.

The Chair will cast all available proxies in favour of Resolution 21.

The Board unanimously recommends that Shareholders vote in favour of Resolution 21.

## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**\$** means Australian Dollars.

**Acquisition** means the acquisition by the Company of Schrole in accordance with the Acquisition Agreement and is referred to in Section 6.5.

**Acquisition Agreement** means the agreement described in Section 6.8 dated on or around 12 June 2017 (as amended).

**Acquisition Resolutions** means Resolutions 2 to 18 (inclusive), 20 and 21.

**Adviser Option** means an Option the subject of Resolution 11, which have the terms and conditions set out in Schedule 5.

**Adviser Shares** means the Shares proposed to be issued under Resolution 10.

**Agency Agreement** has the meaning given in Section 6.6(r)(iii).

**Alto Capital** means ACNS Capital Markets Pty Ltd ATF the ACNS Unit Trust trading as Alto Capital.

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 31 December 2016.

**Aquaint Property** has the meaning given in Section 6.1.

**ASX** means the ASX Limited ABN 98 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASIC** means the Australian Securities and Investments Commission.

**Attaching Options** means an Option the subject of Resolution 17, which has the terms and conditions set out in Schedule 6.

**Auditor's Report** means the auditor's report on the Financial Report.

**BDO** means BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045.

**Board** means the board of Directors of the Company.

**Business Day** means a day that is not a Saturday, Sunday or public holiday in Western Australia.

**Business Units** has the meaning given in Section 6.6.

**Capital Raising** means the offer of up to 300,000,000 Shares with an issue price of \$0.02 per share to raise up to \$6,000,000 as detailed in Section 15.

**Capital Raising Shares** means the Shares proposed to be issued under the Capital Raising.

**Chair** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Aquaint Capital Holdings Limited (to be renamed “Schrole Group Ltd”) (Subject to Deed of Company Arrangement) ACN 164 440 859.

**Completion** means completion of the Acquisition in accordance with the Acquisition Agreement.

**Consideration Securities** means the Consideration Shares and Performance Shares.

**Consideration Shares** means the 150,000,000 Shares proposed to be issued the Vendors (or their nominees) as part consideration for the Acquisition and which are the subject of Resolutions 6 and 7.

**Consolidation** means the proposed 60 for 1 consolidation of the Company's Securities as set out in Resolution 3.

**Constitution** means the constitution of the Company as at the date of the Meeting.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**CPS Capital** has the meaning given in Section 6.1.

**Creditors** means any creditor whose claim against the Company is admitted by the Trustee under the Creditors' Trust Deed.

**Creditors' Report** has the meaning given in Section 6.1.

**Creditors' Trust** means the creditors' trust established under the Creditors' Trust Deed.

**Creditors' Trust Deed** means the trust deed to be entered into by the Deed Administrators as Trustee, pursuant to the terms of the DOCA, for and on behalf of the Company's creditors.

**Deed Administrators** or **Administrators** means Mr Samuel John Freeman and Mr Adams Pauls Nikitins in their capacity as joint and several administrators of the DOCA.

**Deposit** has the meaning given in Section 6.2(b).

**Director** means a director of the Company.

**Director Appointments** means the proposed appointments of directors nominated by Xcel Capital, Alto Capital and Schrole to the Board, which are the subject of Resolutions 12 to 15.

**Director Options** means the up to 14,000,000 Options to be issued to Mr Carmichael, Mr Hardcastle and Mr Read-Smith (or their respective nominees) and which are the subject of Resolution 16 and the terms and conditions in Schedule 6.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**DOCA** means the deed of company arrangement in respect of the Company that was executed on 9 September 2016 and is referred to in Section 6.1.

**DOCA Proposal** is detailed in Section 6.2.

**DOCA Payment** has the meaning given in Section 6.2(b).

**Enerly** means Enerly Pty Ltd ACN 081 624 231 as trustee for the Stronada Trust.

**Enerly Securities** has the meaning given in Resolution 5.

**Equity Security** has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

**ETAS Group** has the meaning given in Section 6.6.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Facilitator Option** means an Option the subject of Resolution 10, which have the terms and conditions set out in Schedule 4.

**Facilitator Securities** means the 80,000,000 Shares and 25,000,000 Facilitator Options proposed to be issued to Xcel Capital (or its nominee) and which are the subject of Resolution 9.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Independent Expert** means BDO.

**ISC** means The International Schools Consultancy of Faringdon, Oxfordshire, SN7 7YR UK.

**Joint Lead Manager** has the meaning given in Section 6.6(r)(ii).

**Joint Lead Manager Mandate** has the meaning given in Section 6.6(r)(ii).

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

**Listing Rules** means the listing rules of ASX.

**Loan** has the meaning given in Section 12.1(b).

**Loan Shares** has the meaning given in Section 12.1(b).

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of annual general meeting.

**Official List** means the official list of ASX.

**Option** means an option to acquire a Share.

**Optionholder** means the holder of an Option.

**Participation** has the meaning given in Section 23.1.

**Performance Share** means a performance share in the Company with the terms and conditions set out in Schedule 8, and which (along with the Consideration Shares) are the subject of Resolutions 6 and 7.

**Privacy Act** means *Privacy Act 1988* (Cth).

**Prospectus** means the prospectus proposed to be issued by the Company in relation to the Capital Raising.

**Proxy Form** means the proxy form attached to the Notice.

**Quotation Date** means the date the Company's Securities re-commence quotation on the ASX following the Acquisition and the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

**Recapitalisation Payment** has the meaning given in Section 6.2(b).

**Related Party Participants** has the meaning given in Section 23.1.

**Related Party Vendor** means Enerly.

**Relevant Interest** has the meaning given in section 608 of the Corporations Act.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**RTO** has the meaning given in Section 6.6(c).

**SaaS** means software as a service.

**Schedule** means a schedule to the Notice.

**Scheme** has the meaning given in Section 25.1.

**Schrole** means Schrole Operations Ltd ACN 131 115 878 (formerly "Schrole Group Ltd").

**Schrole Noteholders** means the noteholders of Schrole at the date of this Notice.

**Schrole Options** means the 97,000,000 Options to be issued to the Vendors, which have the terms and conditions set out in Schedule 3.

**Section** means a section of the Explanatory Memorandum.

**Secured Creditor** means Kings Park Corporate Lawyers Pty Ltd ACN 153 331 867.

**Securities** means all Equity Securities of the Company, including Shares, Options and Performance Shares.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**SPL** has the meaning given in Section 6.6.

**Strike** has the meaning given in Section 4.

**Tranche 1 Director Options** means the tranche 1 Director Options detailed in Section 20.1 and Schedule 6.

**Tranche 2 Director Options** means the tranche 1 Director Options detailed in Section 20.1 and Schedule 6.

**Trustees** means Mr Samuel John Freeman and Mr Adam Paul Nikitins.

**Turnbull** has the meaning given in Section 6.6(r).

**Unrelated Majority Vendors** means Morven Ann Smith as trustee for the Rossdhu Family Trust and Leonie Debnam.

**Unrelated Vendor** means the Vendors, excluding Enerly.

**Vendors** means all the shareholders and optionholders of Schrole.

**VWAP** means volume weighted average price.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

**Xcel Capital** means Xcel Capital Pty Ltd ACN 617 047 319.

**Xcel Capital Mandate** has the meaning given in Section 6.6(r)(iii).



## Schedule 2 - Pro forma Balance Sheet

Set out below is the reviewed balance sheet (statement of financial position) of the Company as at 31 December 2016:

Company	Schrole Group Ltd Consolidated	Adjustment	Adjustment	Minimum Capital Raising \$5.5M Subscription (net of Costs)	Minimum Pro- forma as at 31 Dec 2016	Maximum Capital Raising \$6M Subscription (net of Costs)	Maximum Pro- forma as at 31 Dec 2016
Audited as at 31 December 2016	Audited Accounts 31 December 2016	Note 1 & 2	Note 5, a-d	Note 3, 4, 6 & 7		Note 3, 4, 6 & 7	
AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
<b>Current Assets</b>							
Cash and cash equivalents	437	48	(837)	-	5,200	4,848	5,670
Trade and other receivables	582	452	(582)	-	-	452	-
Non Current Assets to be transferred to the Creditors Trust	36,916	-	(36,916)	-	-	-	-
<b>Total Current Assets</b>	<b>37,936</b>	<b>500</b>	<b>(38,336)</b>	<b>-</b>	<b>5,200</b>	<b>5,300</b>	<b>5,670</b>
<b>Non-Current Assets</b>							
Plant and equipment	-	129	-	-	-	129	-
Intangible assets	-	625	-	-	-	625	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>755</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>755</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>37,936</b>	<b>1,255</b>	<b>(38,336)</b>	<b>-</b>	<b>5,200</b>	<b>6,055</b>	<b>5,670</b>
<b>Current Liabilities</b>							
Trade and other payables	(4,550)	(133)	4,550	-	-	(133)	-
Financial liabilities CL	(840)	(100)	840	-	-	(100)	-
Deferred revenue	-	(455)	-	-	-	(455)	-
Provisions CL	-	(140)	-	-	-	(140)	-
<b>Total Current Liabilities</b>	<b>(5,390)</b>	<b>(828)</b>	<b>5,390</b>	<b>-</b>	<b>-</b>	<b>(828)</b>	<b>-</b>
<b>Non-Current Liabilities</b>							
Financial liabilities NC	(568)	(466)	568	-	260	(206)	260
Deferred tax liabilities	(1,441)	-	1,441	-	-	-	-
Provisions NC	-	(53)	-	-	-	(53)	-
<b>Total Non-Current Liabilities</b>	<b>(2,009)</b>	<b>(519)</b>	<b>2,009</b>	<b>-</b>	<b>260</b>	<b>(259)</b>	<b>260</b>
<b>TOTAL LIABILITIES</b>	<b>(7,400)</b>	<b>(1,347)</b>	<b>7,400</b>	<b>-</b>	<b>260</b>	<b>(1,087)</b>	<b>260</b>
<b>NET ASSETS</b>	<b>30,536</b>	<b>(92)</b>	<b>(30,936)</b>	<b>-</b>	<b>5,460</b>	<b>4,968</b>	<b>5,930</b>
<b>EQUITY</b>							
Issued capital	39,104	3,606	-	(36,663)	5,770	11,817	6,240
Merger reserves	(495)	(1,388)	495	-	-	(1,388)	-
Option reserves	-	155	-	1,805	76	2,036	76
Foreign currency translation reserve	104	-	(104)	-	-	-	-
Retained earnings	(8,177)	(2,465)	(31,327)	34,858	(386)	(7,497)	(386)
<b>TOTAL EQUITY</b>	<b>30,536</b>	<b>(92)</b>	<b>(30,936)</b>	<b>(0)</b>	<b>5,460</b>	<b>4,968</b>	<b>5,930</b>

**Notes:**

The Pro Forma includes the following:

1. Settlement of DOCA extinguish existing assets and liabilities;
2. DOCA Payment \$400,000 comprising \$370,000 payment to the and a payment of \$30,000 to be refunded to the proponent;
3. Settlement of the Enerly Loan comprising of the issue of 8,000,000 Purchaser Shares at a deemed issue price of \$0.02 each equating to \$160,000 and a cash payment of \$100,000;
4. Issue of Convertible note in Schrole for \$500,000 working capital. Converted through the issue of 25,000,000 shares and 25,000,000 free attaching options;
5.
  - a) Under the terms of the Acquisition, the Company acquires all the issued share capital of Schrole by issuing a total of 150,000,000 Consideration Shares, to the Schrole Vendors, giving the Schrole Vendors a controlling interest in the Company and equating to a controlling interest in the combined entity following the Acquisition. Schrole has thus been deemed the acquirer for accounting purposes as it will own approximately 98.84% (175,000,000 / 177,050,007) of the consolidated entity (prior to the shares issued in relation to the Acquisition Resolutions). The acquisition of Schrole by the Company is not deemed to be a business combination, as the Company is not considered to be a business under AASB 3 Business Combinations. As such the consolidation of these two companies is on the basis of the continuation of Schrole with no fair value adjustments, whereby Schrole is deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction is to account for it under AASB 2 Share Based Payments, whereby Schrole is deemed to have issued shares to the Company's Shareholders in exchange for the net assets held by the Company. In this instance, the value of the Company's shares provided has been determined as the notional number of equity instruments that the shareholders of Schrole would have had to issue to the Company to give the owners of the Company the same percentage ownership in the combined entity. We have deemed this to be \$541,000. The pre-acquisition equity balances of the Company are eliminated against this increase in Share Capital upon consolidation and the balance is deemed to be the amount paid for the ASX listing status of the Company, being \$541,000;
  - b) Subject to shareholder approval the issue of 15 Million Shares to Alto Capital and 50 million Adviser Options to Xcel Capital with a value of \$0.011 per option equating to \$546,143 non-cash increase in the option reserve.
  - c) Subject to shareholder approval the issue of 97 million Shareholder Options to existing Vendors with a value of \$0.01 per option equating to \$945,946 non-cash increase in the option reserve.
  - d) Subject to shareholder approval the issue of 80 million Facilitator Shares and up to 25 million Facilitator Options to Xcel Capital or its nominees a value of \$0.013 per option equating to \$312,924 non-cash increase in the option reserve.
6. Minimum Capital Raising of \$5,500,000 less costs of 6% and listing expense and Maximum Capital raising of \$6,000,000 less costs of 6% and listing expense.
7. Subject to shareholder approval the issue of 14 million Director Options to the incoming non-executive directors - 7 million Director Options, vesting immediately a value of \$0.011 per option equating to \$76,460 non-cash increase in the option reserve. 7 million Director Options vesting at 10 day VWAP with a \$0.04 exercise price, currently nil value is ascribed until such time as the vesting condition is met.

## Schedule 3 - Terms and conditions of Schrole Options

The Schrole Options entitle the holder to subscribe for Shares on the following terms and conditions:

### 1. Entitlement

Each Schrole Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.04 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 3 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### 4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

### 5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

### 6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

### 7. Quotation

The Options are unquoted. No application for quotation of the Options will be made by the Company.

### Options transferrable

The Options will be transferable subject to compliance with the Corporations Act and Listing Rules.

## 8. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

## 9. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## 10. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

## 11. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

## Schedule 4 - Terms and conditions of Facilitator Options

The Facilitator Options entitle the holder to subscribe for Shares on the following terms and conditions:

### 1. Entitlement

Each Facilitator Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.02 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 3 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### 4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

### 5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

### 6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

### 7. Quotation

The Options are unquoted. No application for quotation of the Options will be made by the Company.

### 8. Options transferrable

The Options will be transferable subject to compliance with the Corporations Act and Listing Rules.

## 9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

## 10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## 11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

## 12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

## Schedule 5 - Terms and conditions of Adviser Options

The Adviser Options entitle the holder to subscribe for Shares on the following terms and conditions:

### 1. Entitlement

Each Adviser Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.03 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 3 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### 4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

### 5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

### 6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

### 7. Quotation

The Options are unquoted. No application for quotation of the Options will be made by the Company.

### 8. Options transferrable

The Options will be transferable subject to compliance with the Corporations Act and Listing Rules.

## 9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

## 10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## 11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

## 12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.



## Schedule 6 - Terms and conditions of Director Options

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

### 1. Entitlement

Each Director Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price and Expiry Date

The Exercise Price for each Option is as follows:

- (a) for Tranche 1, an exercise price of \$0.03 each; and
- (b) for Tranche 2, an exercise price of at \$0.04 each (and vesting only if the 10 day VWAP of the Company's shares is \$0.04 or more).

Each Option will expire at 5.00pm (WST) on the date that is 3 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### 4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

### 5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

### 6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

**7. Quotation**

The Options are unquoted. No application for quotation of the Options will be made by the Company.

**8. Options transferrable**

The Options will be transferable subject to compliance with the Corporations Act and Listing Rules.

**9. Participation in new issues**

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

**10. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

**11. Adjustment for entitlement issue**

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

## **12. Adjustments for reorganisation**

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

## Schedule 7 - Terms and conditions of Attaching Options

The Attaching Options entitle the holder to subscribe for Shares on the following terms and conditions:

### 1. Entitlement

Each Attaching Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

### 2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.02 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 3 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

### 4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

### 5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

### 6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

### 7. Quotation

The Options are unquoted. No application for quotation of the Options will be made by the Company.

### 8. Options transferrable

The Options will be transferable subject to compliance with the Corporations Act and Listing Rules.

## 9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

## 10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

## 11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

## 12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

## Schedule 8 - Terms and conditions of Performance Shares

### 1. Definitions

In these terms and conditions, unless the context otherwise requires:

**Change in Control Event** means:

- (a) the occurrence of:
  - (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
  - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
  - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
    - (A) cancelled; or
    - (B) transferred to a third party; and
  - (ii) the Court, by order, approves the proposed scheme of arrangement.

**Corporations Act** means the Corporations act

**Expiry Date** means an expiry date as set out in paragraph 3(a).

**Milestone** means a milestone as set out in paragraph 3(a) and each of Series A Milestone, Series B Milestone or Series C Milestone have a corresponding meaning in relation to the relevant Milestone.

**Milestone Date** means a milestone date as set out in paragraph 3(a).

**Performance Share** means a Series A Performance Share, Series B Performance Share or Series C Performance Share, issued on the terms and conditions set out in this paragraph 3(a).

**Performance Shareholder** means the holder of a Performance Share.

**Section 606(1)** means section 606(1) of the Corporations Act.

### 2. Milestone Date and Extension

- (a) The Board of the Company shall have discretion to extend a Milestone Date where the Board considers that unforeseen circumstances or events have caused a delay in achieving the Series A Milestone, Series B Milestone and Series C Milestone by the relevant Milestone Date.
- (b) The Board shall not be permitted to extend the relevant Milestone Date beyond the relevant Expiry Date.

### 3. Conversion

#### (a) Conversion

Subject to paragraphs 3(b) and 3(c), each Performance Share will convert into one Share upon satisfaction of the relevant Milestone. The Milestones must be met on or before the relevant Expiry Date.

Performance Shares	Milestones	Milestone Date	Expiry Date
Series A Performance Shares	Schrole obtaining 215 schools with a subscription for the Schrole Connect product or 198 licences with a subscription for the Schrole Cover product prior to the Milestone Date ( <b>Series A Milestone</b> ).	The date that is within 18 months of Admission	The date that is 5 years from the date of issue of the Series A Performance Shares
Series B Performance Shares	Schrole achieving total annual sales revenue of \$7,000,000 over any twelve month period prior to the Milestone Date ( <b>Series B Milestone</b> ).	The date that is within 36 months of Admission	The date that is 5 years from the date of issue of the Series B Performance Shares
Series C Performance Shares	Schrole achieving an accumulated earnings before interest, taxes, depreciation and amortisation of \$3,000,000 over any 12 month period prior to the Milestone Date ( <b>Series C Milestone</b> ).	The date that is within 48 months of Admission	The date that is 5 years from the date of issue of the Series C Performance Shares

#### (b) Conversion after expiry

If a Milestone is not met by the relevant Expiry Date, the relevant Performance Shares held by each Shareholder will automatically consolidate into one Performance Share and will then convert into one Share for each Shareholder.

#### (c) Conversion on Change in Control

If prior to the earlier of the Milestone Date or the Expiry Date a Change in Control Event occurs, then each Performance Share will automatically and immediately convert into a Share. However, if the number of Shares to be issued as a result of the conversion of the Performance Shares is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Performance Shares to be converted will be reduced so that the aggregate number of Shares to be issued on conversion of the Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

(d) **Takeover Provisions**

If the conversion of Performance Shares (or part thereof) under paragraph 3(a) would result in any person being in contravention of Section 606(1) then the conversion of each Performance Share that would cause the contravention shall be deferred until such time or times thereafter that the conversion would not result in a contravention of Section 606(1).

The Performance Shareholders shall give notification to the Company in writing if they consider that the conversion of Performance Shares (or part thereof) under paragraph 3(a) may result in the contravention of Section 606(1) failing which the Company shall assume that the conversion of Performance Shares (or part thereof) under paragraph 3(a) will not result in any person being in contravention of Section 606(1).

The Company (but is not obliged to) by written notice request the Performance Shareholders to give notification to the Company in writing within seven (7) days if they consider that the conversion of Performance Shares (or part thereof) under paragraph 3(a) may result in the contravention of Section 606(1). If the Performance Shareholders do not give notification to the Company within seven (7) days that they consider the conversion of Performance Shares (or part thereof) under paragraph 3(a) may result in the contravention of Section 606(1) then the Company shall assume that the conversion of Performance Shares (or part thereof) under paragraph 3(a) will not result in any person being in contravention of Section 606(1).

(e) **After Conversion**

The Shares issued on conversion of any Performance Share will as and from 5.00pm (WST) on the date of allotment rank equally with and confer rights identical with all other Shares then on issue and application will be made by the Company to ASX for official quotation of the Shares upon the date of conversion. Shares issued on conversion of the Performance Share must be free from all encumbrances, securities and third party interests. The Company must ensure that Shares issued on conversion of the Performance Shares are freely tradeable, without being subject to on-sale restrictions under section 707 of the Corporations Act, on and from their date of issue.

**4. Issue of Shares for No Consideration**

The Company will issue Shares immediately upon conversion of the Performance Shares for no consideration and will record the issue in the manner required by the Corporations Act.

**5. Quotation**

The Performance Shares are unquoted. No application for quotation of the Performance Shares will be made by the Company.

**6. Non-transferable**

The Performance Shares are not transferrable.



**7. Copies of Notices and Reports**

The Performance Shareholders have the same right as Shareholders to receive notices, reports and audited accounts and to attend general meetings of the Company but are only entitled to vote in the circumstances referred to in paragraph 8.

**8. Voting Rights**

The Performance Shareholders shall have no right to vote, subject to the Corporations Act.

**9. Dividend**

Performance Shareholders are not entitled to a dividend.

**10. Return of capital**

The Performance Shares do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

**11. Winding Up**

If the Company is wound up prior to conversion of all of the Performance Shares into Shares then the Performance Shareholders will have:

- (a) no right to be paid cash for the Issue Price; and
- (b) no right to participate in surplus assets or profits of the Company on winding up.

**12. Participation in new issues**

There are no participation rights or entitlements inherent in the Performance Shares and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Performance Shares.

**13. Reconstruction**

In the event of any reconstruction, consolidation or division into (respectively) a lesser or greater number of securities of the Shares and the Performance Shares shall be reconstructed, consolidated or divided in the same proportion as the Shares are reconstructed, consolidated or divided and, in any event, in a manner which will not result in any additional benefits being conferred on the Performance Shareholders which are not conferred on the Shareholders.

## **Schedule 9 - Summary of Employee Incentive Scheme**

A summary of the terms of the Schrole Group Ltd Employee Incentive Scheme is set out below:

### **1. Eligible Participant**

Eligible Participant means a person that:

- (a) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
- (b) has been determined by the Board to be eligible to participate in the Scheme from time to time.

### **2. Purpose**

The purpose of the Scheme is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

### **3. Scheme administration**

The Scheme will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Scheme rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

### **4. Eligibility, invitation and application**

The Board may from time to time determine that an Eligible Participant may participate in the Scheme and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.

On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.

If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

### **5. Grant of Securities**

The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Scheme rules and any ancillary documentation required.

## 6. **Terms of Convertible Securities**

Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Scheme.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

## 7. **Vesting of Convertible Securities**

Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

## 8. **Exercise of Convertible Securities and cashless exercise**

To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

**Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Scheme rules, or such earlier date as set out in the Scheme rules.

## 9. **Delivery of Shares on exercise of Convertible Securities**

As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Scheme rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

## 10. Forfeiture of Convertible Securities

Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Scheme rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

## 11. Change of control

If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

## 12. Rights attaching to Scheme Shares

All Shares issued under the Scheme, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (**Scheme Shares**) will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Scheme Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Scheme Shares. A Participant may exercise any voting rights attaching to Scheme Shares.

## 13. Disposal restrictions on Scheme Shares

If the invitation provides that any Scheme Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Scheme Share is subject to any disposal restrictions under the Scheme, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Scheme Share; or
- (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.

#### **14. Adjustment of Convertible Securities**

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

#### **15. Participation in new issues**

There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

#### **16. Amendment of Scheme**

Subject to the following paragraph, the Board may at any time amend any provisions of the Scheme rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Scheme and determine that any amendments to the Scheme rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Scheme rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

#### **17. Scheme duration**

The Scheme continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Scheme for a fixed period or indefinitely, and may end any suspension. If the Scheme is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

## **Annexure A - Independent Expert's Report**



**AQUAINT CAPITAL HOLDINGS LIMITED**  
**(Subject to Deed of Company Arrangement)**  
**Independent Expert's Report**

10 August 2017



## Financial Services Guide

10 August 2017

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Aquaint Capital Holdings Limited (Subject to Deed of Company Arrangement) ('**Aquaint**') to provide an independent expert's report on the proposal to acquire Schrole Group Ltd, a software and services company. You will be provided with a copy of our report as a retail client because you are a shareholder of Aquaint.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Other Assignments**

BDO Audit (WA) Pty Ltd is the appointed Auditor of Aquaint and of Schrole. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

BDO Audit (WA) Pty Ltd has charged Schrole approximately \$68,000 and Aquaint \$22,000 for services provided in the past two years.

BDO Corporate Finance (WA) Pty Ltd has charged Schrole for professional services in the past two years in relation to a commercial review and a draft investigating accountant's report. These have amounted to approximately \$20,000.

BDO Corporate Tax (WA) Pty Ltd has charged Schrole for professional services in the past two years. These have amounted to approximately \$59,000.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Aquaint for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1800 367 287  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Minority interest discount

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PO Box 700 West Perth WA 6872  
Australia

10 August 2017

The Directors  
Aquaint Capital Holdings Limited  
(Subject to Deed of Company Arrangement)  
c/o Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 13 June 2017 Aquaint Capital Holdings Limited (Subject to Deed of Company Arrangement) ('**Aquaint**') announced that it had entered into a conditional binding contract agreement to acquire 100% of Schrole Group Ltd ('**Schrole**').

This report is required because Enerly Pty Ltd as trustee for the Stronada Trust ('**Enerly**'), a vendor of Schrole, may obtain an interest in the share capital of Aquaint in excess of 20%.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of Aquaint have requested that BDO Corporate Finance (WA) Pty Ltd ('**BDO**') prepare an independent expert's report ('**our Report**') to express an opinion as to whether or not the transaction, for Aquaint to acquire 100% of the share capital of Schrole (the '**Proposed Transaction**') and the resultant controlling interest which may be obtained by Enerly, is fair and reasonable to the non-associated shareholders of Aquaint ('**Shareholders**').

Our Report is prepared pursuant to section 611 of the Corporations Act 2001 Cth ('**Corporations Act**' or '**the Act**') and is to be included in the Notice of Meeting for Aquaint in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 74 'Acquisitions Approved by Members' ('**RG 74**'), Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- How the value of an Aquaint share prior to the Proposed Transaction compares to the value of an Aquaint share following the Proposed Transaction;
- The likelihood of an alternative transaction being available to Aquaint;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

### 2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternative offer, the Proposed Transaction is fair and reasonable to Shareholders.

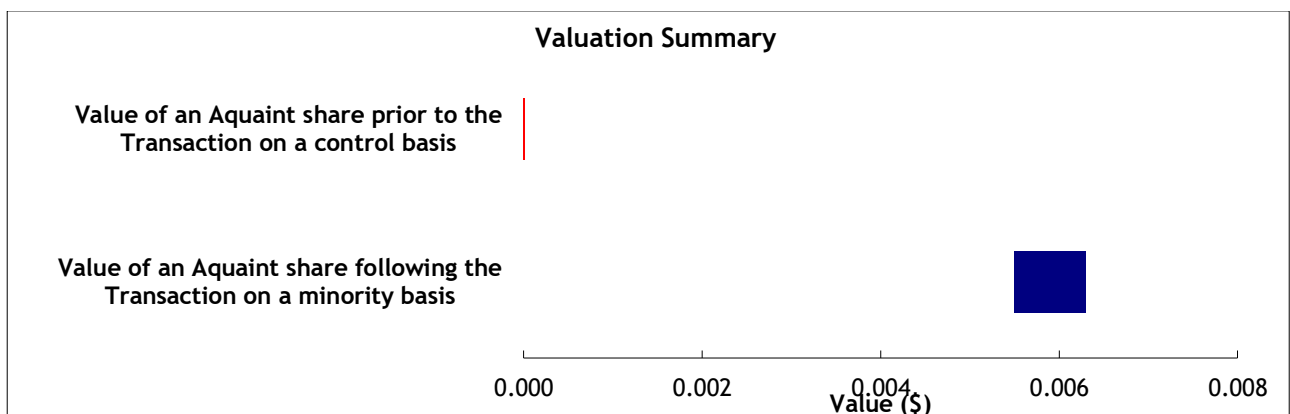
### 2.4 Fairness

In section 12 we determined that how the value of an Aquaint share prior to the Proposed Transaction compares to the value of an Aquaint share following the Proposed Transaction, as detailed below.

	Ref to section	Low \$	Preferred \$	High \$
Value of an Aquaint share prior to the Proposed Transaction	10	nil	nil	Nil
Value of an Aquaint share following the Proposed Transaction	11	0.0055	0.0059	0.0063

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Proposed Transaction is fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.4	The Proposed Transaction is fair	13.5	Limited financial history of profitable performance by Schrole
13.4	Shareholders will own shares in an operating company with greater potential to earn a return for shareholders	13.5	Dilution of existing shareholders' interests
13.4	Potential cash injection to the Company	13.5	Change in operations as a result of the acquisition may not suit the risk profile of certain existing shareholders
13.4	Incoming director experienced in the industry that the business will be operating in.		
13.4	Schrole is being acquired for no initial cash outlay		
13.4	The issue of performance shares aligns the interests of Enerly and the other incoming shareholders		

Other key matters we have considered include:

Section	Description
13.1	Alternative proposal. We are not aware of any alternative proposal
13.2	Practical level of control. The practical level of control of existing shareholders will reduce significantly from current levels.
13.3	Consequences of not approving the Proposed Transaction. If the Proposed Transaction is not approved, Aquaint is expected to be subject to a creditors' winding up of the Company with \$nil expected return to shareholders.

### 3. Scope of the Report

#### 3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of the entity (Aquaint), either:

- by undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- by commissioning an Independent Expert's Report.

The directors of Aquaint have satisfied this obligation by commissioning this Independent Expert's Report.

#### 3.2 Regulatory guidance

Neither the Corporations Act nor the Australian Securities Exchange ('ASX') Listing Rules define the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders in making informed decisions about transactions.

RG111 suggests that where the transaction is a 'control transaction', the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it and further that it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 (being the acquisition or increase of a controlling stake in a company) and therefore we have assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities which are the subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

When considering the value of the securities which are the subject of the offer in a control transaction, it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest. The expert should consider the value of the securities which are the subject of the offer in a control transaction inclusive of a control premium.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of an Aquaint share prior to the Proposed Transaction and the value of an Aquaint share following the Proposed Transaction (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution for the Proposed Transaction, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



## 4. Outline of the Proposed Transaction

We set out below the outline of the Proposed Transaction. This also covers associated events and proposals including the DOCA and the various interconnected resolutions addressed in the Notice of Meeting.

On 15 June 2016, Aquaint announced that, Samuel Freeman, Clint Joseph and Adam Nikitins of Ernst & Young were appointed as Joint and Several Administrators of Aquaint, pursuant to a resolution of the Directors and in accordance with section 436A of the Corporations Act. We note that Clint Joseph resigned as Deed Administrator on 15 November 2016.

On 22 August 2016 a creditors meeting was held and it was resolved that Aquaint enter into a DOCA with CPS Capital Group ('CPS') as proponent

On 13 June 2017, the Company announced that it had entered into a binding conditional agreement ('Acquisition Agreement') with Schrole and its majority shareholders for Aquaint to acquire 100% of the issued capital of Schrole. The material terms of the Acquisition Agreement are set out in the Notice of Meeting and summarised in the following paragraphs.

### 4.1 DOCA Proposal

If the DOCA Proposal is approved by creditors of Aquaint and the DOCA completes, all claims of creditors against the Company will be extinguished, discharged and released.

A summary of the material terms of the DOCA Proposal is set out below:

- (a) the Company and the Deed Administrators will establish the Creditors' Trust, with the Deed Administrators acting as trustees;
- (b) the assets of the Company will be transferred to the Creditors' Trust, including the amount of \$400,000, to be paid by the Company out of the funds raised from the Capital Raising upon completion of the DOCA. The payment comprises \$370,000 (**DOCA Payment**) to be paid upon completion of the DOCA and a \$30,000 deposit paid by CPS Capital on 9 September 2016 (**Deposit**) (together, the **Recapitalisation Payment**);
- (c) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were the Company and payment will be made in accordance with the DOCA and the Creditors' Trust Deed;
- (d) upon completion of the DOCA, the Creditors' Trust Fund will be distributed as follows:
  - (i) first, to the Deed Administrators' costs, expenses and remuneration;
  - (ii) second, to pay the Trustees' costs expenses and remuneration;
  - (iii) third, to pay the admitted claims of the Secured Creditor;
  - (iv) fourth, to pay the admitted claims of any priority creditors;
  - (v) fifth, to pay any further admitted claims of the Secured Creditor;
  - (vi) sixth, to pay the admitted claims of any unsecured creditors; and
  - (vii) the balance, if any, to be returned to the Company immediately upon the distribution of the last dividend pursuant to the Creditors' Trust Deed;

- (e) the Deed Administrators will cause the then current Directors of the Company to be removed;
- (f) all security over the Company's assets will be discharged and released; and
- (g) the Company will undertake the Consolidation.

Key conditions precedent for completion of the DOCA include:

- (a) payment of the Recapitalisation Payment;
- (b) discharge and release of the security interest held by the Secured Creditor over the Company's assets;
- (c) the Company raising no less than \$3,800,000 (before costs);
- (d) the Company obtaining an ASX waiver from ASX Listing Rules 1.1 condition 12 and 2.1 condition 2;
- (e) termination or repudiation of existing employment and service contracts; and
- (f) Shareholder approval being obtained to give effect to the DOCA Proposal.

Upon completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent must be satisfied by 18 August 2017 or such later date as may be agreed in writing between the Deed Administrators, CPS Capital and the Secured Creditor.

## 4.2 Acquisition Agreement

### Consideration

In consideration for the acquisition of 100% of the issued capital of Schrole, the Company will issue to the vendors of Schrole a total of:

- (i) 150,000,000 Consideration Shares; and
- (ii) 290,000,000 Performance Shares.

(together, the 'Consideration Securities').

### Conditions Precedent

Completion is conditional upon the satisfaction (or waiver) of the following material conditions precedent:

- (i) **ASX Reinstatement:** conditional approval from ASX to reinstate the securities of the Company to trading on conditions reasonably satisfactory to the Company;
- (ii) **Shareholder Approvals:** the Company obtaining all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Acquisition including, without limitation, approval for:
  - a) the issue of the Consideration Securities;
  - b) the issue of Schrole Options;
  - c) the issue of Capital Raising Shares;

- d) the issue of Facilitator Securities;
  - e) the issue of Adviser Shares;
  - f) the issue of Adviser Options;
  - g) the issue of Director Options;
  - h) the issue of Loan Shares;
  - i) the issue of 25,000,000 Shares and 25,000,000 Attaching Options on conversion of the Convertible Notes;
  - j) Enerly Pty Ltd as trustee for the Stronada Trust ('Enerly')'s voting power in the Company potentially increasing over 20% (on a fully diluted basis) as a result of the Acquisition (including the commissioning of this IER);
  - k) the proposed 60 for one consolidation of Aquaint's securities ('Consolidation');
  - l) the appointment of directors nominated by Otsana Pty Ltd trading as Otsana Capital ('Otsana'), ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital ('Alto Capital') and Schrole to the board of Aquaint ('Director Appointments'); and
  - m) the change of the Company's name to "Schrole Group Ltd";
- (iii) **ASX Waivers:** the Company obtaining:
- (A) a waiver from ASX in respect of:
    - (1) Listing Rule 2.1 (Condition 2) to undertake the Capital Raising at an issue price of \$0.02 per share;
    - (2) Listing Rule 1.1 condition 12 to permit the Company to issue Options at an exercise price of less than \$0.20 per share (including a waiver in respect of the Schrole Options, Facilitator Options, Adviser Options, Director Options and Attaching Options); and
    - (3) Listing Rule 9.1.3 to the extent necessary to apply the restrictions in paragraph 1, 2 and 10 of Appendix 9B (as applicable) to Shares to be issued to the Schrole vendors as Consideration Shares; and
  - (B) approval from ASX that the terms of the Performance Shares satisfy Listing Rule 6.1;
- (iv) **Schrole Shareholder Approvals:** Schrole obtaining all necessary shareholder approvals required in relation to the Proposed Transaction;
- (v) **Capital Raising:** the Company completing the offer of up to 300,000,000 Shares with an issue price of \$0.02 per share to raise up to \$6,000,000 ('Capital Raising');

- (vi) **Board Changes:** the current Directors resigning and the appointment of three directors to the Board nominated by Schrole, Alto Capital and Otsana;
- (vii) **Cancellation of Options:** Schrole cancelling all options that are on issue at the date of the Acquisition Agreement;
- (viii) **DOCA effectuation:** the DOCA being effectuated in accordance with its terms and the Deed Administrators lodging formal notice with ASIC to that effect;
- (ix) **Agreement of minority Vendors:** completion of the share sale agreements with the minority Schrole vendors;
- (x) **Other Approvals:** the Company and Schrole obtaining any other necessary shareholder and regulatory approvals pursuant to the Listing Rules, Corporations Act or any other applicable law or regulations to lawfully complete the Acquisition; and
- (xi) **Third Party Consents:** the Company and Schrole obtaining any other necessary third party consents to allow the Company and Schrole to lawfully complete the Acquisition, including but not limited to assignment of any relevant agreements in accordance with their terms.

If the Conditions Precedent are not satisfied (or waived) on or before 5.00pm (WST) on 4 December 2017, or such other date as the parties agree in writing, the Acquisition Agreement may be terminated by Schrole, the majority Schrole vendors or the Company.

### Performance Shares

The Performance Shares will convert into Aquaint shares on a one for one basis upon satisfaction of the following milestones:

- (i) 40,000,000 Performance Shares will convert upon Schrole obtaining 215 schools with a subscription for the Schrole Connect product or 198 licences with a subscription for the Schrole Cover product prior to the date that is within 18 months of re-listing;
- (ii) 100,000,000 Performance Shares will convert upon Schrole achieving total annual sales revenue of \$7,000,000 over any 12 month period prior to the date that is within 36 months of re-listing; and
- (iii) 150,000,000 Performance Shares will convert upon Schrole achieving an accumulated earnings before interest, taxes, depreciation and amortisation of \$3,000,000 over any 12 month period prior to the date that is within 48 months of re-listing.

The other terms of the Performance Shares are detailed in the Notice of Meeting.

### 4.3 Resolutions for the Acquisition

A number of resolutions are necessary for completion of the Acquisition with each of the Acquisition Resolutions conditional on the approval by Shareholders of each of the other Acquisition Resolutions, or the Acquisition will not be completed. A summary of the Acquisition Resolutions is as follows:

- a) the Acquisition, if successfully completed, will represent a significant change in the nature or scale of the Company's operations, for which Shareholder approval is required under Listing Rule 11.1.2 (Resolution 3);
- b) approval to issue a new class of shares, being the Performance Shares, which are to be issued to the Vendors (or their nominees) as consideration for the cancellation of existing performance shares in Schrole (Resolution 4);
- c) the issue at Completion of:
  - (i) 150,000,000 Consideration Shares; and
  - (ii) 290,000,000 Performance Shares.

(on a post-Consolidation basis) to the Vendors (or their nominees) in consideration for the Company's acquisition of 100% of the issued capital in Schrole (Resolutions 5, 6 and 7);
- d) the issue at Completion of 97,000,000 Schrole Options (on a post-Consolidation basis) to the Vendors (Resolutions 5 and 6);
- e) the issue at Completion of up to 300,000,000 Shares (on a post-Consolidation basis) at an issue price \$0.02 per Share (Capital Raising Shares) (Resolution 8) to raise up to \$6,000,000 (Prospectus);
- f) the issue at Completion of 80,000,000 Shares (Facilitator Shares) and 25,000,000 Facilitator Options (on a post-Consolidation basis) exercisable at \$0.02 per share to Alto Capital and Otsana (or their nominees) in lieu of corporate advisory, DOCA recapitalisation and advisory fees in respect of the Acquisition (Facilitator Securities) (Resolution 9);
- g) the issue of 15,000,000 Shares (on a post-Consolidation basis) to Alto Capital (or its nominees) in lieu of success fees (Adviser Shares) (Resolution 10);
- h) the issue of 50,000,000 Adviser Options (on a post-Consolidation basis) to those parties that participate in the Capital Raising as nominated by Alto Capital and Otsana (Adviser Options) (Resolution 11);
- i) the appointment of four proposed Directors nominated by Schrole, Alto Capital and Otsana to the Board, being Mr Robert Graham, Mr Shaun Hardcastle, Mr Stuart Carmichael and Mr Craig Read-Smith (Resolutions 12 - 15);
- j) the issue of 8,000,000 Shares (on a post-Consolidation basis) as partial repayment of a Schrole shareholder loan to Enerly (Loan Shares) (Resolution 5);
- k) the issue of 14,000,000 Director Options (on a post-Consolidation basis) to the incoming non-executive Directors (Director Options) (Resolution 16);
- l) the conversion of the convertible notes issued by Schrole into a total of 25,000,000 Shares (Conversion Shares) and 25,000,000 free attaching Options (Attaching Options) (Conversion Securities) (on a post-Consolidation basis) (Resolution 17);
- m) approval to increase the maximum total aggregate amount of fees payable to the non-executive Directors from \$108,000 per annum to \$200,000 per annum (Resolution 18);
- n) the issue of Capital Raising Shares (on a post-Consolidation basis) to Mr Shaun Hardcastle and Mr Stuart Carmichael, related parties (Resolution 19);

- o) changing the Company's name to "Schrole Group Ltd" subject to Completion and with effect from when ASIC alters the details of the Company's registration (Resolution 20); and
- p) approval of a new employee incentive scheme to be known as "Schrole Group Ltd Employee Incentive Scheme" and the issue of securities under that plan (Resolution 21).

The Vendors currently hold no Shares and have no voting interests in the Company.

More detailed information relating to the Acquisition Resolutions is set out in the Notice of Meeting.

#### 4.4 Capital structure following the Proposed Transaction

Set out in the table below is a summary of the capital structure following the Proposed Transaction. Refer to 4.3

	Ordinary shares		Options	Performance Shares
	Minimum subscription	Maximum Subscription		
Securities currently on issue	123,000,392	123,000,392	-	-
Reduction on consolidation	(120,950,384)	(120,950,384)		
Securities on issue (post consolidation 60:1)	2,050,007	2,050,007	-	-
Consideration Securities	150,000,000	150,000,000		290,000,000
Schrole Options	-	-	97,000,000	-
Conversion Securities (Convertible notes of Schrole)	25,000,000	25,000,000	25,000,000	-
Facilitator Securities	80,000,000	80,000,000	25,000,000	-
Adviser Shares	15,000,000	15,000,000	-	-
Adviser Options	-	-	50,000,000	-
Director Options			14,000,000	
Shareholder Loan Shares (Enerly Loan)	8,000,000	8,000,000	-	-
Capital Raising	275,000,000	300,000,000	-	-
<b>TOTAL</b>	<b>555,050,007</b>	<b>580,050,007</b>	<b>211,000,000</b>	<b>290,000,000</b>
Fully diluted (All options & performance shares convert)	1,056,050,007	1,081,050,007	-	-

## 5. Profile of Aquaint Capital Holdings

### 5.1 History

Aquaint is a Singapore based investment management company with a primary focus on property investment. Aquaint's investments were made through its various subsidiaries, in various jurisdictions.

Aquaint listed on the ASX in November 2013. It was suspended from the ASX in September 2015 due to failing to lodge audited financial statements, and hence non-compliance with ASX listing rules. The Company announced the reason for the failure to lodge financial statements was due to disagreements with the auditors on various issues, with the main reason being a difference in opinion on the carrying value of their assets.

On 15 June 2016, Samuel Freeman, Clint Joseph and Adam Nikitins of Ernst & Young were appointed as Joint and Several Administrators ('**Administrators**') of Aquaint. The Administrators endeavoured to conduct investigations into the affairs of Aquaint that lead to the current financial position. The Administrators also considered proposals received to re-capitalise and restructure the Company, which were presented to creditors.

On 26 August 2016, the Company announced that, at a meeting of creditors held on 22 August 2016, the creditors resolved that the Company execute a Deed of Company Arrangement ('**DOCA**') and that Messrs Freeman, Joseph and Nikitins be appointed as Joint and Several Deed Administrators ('**Deed Administrators**') upon execution of the DOCA, which embodied a proposal by CPS Capital Group Limited ('**CPS**') for the recapitalisation of the Company ('**Recapitalisation Proposal**').

On 1 December 2016, the Board of Directors were removed from office with the following new directors appointed:

Ms Sara Kelly, Non- Executive Director;

Mr Jeremy King, Non- Executive Director; and

Ms Kyla Garic , Non- Executive Director and Company Secretary.

On 7 June 2017, Aquaint lodged both full year to 31 December 2016 and 2015 and half year statutory accounts for 30 June 2016 and 30 June 2015. The directors disclaimed the financial report and the auditors issued a Disclaimer of Opinion on both financial reports due to being unable to access the books and records for Aquaint and obtain the necessary audit evidence to express an opinion.

## 5.2 Historical Balance Sheet

Statement of Financial Position	Audited* as at 31-Dec-16 \$	Audited* as at 31-Dec-15 \$	Audited* as at 31-Dec-14 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	437,325	871,242	685,000
Trade and other receivables	582,290	582,292	1,357,000
Loan and receivables	-	-	590,000
Non Current Assets to be transferred to the Creditors Trust	36,916,358	35,823,160	-
<b>TOTAL CURRENT ASSETS</b>	<b>37,935,973</b>	<b>37,276,694</b>	<b>2,632,000</b>
<b>NON CURRENT ASSETS</b>			
Loan and receivables	-	-	27,658,000
Trade and other receivables	-	-	5,229,000
Plant and equipment	-	-	119,000
Investment in Associates	-	-	1,877,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>34,883,000</b>
<b>TOTAL ASSETS</b>	<b>37,935,973</b>	<b>37,276,694</b>	<b>37,515,000</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	4,550,225	4,550,225	5,017,000
Financial liabilities	840,044	835,377	357,000
Current tax liabilities	-	-	44,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,390,269</b>	<b>5,385,602</b>	<b>5,418,000</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	568,499	568,499	897,000
Deferred tax liabilities	1,440,975	1,440,975	1,302,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,009,474</b>	<b>2,009,474</b>	<b>2,199,000</b>
<b>TOTAL LIABILITIES</b>	<b>7,399,743</b>	<b>7,395,076</b>	<b>7,617,000</b>
<b>NET ASSETS</b>	<b>30,536,230</b>	<b>29,881,618</b>	<b>29,898,000</b>
<b>EQUITY</b>			
Issued capital	39,104,161	38,010,963	37,785,000
Merger Reserves	(495,000)	(495,000)	(495,000)
Translation differences	103,644	103,644	38,000
Accumulated losses	(8,176,575)	(7,737,989)	(7,430,000)
<b>TOTAL EQUITY</b>	<b>30,536,230</b>	<b>29,881,618</b>	<b>29,898,000</b>

Source: Aquaint's audited\* financial statements for the years ended 31 December 2016, 31 December 2015 and 31 December 2014.

Note \* Audit Report included 'Disclaimer of Opinion'

We note that Aquaint's auditor issued a Disclaimer of Opinion in relation to the financial statements for the years ended 31 December 2016 and 31 December 2015. The basis for the Disclaimer of Opinion was as follows:

- “On 14 June 2016, Aquaint was placed into Administration, and therefore the duties and responsibilities of the directors were suspended from that date. For the period in which the Company was in Administration the Directors did not have oversight or control over the Company's financial reporting systems, including (but not limited to) being able to obtain access to complete accounting records. As a result of this matter, the auditors were unable to obtain sufficient appropriate audit evidence or determine whether any adjustments might have been found necessary in respect of the consolidated statement of financial position, consolidated*



*statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.*

- *The directors state that the consolidated financial report has been prepared on a going concern basis. In assessing the going concern basis of preparation, the directors have made a number of assumptions including the assumption that once the DOCA is effectuated it will extinguish all liabilities associated with the previous operations of the company. A condition precedent to the effectuation of the DOCA, among others, is the Company receiving Shareholder approval to raise \$370,000 as Recapitalisation Payment. These assumptions also include the proposed capital raising of \$3,800,000 and capital reconstruction, which will enable the Company to be reinstated to trading on the ASX.*
- *We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the Company may be able to raise such capital, and hence remove significant doubt of its ability to continue as a going concern for a period of 12 months from the date of this audit report.”*

In addition to the auditor’s disclaimer of opinion in the 31 December 2015 and 31 December 2016 financial report, we note the following in relation to the Company’s historical statement of financial position:

- The auditor of Aquaint issued a Disclaimer of Opinion in relation to the financial statements for the year ended 31 December 2014. The basis for the Disclaimer of Opinion was due to the auditor being unable to obtain sufficient appropriate evidence on numerous areas, but particularly in relation to the valuation and impairment of the non-current loans and receivables. The non-current loans and receivables and trade and other receivables related to investments in two property developments in India in addition to other potential property investments. The auditor stated that the impairment analysis prepared by management which was based upon independent valuations, which in turn was based upon certain assumptions, was no longer valid. In particular, the requirement to extend the maturity date of certain investments of the projects which became due and were not formally extended.
- The auditor also noted that a significant proportion of non-current loans receivable as at 31 December 2014 were due from related parties. The loan impairment analysis prepared by management as at 31 December 2014 was based on certain assumptions derived from director related entities, however the auditor noted that they were unable to obtain sufficient evidence to determine whether the loan impairment analysis prepared by management was complete.
- These non-current loans and receivables recorded in FY14 have been transferred to The Non-Current Assets to be transferred to the Creditors’ Trust for the financial year ended 31 December 2016 and make up the majority of the \$36,916,358 balance of that account.

### 5.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited* for the year ended 31-Dec-16 \$	Audited* for the year ended 30-Dec-15 \$	Audited* for the year ended 30-Dec-14 \$
Revenue	-	890,109	6,651,000
Other Income	7,000	413,667	972,000
	<u>7,000</u>	<u>1,303,776</u>	<u>7,623,000</u>
Direct Costs	-	(72,096)	(543,000)
Administrative expenses	(440,918)	(2,632,278)	(4,016,000)
Allowance for receivables	-	-	(2,316,000)
Impairment of financial assets	-	-	(8,904,000)
Operating expenses	-	(87,569)	(1,296,000)
Share of net loss from associates	-	-	(263,000)
Loss on deconsolidation of subsidiaries	-	(1,419,348)	-
Finance costs	(4,668)	(76,223)	(229,000)
Foreign exchange gain/loss	-	2,782,812	2,692,000
<b>(Loss) profit before income tax</b>	<u>(438,586)</u>	<u>(200,926)</u>	<u>(7,252,000)</u>
Income tax benefit	-	(107,063)	(780,000)
<b>(Loss) profit for the year</b>	<u>(438,586)</u>	<u>(307,989)</u>	<u>(8,032,000)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation difference	-	65,644	(296,000)
<b>Other comprehensive income (loss)</b>		<u>65,644</u>	<u>(296,000)</u>
<b>Total comprehensive loss for the period</b>	<u><b>(438,586)</b></u>	<u><b>(242,345)</b></u>	<u><b>(8,328,000)</b></u>

Source: Aquaint's audited\* financial statements for the years ended 31 December 2016, 31 December 2015 and 31 December 2014.

Note \* Audit Report included 'Disclaimer of Opinion'

We note the following in relation to the Company's historical statement of profit or loss and other comprehensive income:

- Aquaint's revenue was derived primarily from interest income and consultancy fees. Rental income and other income account for the remaining revenue.
- The Company incurred losses of \$8.328 million in FY14, \$242,345 in FY15 and \$438,586 in FY16. The loss in FY14 includes a \$8.9 million impairment of financial assets and \$2.3 million allowance for credit losses recorded in that period.
- The loss on deconsolidation of \$1.4 million recorded in FY15 is due to the directors of Aquaint being unable to source the books and records of the company's subsidiaries. This resulted in the company's being deconsolidated effective 1 January 2015.

### 5.4 Capital Structure

The share structure of Aquaint as at 24 June 2016 is outlined below:

	Number
Total Ordinary Shares on Issue	123,000,391
Top 20 Shareholders	61,802,815
Top 20 Shareholders - % of shares on issue	50%

Source: Aquaint's audited financial statements for the year ended 31 December 2016

The range of shares held in Aquaint as at 24 June 2016 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	1	1,000	0.00%
1,001-5,000	34	136,276	0.11%
5,001-10,000	33	280,164	0.23%
10,001-100,000	228	10,308,464	8.38%
100,001 - and over	201	112,274,487	91.28%
<b>TOTAL</b>	<b>497</b>	<b>123,000,391</b>	<b>100%</b>

Source: Aquaint's audited financial statements for the year ended 31 December 2016

The ordinary shares held by the most significant shareholders as at 24 June 2016 are detailed below:

Name	Number of ordinary shares held	Percentage of issued shares %
HSBC Custody Nominees	8,313,084	6.76%
Tan Yang PO	6,890,449	5.60%
Soo Ming Chiang	5,814,000	4.73%
Jenny Sim Sim Chay Ing	4,782,738	3.89%
Foo Wee Lim	4,099,489	3.33%
Wang Eng Chin	4,090,728	3.33%
Sunil Kumar Ramchandani	4,000,592	3.25%
Linda Oh Yen Ling	3,532,738	2.87%
Subtotal	41,523,818	33.76%
Others	81,476,573	66.24%
<b>Total ordinary shares on issue</b>	<b>123,000,391</b>	<b>100%</b>

Source: Aquaint's audited financial statements for the year ended 31 December 2016

## 6. Profile of Schrole

### 6.1 History

Schrole Group Ltd ('Schrole') is an Australian company that was founded by education professionals and provides integrated and comprehensive services across the international and Australian education and training sectors. Schrole's core strategy is the design and development of technology platforms, that cater for short and long term recruitment solutions in the education sector.

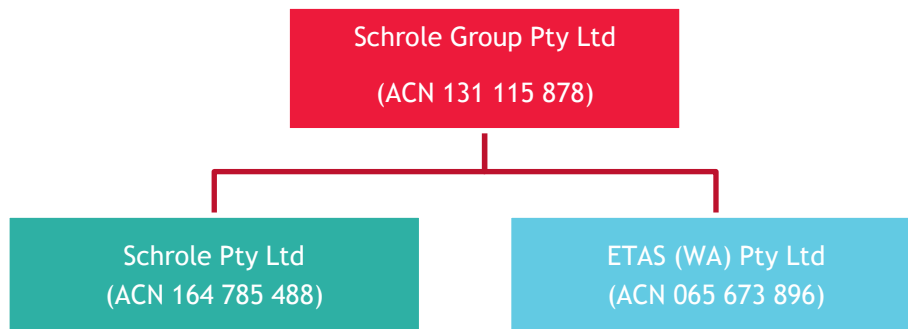
The current directors and key management of Schrole are:

Rob Graham - Managing Director and co-founder of Schrole Group Ltd;

Greg Smith - general manager and co-founder of Schrole Group Ltd;

Michael Kirkwood - director and general manager of Schrole Group Ltd.

Schrole was formed to unite two separate but complimentary entities Schrole Pty Ltd ('SPL') and ETAS (WA) Pty Ltd ('ETAS'). This enabled Schrole to offer a more integrated service across the international and domestic sector. Within the two entities, Schrole has three core business units. Schrole Connect, Schrole Cover and Schrole Develop.



SPL owns the Schrole Connect and Schrole Cover systems, which Schrole believes to be the cornerstone for Schrole's future business growth.

- Schrole Cover is a smartphone app connecting employers with relief staff to fill urgent vacancies. The app is compatible with both Android and Apple IOS devices and is available for download from app stores like Google Play and Apple iTunes. Schrole envisages enhancing Schrole Cover to cater for industries other than education.
- The Schrole Connect platform provides a secure system for international schools to promote roles, receive applications and manage teacher candidate information. The online application process gathers qualifications and references from teachers to pre-qualify those candidates. The system collates standard and specific candidate information and allows schools to tailor the matching process to suit their particular needs. School-based recruiting teams can access vital information any time through the Schrole Connect application to assess and shortlist candidates.

ETAS, another subsidiary of Schrole has been operating since 1994. ETAS offers training solutions to a variety of industries, however focus has previously been on the resources industry. In recent times ETAS has changed its leadership and management courses to cater for the school sector. Through ETAS, Schrole has its third business line Schrole Develop.

Schrole Develop provides consultancy services to international schools. These services include training and curriculum development and personnel searches. Schrole Develop generates revenue from consultancy and training fees.

## 6.2 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-16 \$	Audited as at 30-Jun-16 \$	Audited as at 30-Jun-15 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	48,459	11,246	115,547
Trade and other receivables	197,339	355,076	392,815
Income tax receivable	198,196	-	-
Withholding tax	37,895	-	-
Other	1,189	1,189	159,820
<b>TOTAL CURRENT ASSETS</b>	<b>483,078</b>	<b>367,511</b>	<b>668,182</b>
<b>NON CURRENT ASSETS</b>			
Property, Plant and equipment	129,456	143,212	216,957
Deferred tax asset	-	-	42,729
Intangible assets	625,482	609,978	-
Other	1,664	1,397	1,398
<b>TOTAL NON-CURRENT ASSETS</b>	<b>756,602</b>	<b>754,587</b>	<b>261,084</b>
<b>TOTAL ASSETS</b>	<b>1,239,680</b>	<b>1,122,098</b>	<b>929,266</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	183,313	231,458	60,360
Deferred revenue	454,711	293,878	-
Provision for income tax	-	-	115,969
Provision for employee benefits	72,379	47,895	24,638
Bank loans	99,968	99,663	343,000
Equipment leases	-	-	33,769
Loans from other related parties	-	-	3,444
Other	1,000	13,861	20,980
<b>TOTAL CURRENT LIABILITIES</b>	<b>811,371</b>	<b>686,755</b>	<b>602,160</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employee benefits	14,184	32,209	18,016
Deferred tax liability	-	-	10,808
Loans Enerly Pty Ltd	256,795	276,621	-
Financial liabilities	209,329	250,531	-
Provision for lease make-good	40,127	39,721	38,925

Statement of Financial Position	Reviewed as at	Audited as at	Audited as at
	31-Dec-16	30-Jun-16	30-Jun-15
	\$	\$	\$
TOTAL NON-CURRENT LIABILITIES	520,435	599,082	67,749
TOTAL LIABILITIES	1,331,806	1,285,837	669,909
NET ASSETS	(92,126)	(163,739)	259,357
EQUITY			
Issued capital	3,606,123	2,939,389	1
Equity Reserve	(1,232,900)	(1,387,793)	-
Accumulated losses	(2,465,349)	(1,715,335)	259,356
TOTAL EQUITY	(92,126)	(163,739)	259,357

Source: Schrole's audited financial statements for the years ended 30 June 2016 and 30 June 2015, and the reviewed financial statements for the six months ended 31 December 2016

- We note that Schrole's auditor issued an unmodified opinion in relation to the financial statements for the year ended 30 June 2016 ('FY16') and the six months ended 31 December 2016 ('HY17'), however an emphasis of matter on going concern was issued for both years. The auditor drew attention to Note 1 of the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about Schrole's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.
- In FY16 the auditor noted that Schrole incurred a net loss of \$1,324,691 and had a net asset deficiency of \$163,793. Given these results, the auditor concluded that Schrole continuing as a going concern is dependent on securing additional funding through an IPO or obtaining bridging finance if the IPO does not succeed.
- For HY17 the auditor noted that Schrole incurred a net loss of \$750,014 and had a net asset deficiency of \$92,196. The auditor concluded that Schrole continuing as a going concern is dependent on securing additional funding through an IPO or obtaining bridging finance if the IPO does not succeed.
- The table below illustrates the breakdown of intangible assets recorded in the financial statements as at 31 December 2016

Intangibles	31-Dec-16	30-Jun-16
	\$	\$
Developed software at cost	658,855	-
Developed software acquired	-	284,569
Additional development	360,987	426,161
R&D claim offset	(229,377)	(51,875)
	790,375	658,855
Less Accumulated depreciation	(167,503)	(51,397)
	622,872	607,458
Trademark acquired	2,520	2,520
<b>Total</b>	<b>625,482</b>	<b>609,978</b>

Source: Schrole's reviewed financial statements for the six months ended 31 December 2016.

- We note that Internally generated computer software is initially capitalised at cost, which includes direct expenditure by external developers, employees and on-costs that can be reliably measured and directly attributable to creating the asset for its intended use. Costs associated with maintaining the computer expenditure are expensed when incurred. Computer software licences are subsequently carried at cost less accumulated amortisation.

### 6.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the period ended 31-Dec-16 \$	Audited for the year ended 30-June-16 \$	Audited for the year ended 30-June-15 \$
Revenue	914,828	1,779,506	3,551,349
<b>Expenses</b>			
Employee benefits expense	(636,092)	(1,409,257)	(1,014,760)
Depreciation expense	(132,850)	(104,538)	(71,625)
Travel expense	(89,132)	(142,220)	(203,615)
Issue of options	(154,893)	-	-
Other expenses	(643,833)	(1,284,283)	(1,304,217)
<b>Loss before income tax expense</b>	<b>(741,972)</b>	<b>(1,160,792)</b>	<b>957,132</b>
Income tax expense	(8,042)	(163,899)	(241,306)
<b>Loss after income tax</b>	<b>(750,014)</b>	<b>(1,324,691)</b>	<b>715,826</b>
Other comprehensive income for the period	-	-	-
<b>Total comprehensive (loss) for the period</b>	<b>(750,014)</b>	<b>(1,324,691)</b>	<b>715,826</b>

Source: Schrole's audited financial statements for the years ended 30 June 2016 and 30 June 2015, and the reviewed financial statements for the six months ended 31 December 2016

We note the following in relation to the Schrole's historical statement of profit or loss and other comprehensive income:

- Schrole incurred a loss after tax of \$1,324,691 for the year ended 30 June 2016 and a loss after tax of \$750,014 for the six months to 31 December 2016.
- The decrease in revenue and profit compared to 30 June 2015 is due to the reduction in training courses due to the reduced demand from the mining and resources industry. These historic revenues have been generated from the training provided by the ETAS Group, however Schrole intends to focus more on the services provided by Schrole Develop, as well as Schrole Connect and Schrole Cover going forward.
- Due to the declining contribution from ETAS during FY16 and HY17 and Schrole still developing its Connect and Cover platforms, Schrole has been unable to covers costs associated with the business and general company overheads over the last eighteen months.

### 6.4 Capital Structure

The share structure of Schrole as at 31 May 2017 is outlined below:

Ordinary Shares	Number
Total Ordinary Shares on Issue	35,071,343
Top 20 Shareholders	32,430,500
Top 20 Shareholders - % of shares on issue	92%

Source: Schrole Share Register

The ordinary shares held by the most significant shareholders as at 31 May 2017 are detailed below:

Name	Number of ordinary shares held	Percentage of issued shares %
Enerly Pty Ltd (ACN 081 624 231) <Stronada Trust A/C>	16,706,456	48%
Morven Ann Smith <Rossdhu Family Trust A/C>	2,784,000	8%
Kyle Grant Brewerton & Caroline Georgina Brewerton	1,805,331	5%
Lateral Capital Ventures Pty Ltd	1,748,572	5%
Ian Sylvester <Ian C Sylvester Revocable Trust A/C>	1,733,749	5%
Dennis May	1,400,000	4%
Tore Moe <Moe Family Trust A/C>	1,085,714	3%
Subtotal	27,263,822	78%
Others	7,807,521	22%
<b>Total ordinary shares on issue</b>	<b>35,071,343</b>	<b>100%</b>

Source: Schrole Share Register

The most significant option holders of Schrole as at 31 May 2017 are outlined below:

Options	Number	Percentage of issued shares %
Total Options on Issue	3,726,939	
<b>Option Holders</b>		
Leonie Debnam	1,519,998	41%
Warren Jervis	1,519,998	41%
Empire Capital Partners Pty Ltd (ABN: 16 159 992 328)	686,943	18%
<b>Total Options on issue</b>	<b>3,726,939</b>	<b>100%</b>

Source: Schrole Share Register

The most significant performance shareholders of Schrole as at 31 May 2017 are outlined below:

Performance Shares	Number	Percentage of issued shares %
Total Performance Shares on Issue	27,701,126	
<b>Performance Shareholders</b>		
Enerly Pty Ltd (ACN 081 624 231) <Stronada Trust A/C>	25,279,420	91%
Leonie Debnam	980,916	4%
Morven Ann Smith <Rossdhu Family Trust A/C>	980,916	4%
Warren Jervis	459,876	2%
<b>Total Performance Shares on issue</b>	<b>27,701,128</b>	<b>100%</b>

Source: Schrole Share Register



## 7. Economic analysis

### 7.1 Australia

#### Domestic growth

In Australia, the available information suggests that the economy is growing moderately, and should continue to do so over the next couple of years. The Australian economy has experienced a decline in mining investment over recent years, but indicators suggest that the transition to lower levels of mining investment following the mining boom, is almost complete. The decline in mining investment has been offset by growth in other areas such as residential construction, government expenditure and exports.

Inflation is expected to increase as the effects of some factors that have been weighing on domestic cost pressure dissipate, including earlier declines in the terms of trade and falling employment in mining related industries. The increase in underlying inflation is likely to be gradual.

Recent data relating to the Australian labour market is mixed. Employment growth has picked up over recent months and is expected to continue in the short to medium term.

#### Credit growth

Business credit growth has slowed in recent months, partly as a result of deleveraging in the mining sector. Demand for credit has been uneven across sectors, with reported increases in demand from the tourism, agriculture, infrastructure and health sectors, and a decline in demand from the manufacturing sector.

Conditions in the housing markets around the country are mixed, with prices rising significantly in some markets and declining in others. There is some indication that conditions are starting to ease in the eastern capital cities, with additional apartment supply becoming available in the next couple of years. Growth in housing debt is outpacing growth in household incomes. Funding costs are starting to increase, with lenders increasing mortgage rates and rates paid on interest only loans.

#### Currency movements

The recent increase in the terms of trade have been associated with an appreciation of the Australian dollar. An overall depreciating Australian dollar since 2013 has assisted the ongoing adjustment of the economy towards non-resource sectors following the end of the mining boom, however an appreciating exchange rate could complicate that process.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Philip Lowe, Governor: Monetary Policy Decision 6 June 2017 and 2 May 2017

## 8. Industry analysis

The Schrole Group operates across a variety of industries. Schrole Connect and Schrole Cover, are both Software as a Service ('SaaS') platforms. Schrole Develop is focused on training and consulting and sits within the technical and vocational training industry.

### Software as a Service

Schrole offers two SaaS platforms, Schrole Cover for short term recruitment and Schrole Connect for long term recruitment. SaaS is a licensing and delivery model where the user can access the provider's applications running on cloud infrastructure. This is often cheaper and easier for users as they do not have to purchase and install Information Technology ('IT') infrastructure. Users do not manage or control the underlying cloud infrastructure, instead SaaS providers are responsible for the availability, security and performance of the software. SaaS is now commonplace for a range of software providers in areas such as recruitment, customer relationship management, accounting, and messaging.

Source: Bloomberg Intelligence, National Institute of Standards and Technology

### Software Supplier Industry

SaaS providers, such as Schrole, operate within the software suppliers' industry. The software suppliers' industry is expected to continue to grow steadily over the next five years, as more businesses adopt SaaS business models. Within the industry, there has been a shift away from outright product sales to payment through subscription fees. This shift is expected to reduce the effects of piracy and increase company revenues over the long term. The continued rollout of the National Broadband Network is expected to support growth in the industry, particularly through online supply channels. Industry revenue over the five years through to 2021-2022, is expected to grow at a compound annual rate of 3.1%, to reach \$9.2 billion.

The introduction of cloud computing and the SaaS business model, has significantly changed the software suppliers' industry. Over the next five years, revenue volatility within the industry is expected to decline as more suppliers adopt the SaaS business model which results in steadier revenue streams due to subscription pricing. The increase in cloud computing has also raised privacy concerns, particularly in regards to cyber-attacks and security breaches, however, these concerns have done little to slow the uptake of cloud computing services.

The number of technology start-ups in Australia was previously hindered by domestic tax regulations, which forced employees to pay tax at the time of issue of stock options rather than when they exercised those options. This meant employees were paying tax on income they were yet to receive. Consequently, Australian software developers experienced difficulty securing talented developers, compared with countries like the United States. In June 2015, the Australian Government revised these tax regulations, with the intention of making the Australian market more attractive for local start-ups.

The rise of cloud computing and the trend towards subscription-based pricing models is driving significant change within the industry. Businesses are increasingly demanding software systems to manage more areas of their business, which is encouraging the expansion of programs.

Source: IBISWorld

### Technical and Vocational Training Industry

Schrole operates within the technical and vocational training industry, through Schrole Develop. Schrole Develop incorporates ETAS group which is a registered training organisation ('RTO'). Schrole Develop is focused on providing training and consultancy services to international schools. A recent report, released

by the Minister of Education and Training called 'The Global Demand for Skills', identified that Australian training providers were well placed to meet the needs of employers who face skill shortages in the Middle East, Latin America and the Asia Pacific region.

Over the coming years, China, India and Indonesia are expected to experience growing demand for skilled labour. It is reported that India's National Skill Development Corporation has been tasked with training 150 million people by 2022 and China is predicted to have a significant shortage of vocational skills by 2020. The growing need to upskill workers and management around the world, will provide an opportunity to Australian training providers. Australian providers have a strong reputation for supplying many of the service driven skills sought internationally. Also identified is the opportunity for a style of training that will 'enable' occupations, meaning the training does not meet a specific industry need, rather it addresses skill gaps at an institutional level.

**Source:** IBISWorld, *The Global Demand for Skills*

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME');
- Discounted cash flow ('DCF');
- Quoted market price basis ('QMP');
- Net asset value ('NAV'); and
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

### 9.1 Valuation of Shares in Aquaint prior to the Transaction

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Aquaint shares, both prior to and following the Proposed Transaction, we have chosen to employ the following methodologies:

- Net asset value ('NAV').

We have chosen this methodology for the following reasons:

- Aquaint is currently subject to a Deed of Company Arrangement with no immediate prospect of earnings or cashflows. It is therefore not possible to consider the FME or DCF valuation approaches as appropriate valuation methodologies;
- For the QMP methodology to be considered relevant, a company's shares must be listed on a regulated and observable market where the company's shares can be traded. Aquaint listed on the ASX in November 2013 however, its shares were suspended from official quotation on 1 September 2015 due to failing to lodge periodic reports. The Company's shares have not traded again on the ASX so the QMP methodology is not relevant to consider as there has been no trading in the Company's shares since 1 September 2015. Additionally, we do not believe the pre-suspension price is a valid indication of the value of an Aquaint share due to the Voluntary Administration proceedings;
- A market based assessment cannot be completed as the Company is currently in a DOCA and subject to the Recapitalisation Proposal;
- We are unable to identify a reliable secondary valuation methodology to adopt as a useful cross-check of the NAV valuation.
- The NAV methodology has therefore been considered as the only appropriate valuation methodology to undertake in order to value the shares of the Company. All assets and liabilities of the entity are valued at market value under this methodology and this combined market value forms the basis for the entity's valuation. Under this basis we assume a knowledgeable and willing, but not anxious, seller acting at arm's length. No realisation costs are taken into account under this approach. The Deed of Company Arrangement, which Aquaint is subject to, provides some indication of the value of assets and liabilities after the DOCA has been completed and so can be used to assist with a NAV valuation of Aquaint.

## 9.2 Valuation of shares in the Company following the Transaction

In our assessment of the value of an Aquaint share following the Transaction, we have adopted the sum-of parts approach which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods. The value of an Aquaint share following the Transaction consists of the following components:

- The value of Aquaint prior to the Transaction using the NAV methodology;
- The value of Schrole using a NAV approach;
- Adjustments to the value of Aquaint following the Transaction; and
- The value of the capital raising.

We have chosen the NAV approach in valuing Schrole for the following reasons:

- The NAV methodology has been considered as the only appropriate valuation methodology to undertake. However, it should be noted that asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets at the valuation date as they do not recognise the potential value of intangible assets such as management, intellectual property and goodwill. This is particularly important in the case of Schrole given its early stage of development and growth potential.
- Schrole's shares are not listed on any exchange and hence, there is no regulated and observable market where Schrole's shares are traded. Accordingly, we cannot value the shares of Schrole based on the QMP basis.
- The DCF approach is particularly applicable to businesses with limited lives, experiencing growth and that are in the start-up phase, with irregular cash flows. The DCF approach has not been considered, given that insufficient information for a DCF valuation to be undertaken is available at this point in time, notwithstanding the fact that even had such information been available we do not consider that we have reasonable grounds, under RG 111, based on Schrole's historical performance to adopt the DCF approach; and
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. However, we have been unable to use this approach with regard to the valuation of Schrole, given that it has been operating at a normalised loss historically. This means that we do not have a reasonable basis to assess future maintainable earnings of Schrole at this point in time;

Based on the above, we consider the most appropriate methodology to value Schrole is the NAV methodology.

## 10. Valuation of an Aquaint share prior to the Proposed Transaction

On 15 June 2016, Samuel Freeman, Clint Joseph and Adam Nikitins of Ernst & Young were appointed as Joint and Several Administrators of Aquaint. As such, the duties and responsibilities of the directors were suspended from that date. For the period in which the Company was in administration, the directors did not have oversight or control over the group's financial reporting systems, including being able to access financial records that correctly record and explain the transactions included in the financial reports for the year ended 31 December 2016.

As a result of the Company entering into administration, the auditor was unable to obtain sufficient appropriate audit evidence or determine whether any adjustments might have been found necessary in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

Accordingly, we acknowledge that the Creditor Payment and the Company's underlying assets are to be transferred to the Creditors' Trust to be used in full and final settlement of all creditor claims (including those of the Administrator and any contingent liabilities), in accordance with the provisions of section 556 of the Act. The DOCA, will bind all creditors (including priority and contingent creditors) of the Company once executed, and will deal with the statutory liabilities of the administrators (including claims for remuneration). Accordingly, the assets and liabilities on Aquaint's balance sheet will be extinguished. These movements are detailed in section 10.1 below.

### 10.1 Net Asset Valuation of Aquaint

The value of Aquaint's assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Note	Audited as at 31-Dec-16 \$	Adjustments \$	Adjusted value low \$	Adjusted value high \$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	1	437,325	(437,325)	-	-
Trade and other receivables	1	582,290	(582,290)	-	-
Loan and receivables		-	-	-	-
Assets to be transferred to Creditors Trust	2	36,916,358	(36,916,358)	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>37,935,973</b>		<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>37,935,973</b>		<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	1	4,550,225	(4,550,225)	-	-
Financial liabilities	1	840,044	(840,044)	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,390,269</b>		<b>-</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>					
Financial liabilities	1	568,499	(568,499)	-	-
Deferred tax liabilities	1	1,440,975	(1,440,975)	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,009,474</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>7,399,743</b>		<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>30,536,230</b>		<b>-</b>	<b>-</b>

Statement of Financial Position	Note	Audited as at 31-Dec-16 \$	Adjustments \$	Adjusted value low \$	Adjusted value high \$
Shares on issue as at 31 Dec 2016 (Post consolidation 60:1)	3			2,050,007	2,050,007
Value per share (cents)				nil	nil

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Aquaint since 31 December 2016.

The table above indicates the net asset value of an Aquaint share has an adjusted low value of nil and an adjusted high value of nil. We note that the minimum net asset value per share is \$nil as, for shareholders, a net liability is not possible.

The following adjustments were made to the net assets of Aquaint as at 31 December 2016 in arriving at our valuation.

#### Note 1) Expected outcome of the DOCA

On effectuation of the DOCA, all the assets of the Company will be transferred to the Creditors' Trust which will extinguish and release all of the Company's creditors claims against the Company (including priority and contingent creditors). This means that Aquaint's existing cash and trade and other receivables balances will be used to repay outstanding creditors as per the terms of the DOCA and will not be available as assets to contribute to the net assets of Aquaint shareholders.

Accordingly, we have removed these asset balances and the Company's creditors from Aquaint's post DOCA net assets.

Completion of the DOCA will also result in a contribution of \$370,000 being paid into the Creditors' Trust after completion of the Capital Raising. In addition, an amount of \$30,000 is to be paid to CPS Capital upon the capital raising for reimbursement of deposit.

We do not consider that this additional \$400,000 arising from the capital raising will be available to shareholders as it is expected that liabilities will exceed assets and shareholders are behind the Deed Administrators and the secured creditors in accessing any funds that may be available.

Further we note that by resolution dated 17 July 2017 the directors of Aquaint resolved that:

*'in the event that any surplus funds are received by the Company from Aquaint Property and, in the best interests of the Shareholders, the Board resolves to distribute the surplus funds to the Shareholders of the Company (as at 14 June 2016) on a pro-rata basis.'*

#### Note 2) Non-Current Assets to be transferred to the Creditors' Trust

The majority of assets included in the balance of \$36,916,358 to be transferred to the Creditors' Trust relate to investments in two property developments in India with the remainder relating to other potential property investments. We received confirmation from the Liquidators in Singapore, that upon liquidation of the development assets currently held in the Creditors Trust, there would be no expected return to shareholders.

We have also considered the implications of the various disclaimers and qualifications associated with Aquaint’s latest financials. Based on the fact that there was a disclaimer of opinion on the audit reports for the last three reporting periods due to the absence of appropriate evidence we consider that this confirms the significant risk that these assets are not recoverable.

We also note that the creditors voted at the second meeting of creditors on 22 August 2016 to enter into the DOCA rather than putting the company into liquidation.

The Administrators have been unable to independently verify the value of the assets of Aquaint. If Aquaint had been put in liquidation, the value of the assets would have been ascertained and realised for the benefit of creditors but the creditors voted instead for the proposal which has become the DOCA, signifying that the creditors had little confidence in realising any value from these assets. Based on these above facts we have assumed a value of nil for the assets currently held in the Creditors Trust.

### Note 3) Post consolidation shares on issue

Post consolidation there will be 2,050,007 shares on issue after the 60:1 consolidation.

### Changes since 31 December 2016

We have considered the management accounts for Aquaint for the period since 31 December and whether there are any amendments required as a result.

We have concluded that no changes are required other than as set out in the preceding paragraphs.

## Assessment of the value of an Aquaint share prior to the Proposed Transaction

The results of the valuations performed are summarised in the table below:

	Low \$	Midpoint \$	High \$
Net assets value (Section X.XX)	nil	nil	nil

Source: BDO analysis

Based on the results above we consider the value of an Aquaint share to be \$nil.



## 11. Valuation of an Aquaint share following the Proposed Transaction

We have employed the sum-of-parts valuation method in estimating the fair market value of Aquaint following the Proposed Transaction as shown below.

	Reference/ Notes	Low value \$	High value \$
NAV of Aquaint prior to the Proposed Transaction	Section 10.1	-	
NAV of Schrole prior to the Proposed Transaction	1	(1,117,608)	(1,117,608)
Adjustments:			
Conversion of Schrole Convertible Note to equity	2	500,000	500,000
Cash raised under Capital Raising	3	5,500,000	6,000,000
Costs associated with Proposed Transaction and Capital Raising	3	(825,000)	(825,000)
Recapitalised amount to be paid to Aquaint per the DOCA	4	(370,000)	(370,000)
Recapitalised amount to be paid to reimburse CPS Capital deposit	4	(30,000)	(30,000)
Conversion of Enerly Loan to Shares	4	156,795	156,795
<b>NAV of Aquaint following the Proposed Transaction (control basis)</b>		<b>3,939,187</b>	<b>4,409,187</b>
Discount for minority interest	5	23%	17%
<b>NAV of Aquaint following the Proposed Transaction (minority interest basis)</b>		<b>3,033,174</b>	<b>3,659,625</b>
Number of shares on issue post the Proposed Transaction	6	555,050,007	580,050,007
<b>Value of an Aquaint share following the Proposed Transaction (minority interest basis)</b>		<b>0.0055</b>	<b>0.0063</b>

Source: BDO analysis

Based on the above, we consider the value of a share in Aquaint following the Proposed Transaction on a minority interest basis to be between \$0.0055 and \$0.0063 with a midpoint value of 0.0059.

We note the following in relation to the sum-of-parts valuation above.

### Note 1) NAV of Schrole prior to the Proposed Transaction

The net asset value of Schrole is summarised in the table below:

Statement of Financial Position	Notes	Reviewed as at 31-Dec-16 \$	Adjustment \$	Adjusted NAV \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	a	48,459	100,000	148,459
Trade and other receivables		197,339		197,339
Income tax receivable		198,196		198,196
Withholding tax		37,895		37,895
Other current assets		1,189		1,189
<b>TOTAL CURRENT ASSETS</b>		<b>483,078</b>		<b>583,078</b>

Statement of Financial Position	Notes	Reviewed as at	Adjustment	Adjusted
		31-Dec-16		NAV
		\$	\$	\$
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		129,456		129,456
Intangible assets	b	625,482	(625,482)	-
Other		1,664		1,664
<b>TOTAL NON-CURRENT ASSETS</b>		<b>756,602</b>		<b>131,120</b>
<b>TOTAL ASSETS</b>		<b>1,239,680</b>		<b>714,198</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		183,313		183,313
Deferred revenue		454,711		454,711
Provision for employee benefits		72,379		72,379
Bank loans		99,968		99,968
Other		1,000		1,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>811,371</b>		<b>811,371</b>
<b>NON-CURRENT LIABILITIES</b>				
Provision for employee benefits		14,184		14,184
Loans Enerly Pty Ltd		256,795		256,795
Financial Liabilities	a	209,329	500,000	709,329
Provision for lease make-good		40,127		40,127
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>520,435</b>		<b>1,020,435</b>
<b>TOTAL LIABILITIES</b>		<b>1,331,806</b>		<b>1,831,806</b>
<b>NET TANGIBLE (LIABILITIES)/ASSETS</b>		<b>(92,126)</b>		<b>(1,117,608)</b>

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Schrole since 31 December 2016, apart from those adjustments discussed below. We have assumed that the fair market value of the assets and liabilities as at 31 December 2016 are equal to the carrying values.

**Note a:**

The cash and cash equivalents balance and the convertible notes balance have been adjusted because of the issue of a convertible note to Schrole lenders post 31 December 2016. The convertible note will be converted into shares following completion of the Proposed Transaction and this has been adjusted in our valuation (refer Note 2 below). The convertible note was issued to assist with working capital requirements.

The net adjustment to cash and cash equivalents is \$100,000 as we have also adjusted for cash utilised as working capital since 31 December 2016 as shown below.

Cash and Cash Equivalents	\$
Opening balance	48,459
Add: Funds Received from Convertible note	500,000
Less: Working capital expense for the period	(400,000)
<b>Adjusted balance</b>	<b>148,459</b>

**Note b:**

Intangible assets relate to internally developed computer software, which includes direct expenditure by external developers, employees and on-costs. No value has been included for these assets.

The value from these intangible assets will only be realised through future profits from the software. As Schrole has made losses in recent periods we do not consider that we have a reasonable basis to assume that the current carrying value of the assets will be realised.

**Note 2) Conversion of Schrole Convertible Note to Equity**

After 31 December 2016, Schrole issued convertible notes of \$500,000 to Schrole lenders. As part of the Acquisition, these convertible notes will be converted into a total of 25,000,000 Shares and 25,000,000 free attaching Options in alignment with Resolution 15.

**Note 3) Capital Raising**

As set out in section 4, Aquaint intends to undertake a Capital Raising through the issue of up to 300 million Shares at an issue price of \$0.02 to raise up to \$6 million, with a minimum subscription amount of \$5.5 million. We have adopted the minimum subscription under the Capital Raising for our low value and the maximum subscription for our high value.

Management has advised that the Company will incur costs estimated at approximately \$825,000 in relation to the Acquisition and Capital Raising.

**Note 4) Recapitalisation and Repayment of Enerly Loan**

As part of the recapitalisation associated with the Acquisition (refer section 4) an amount of \$370,000 is to be paid by the Company out of the funds raised from the Capital Raising upon completion of the DOCA. In addition, an amount of \$30,000 is to be paid out of the funds raised to reimburse CPS Capital for its deposit.

In addition, Aquaint will issue 8 million shares to Enerly as partial repayment of the outstanding loan of \$256,795 owed by Schrole to Enerly. \$100,000 of the loan balance will be paid in cash so the issue of shares is deemed to be equivalent to the remaining balance of \$156,795.

**Note 5) Minority Discount**

The net asset value of an Aquaint share following the Proposed Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an controlling influence in the operations of the company. Therefore, if the Proposed Transaction is approved, Shareholders may become minority interest shareholders in Aquaint as the Schrole vendors will hold a controlling interest.

Therefore, we have adjusted our valuation of an Aquaint share following the Proposed Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - (1 / (1 + \text{control premium}))$ . We consider an appropriate control premium for Aquaint to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of approximately 17% to 23%. Our assessment of the control premium and minority discount is set out in Appendix 3.

**Note 6) Number of Shares**

The number of shares on issue following the Proposed Transaction is summarised in the table below:

	Minimum Subscription	Maximum Subscription
Securities currently on issue (post consolidation 60:1)	2,050,007	2,050,007
Consideration Securities	150,000,000	150,000,000
Conversion of Convertible Note	25,000,000	25,000,000
Facilitator Securities	80,000,000	80,000,000
Adviser Shares	15,000,000	15,000,000
Shareholder Loan Shares	8,000,000	8,000,000
Capital Raising	275,000,000	300,000,000
<b>TOTAL</b>	<b>555,050,007</b>	<b>580,050,007</b>

Source: BDO analysis

### Diluted position from conversion of Performance Rights

Below we have assessed the impact of the conversion of the performance rights on NAV. We note that for this hypothetical calculation we have not adjusted the NAV although we recognise that for the Performance Rights to convert the NAV would be higher but it is not feasible to estimate the quantum of the increase.

We do not consider that we have reasonable grounds to make assumptions with respect to the vesting of the 290 million Performance Rights given there is insufficient information available about the certainty surrounding the future performance of Schrole to achieve the respective performance milestones. We have however considered the dilution value per share if the performance rights were to vest with the current net asset value

Dilution from Conversion of Performance Rights	Low Value	High Value
Number of shares (undiluted) as above	555,050,007	580,050,007
Shares issued on Conversion of Performance Rights	290,000,000	290,000,000
Number of shares including conversion of performance rights	845,050,007	870,050,007
NAV (undiluted as above on minority interest basis)	\$3,033,174	\$3,659,625
Value per share (including conversion of performance rights)	\$0.0036	\$0.0042

Source: BDO analysis

### Diluted position from exercising of Options

Below we have assessed the impact of the conversion of the outstanding options on value per share.

Dilution from Exercising of Options	Low Value	High Value
Number of shares (undiluted) as above	555,050,007	580,050,007
Shares issued on exercise of Options	211,000,000	211,000,000
Number of shares including shares issued on exercise of options	766,050,007	791,050,007
NAV (undiluted as above on minority interest basis)	\$3,033,174	\$3,659,625
Cash received from exercise of options	\$6,870,000	\$6,870,000
Adjusted NAV	\$9,903,174	\$10,529,625
Value per share (including shares issued on exercise of options)	\$0.0129	\$0.0133

Source: BDO analysis



Options to be exercised comprise 97 million Schrole Options at \$0.04, 25 million Conversion Securities at \$0.02, 25 million Facilitator Securities at \$0.02, 7 million Director Options at \$0.03, 7 million Director Options at \$0.04, and 50 million Advisor Options at \$0.03, as set out in section 4 above. The exercising of all these options would result in an increase in cash of \$6.87 million, which has been added to the NAV.

Due to the options being exercisable at equal to or greater than the capital raising price of \$0.02, we do not deem it likely that the options will be exercised at the date of this report.

Since we consider it unlikely that either the performance rights will be converted or the options will be exercised we have not included a calculation of the dilutionary impact of all performance rights being converted and all options being exercised together.

## 12. Is the Proposed Transaction fair?

The value of an Aquaint share prior to and following the Proposed Transaction is compared below:

	Ref	Low \$	Preferred \$	High \$
Value of Aquaint share prior to the Proposed Transaction	Section 10	nil	nil	Nil
Value of Aquaint share following the Proposed Transaction	Section 11	0.0055	0.0059	0.0063

We note from the table above that our assessed value of an Aquaint share following the Proposed Transaction is higher than our assessed value of an Aquaint share prior to the Proposed Transaction.

Therefore, we consider that the Proposed Transaction is fair.

## 13. Is the Proposed Transaction reasonable?

### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Aquaint a premium over the value resulting from the Proposed Transaction.

### 13.2 Practical Level of Control

If the Proposed Transaction is approved then Enerly will potentially hold an interest of up to a maximum of 42.4% in Aquaint, on the basis that all Capital Raising Shares are issued and all Performance Shares are converted into shares. In addition to this, Aquaint will have a Board member nominated by Schrole - Mr Robert Graham as Managing Director, who is a beneficiary of Enerly.

When shareholders are required to approve a matter that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter. On completion of the Proposed Transaction Enerly will have less than a 20% interest and so will not be in a position to block special resolutions. If the Proposed Transaction is approved, and at a subsequent time all the Capital Raising Shares are issued and all Performance Shares are converted into shares then Enerly will be able to block special resolutions.

Aquaint's Board currently comprises three directors, all of whom will resign on completion of the Proposed Transaction. Schrole will propose Mr Robert Graham as one of four new directors of Aquaint, making up 25% of the new Board.

Enerly's control of Aquaint, following the Proposed Transaction and assuming all Capital Raising Shares are issued and all Performance Shares are converted and assuming no other securities are issued, will be significant when compared to all other shareholders. Therefore, in our opinion, while Enerly will not be able to exercise a similar level of control as if it held 100% of Aquaint, it will be able to significantly influence the activities of Aquaint. As such, Enerly should be expected to pay a similar premium for control as if it were acquiring 100% of Aquaint.

### 13.3 Consequences of not Approving the Proposed Transaction

#### Consequences

If the Proposed Transaction is not approved, Aquaint will be expected to be subject to a creditors' winding up of the Company with \$nil return to shareholders.

### 13.4 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
The Proposed Transaction is fair	As set out in Section 12 the Proposed Transaction is fair. RG 111 states that an offer is reasonable if it is fair.

Advantage	Description
Shareholders will own shares in an operating company with greater potential to earn a return for shareholders	To date Aquaint has been involved in the property investment industry but not in an operating business. The Proposed Transaction provides the opportunity for involvement in a business with the potential to provide a return to shareholders in the future.
Potential cash injection to the Company	The Proposed Transaction is interconnected with a number of elements together alter the structure of the Company. Part of this is a capital raising to bring cash into the Company and also to enable re-compliance with the ASX Listing Rules. The \$ amount of cash which will be available to fund the Company's activities going forward cannot be specified at this stage.
Incoming director experienced in the industry that the business will be operating in.	The Managing Director who will be appointed as part of the Proposed Transaction is very experienced in the education and training sector. In addition the other new directors are experienced Board members of listed entities.
Schrole is being acquired for no initial cash outlay	Aquaint does not have cash available to acquire a new business. Only the structure of the Proposed Transaction allows Aquaint to make the acquisition without initial cash.
The issue of performance shares aligns the interests of Enerly and the other incoming shareholders	As part of the Proposed Transaction the incoming shareholders, including Enerly, will be issued with Performance Shares which will align the performance of these individuals to the overall benefit of the Company which should advantage existing shareholders. This is because the performance shares will only be issued if the Company achieves various performance targets to the benefit of all shareholders.

### 13.5 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Limited financial history of profitable performance by Schrole	We note that Schrole does not have a track record of successful performance with its most successful market offering in the past currently suffering from the restructuring of the mining services industry and the new businesses yet to achieve traction in their targeted markets.
Dilution of existing shareholders' interests	If the Proposed Transaction is approved the maximum interest that Shareholders will hold is approximately 0.37% of the total shares on issue assuming the minimum capital raising and no conversion of options or performance shares. On a fully diluted basis with the maximum capital raising Shareholders will hold approximately 0.20%.



Disadvantage	Description
Change in operations as a result of the acquisition may not suit the risk profile of certain existing shareholders	Shareholders may be exposed to different risk profiles if the Proposed Transaction is approved. Aquaint was previously a property investment company but Schrole's core business is in education and training with a different risk profile.

## 14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Aquaint.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Aquaint for the years ended 31 December 2015 and 31 December 2016
- Unaudited management accounts of Schrole Group Ltd for the period ended 31 May 2017;
- Deed of Company Arrangement dated
- Binding Term Sheet for the Acquisition;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Aquaint and Schrole.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Aquaint in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Aquaint, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Aquaint and Schrole and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Aquaint and Schrole and their respective associates.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 - Professional Independence. The services provided have no material impact on the financial report of Schrole.

A draft of this report was provided to Aquaint and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Adam Myers and Sherif Andrawes of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of Chartered Accountants Australia & New Zealand. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 29 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

## 18. Disclaimers and consents

This report has been prepared at the request of Aquaint for inclusion in the Notice of Meeting which will be sent to all Aquaint Shareholders. Aquaint engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the Proposed Transaction to acquire 100% of Schrole Group Ltd.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Proposed Transaction to acquire Schrole. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Aquaint, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

A handwritten signature in blue ink, appearing to read 'Adam Myers'.

**Adam Myers**  
Director

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

**Sherif Andrawes**  
Director

# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Administrators	Samuel Freeman, Clint Joseph and Adam Nikitins: Joint and Several Administrators
Alto Capital	ACNS Capital Markets Pty Ltd as trustee for the ACNS Unit Trust trading as Alto Capital
Aquaint	Aquaint Capital Holdings Limited
Acquisition Agreement	Binding conditional agreement entered by the company on 13 June 2017
BDO	BDO Corporate Finance (WA) Pty Ltd
Capital Raising	The Company completing the offer of up to 300,000,000 Shares with an issue price of \$0.02 per share to raise up to \$6,000,000
The Company	Aquaint Capital Holdings Limited
Consideration Securities	Shares, Performance Shares and Options to be issued to the vendors of Schrole
Consolidation	Proposed 60 for one consolidation of Aquaint's securities
Corporations Act	The Corporations Act 2001 Cth
CPS	CPS Capital Group
DCF	Discounted Future Cash Flows
Deed Administrators	Joint and Several Deed Administrators
Deposit	\$30,000 deposit paid by CPS Capital on 9 September 2016 and to be repaid from funds raised by the Capital Raising
Director Appointments	The appointment of directors nominated by Otsana, Alto Capital and Schrole to the board of Aquaint

Reference	Definition
DOCA	Deed of Company Arrangement
DOCA Payment	The payment of \$370,000 upon completion of the DOCA from funds raised by the Capital Raising
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Enerly	Enerly Pty Ltd
ETAS	ETAS (WA) Pty Ltd
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY16	Financial Year ended 30 June 2016
HY17	Half Year ended 31 December 2016
IT	Information Technology
NAV	Net Asset Value
QMP	Quoted market price
Recapitalisation Payment	\$370,000 to be paid by the company out of funds raised from the Capital Raising upon completion of the DOCA
Recapitalisation Proposal	The proposal to recapitalise the Company
Regulations	Corporations Act Regulations 2001 (Cth)
RTO	Registered training organisation
Otsana	Otsana Pty Ltd trading as Otsana Capital
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)

Reference	Definition
SaaS	Software as a Service
Schrole	Schrole Group Ltd
Secured Creditor	Kings Park Corporate Lawyers Pty Ltd CAN 153 331 867
Shareholders	Shareholders of Aquaint not associated with Schrole
SPL	Schrole Pty Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
The Transaction	The proposal to acquire 100% of the issued capital of Schrole
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

## Appendix 2 - Valuation Methodologies

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Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

## Appendix 3 - Minority interest discount

The concept of a premium for control (and its inverse being the minority interest discount) reflects the additional value that attaches to a controlling interest.

We have reviewed the control premiums paid by acquirers of All ASX listed companies. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2017	4	52.92	75.39
2016	33	1080.71	46.62
2015	37	940.05	41.72
2014	42	518.19	34.56
2013	38	206.79	51.55
2012	49	345.13	46.38
2011	62	743.04	53.38
2010	64	841.15	42.12
2009	36	253.50	37.64
	<b>Mean</b>	<b>553.50</b>	<b>47.71</b>
	<b>Median</b>	<b>518.19</b>	<b>46.38</b>

Source: Bloomberg

The mean and median figures above are calculated based on the average deal value and control premium for each respective year. To ensure our data is not skewed, we have also calculated the mean and median of the entire data set, as set out below:

Entire Data Set Metrics	Average Deal Value (AU\$m)	Average Control Premium (%)
<b>Mean</b>	<b>619.65</b>	<b>45.00</b>
<b>Median</b>	<b>100.58</b>	<b>35.44</b>

Source: Bloomberg

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction; and
- level of liquidity in the trade of the acquiree's securities.

The tables above indicate that the long term average of announced control premiums paid by acquirers of all ASX listed companies is approximately 45%. However, in assessing the sample of the transactions that were included in the table, we noted transactions within the list that appear to be extreme outliers.

In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean, excluding those extreme transactions. These outliers include all transactions where the announced control premium was in excess of 100% and all transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%). We note that the median announced control premium over the review period was 33%.

In the case of Aquaint, we have taken the following considerations into account:

- The size and scale of Aquaint/Schrole is considerably smaller than a number of the sample companies above. We note that larger transactions tend to have higher control premiums; and
- Aquaint is currently in administration and does not currently have any revenue generating operations.

In determining a notional control premium to be paid we have taken the above analysis into account. We consider an appropriate notional control premium to be in the range from 20% to 30%.

Consequently, we consider that the appropriate minority discount to apply is the inverse being a range of 17% to 23%.

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