

28 September 2017

CHAIRMAN'S LETTER TO SHAREHOLDERS

TAKE NO ACTION in relation to
the recent Notice of Meeting sent by self-serving
activist shareholders, Alceon and LHC.

You will receive a detailed response and
Board Recommendation from BPS along with a replacement
Proxy Form within the next two weeks.

Dear Fellow Shareholder,

I am writing to update you on recent events that have the potential to have a significant impact on your company and to seek your support in coming weeks as we prepare for the November 3rd General Meeting called by two activist shareholders, Alceon Liquid Strategies Pty Ltd ('Alceon') and LHC Capital Partners Pty Ltd ('LHC').

Notice of Meeting not sent by BPS – Await further information from the BPS Board

The Notice of Meeting and accompanying documents were **NOT** sent by BPS Technology and do **NOT** reflect the views of the BPS Technology Board. The General Meeting was **NOT** called by BPS Technology. The communication contains statements that are misleading.

It is very important that you ultimately vote with the benefit of all material information. You will receive from the BPS Technology Board a detailed response and directors recommendation in the coming weeks.

In the meantime, the BPS Board strongly recommend shareholders **TAKE NO ACTION** in relation to the proxy form and materials sent to you by Alceon and LHC.

Take NO Action – Await a Replacement Proxy Form

The instructions on the Proxy Form encourage you to send proxies to a company called Boardroom Pty Limited ('Boardroom'). **Shareholders are warned that Boardroom is NOT BPS' share registry**, and that any proxy forms sent to them may compromise the privacy of your shareholding and voting information. To be effective and counted in any vote, a validly completed proxy form must be received by the Company at least 48 hours prior to that meeting. If Boardroom fails to deliver a proxy to the Company in time, they will not be counted. **THE BPS BOARD STRONGLY RECOMMENDS SHAREHOLDERS NOT TO SEND ANY PROXY FORMS TO BOARDROOM.**

Within the next two weeks, you will be sent a replacement Proxy Form which will include secure online voting and address information for BPS Technology's share registry, Link Market Services.

If you have already sent a proxy form to Boardroom, please contact the BPS shareholder information line on 1300 362 398 (or from outside Australia +61 2 8355 1004) and we will arrange a replacement Proxy Form to be sent to you.



Background to Notice of Meeting

The activist shareholders who are calling this meeting, between them account for 8.8% of BPS' issued capital, and are seeking to replace the entire board with their nominees including their choice of Managing Director/CEO.

BPS is a dynamic company and is constantly growing and developing. We are certainly not averse to change. However, we believe any change should be managed in an orderly and transparent fashion in the interests of all shareholders and not at the behest of one particular group of self-serving activists.

Indeed we announced on 26 September 2017 that a formal process of Board renewal is underway and that our current CEO, Trevor Dietz, intends to retire in the new year. The Board has engaged a premier global executive search firm to assist it in the recruitment of an appropriate candidate to succeed Mr Dietz. This is a critical role and we are conscious that not only our shareholders but also our members, merchants and alliance partners will be watching carefully how this process is managed. We have been meeting with potential board candidates, including female candidates, over the past month and are confident that we will be in a position to appoint up to two independent Directors in the medium term, the first around the time of the Company's AGM on November 27th.

Alceon's/LHC's decision to call the November 3rd meeting rather than engage with BPS in a constructive process of active discussion and negotiation has the potential to cause a great deal of instability within our business and potentially put at risk a number of relationships that have taken many years to develop. Their approach has been aggressive and far from 'friendly'. It has been framed in the context of demands that we do exactly what they want and been accompanied by threats if we do not. It has included selective briefing of a number of our larger shareholders, disseminating statements which are untrue or deliberately misrepresent certain events in order to create the impression of poor corporate governance. A number of such statements have been included in their Notice of Meeting and we will be addressing each one of them in our formal response which will be mailed out in the second week of October.

It is clear from the commentary provided in their Notice of Meeting that Alceon/LHC either do not understand our business and the accounting conventions that apply to technology companies or they are wilfully misrepresenting the facts to serve their own ends. We acknowledge that the performance of Bartercard has been disappointing but we have not been sitting on our hands. Since early last year we have been implementing a number of strategies designed to both turnaround its performance and also broaden the scope of our payments platform into the B2C market, of which the highly successful Entertainment acquisition was a key element.

Alceon's/LHC's actions are consistent with an activist shareholder seeking to exert disproportionate influence over the management and strategic direction of the company, without making an offer to all shareholders (with an appropriate premium) to warrant that level of control.

We recommend that shareholders **TAKE NO ACTION** in relation to the materials sent to you by Alceon and LHC and await the Board's detailed response to the Notice of Meeting including the reasons why we oppose each of the resolutions. In the meantime if you are concerned about what you need to do or have questions about the General Meeting:

**PLEASE CALL THE BPS SHAREHOLDER INFORMATION LINE ON 1300 362 398
(OR FROM OUTSIDE AUSTRALIA +61 2 8355 1004)**

Yours sincerely

A handwritten signature in blue ink, appearing to read "Murray d'Almeida".

Murray d'Almeida
Chairman

