

13 October 2017

BPS – RESPONSE TO NOTICE OF MEETING

BPS Technology Limited (ASX:BPS) today publishes the attached response to the notice of meeting, announced 27 September 2017, including the following documents:

- Chairman's Letter to Shareholders
- Director Statements
- Proxy Forms

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About BPS Technology Limited (BPS): BPS is a leading provider of transactional platforms and management systems which enable businesses to attract customers across multiple sales channels. These platforms currently serve 36,000 merchants and 1.5m customers through a network of ~ 20,000 Not-for-Profit organisations, giving BPS a reach of 3.5m consumers. BPS earns revenues on transactions over the platforms via its subsidiaries Bartercard, Entertainment and bucqi.

About Bartercard: Bartercard operates the world's largest retail trade exchange for over 26 years. It allows small to medium businesses to conduct transactions without the use of cash. There are 50,000+ card-holders in 10 countries and 74 offices currently. Bartercard transactions can be conducted online, via its mobile app or across more than 7,000 bank eftpos terminals.

About Entertainment: Entertainment Publications is a business-to-consumer (B2C) deals platform with an established model proven over 22 years of profitable operations. Through 21 offices Entertainment provides restaurant, accommodation and activity guides with special offers from more than 12,000 businesses to consumers in Australia and New Zealand.

About Bucqi: bucqi is a disruptive mobile payments and rewards app based around a loyalty platform designed for businesses to attract consumers. It allows consumers to earn and redeem great rewards called "bucqs" via a wide range of participating merchants. The payments platform has been three years in the making and has a number of patents pending. It has been launched in Queensland Australia and Wellington in New Zealand.



CHAIRMAN'S LETTER TO SHAREHOLDERS

Your Board recommends shareholders:
VOTE AGAINST ALL RESOLUTIONS proposed by Alceon and LHC,
and that you **IGNORE THE PROXY FORM SENT BY THEM** and
only use Proxy Forms authorised and sent by BPS

13 October 2017

BPS Technology Limited ('BPS' or 'Company') (ASX: BPS) has today released its formal response to the 25 September 2017 Notice of Meeting ('NOM') and Explanatory Statement provided by Alceon Liquid Strategies Pty Ltd ('Alceon') and LHC Capital Partners Pty Ltd ('LHC') under section 249F of the Corporations Act 2001 convening a General Meeting ('Meeting') of shareholders in Surfers Paradise on 3 November 2017. Each of Alceon and LHC has a shareholding of less than 5%. Collectively, they hold only 8.88% of BPS' issued share capital.

This response is in addition to BPS' letter to you of 28 September 2017, which identified a number of concerns that your Board has with Alceon's and LHC's communications. The Board believes these may mislead shareholders to vote in favour of Alceon/LHC's resolutions which are to be put to the Meeting.

**Following consideration of the resolutions,
your Board recommends shareholders VOTE AGAINST ALL RESOLUTIONS
proposed by Alceon and LHC.**

Shareholders are urged to ignore the proxy form sent by Alceon/LHC, which accompanied their NOM, and vote against all resolutions using the proxy form attached to this letter. The instructions on Alceon/LHC's proxy form encourage you to send proxies to a company called Boardroom Pty Limited ('Boardroom'), which is not BPS' share registry. If you have already sent a proxy form, the BPS Board recommends you re-vote using the attached proxy form, against all resolutions, and send the new proxy form to BPS' share registry, Link Market Services. Any second or subsequent vote will replace a proxy vote already received.

Dear fellow shareholder,

Your Board notes that Alceon/LHC have made a number of statements accompanying their NOM which in the Board's view are either untrue, omit pertinent facts or deliberately misrepresent certain events.

In summary:

1. **ALCEON/LHC ARE NOT OFFERING SHAREHOLDERS A PREMIUM FOR CONTROL**
Alceon/LHC each has a shareholding of less than 5%. Collectively, they hold just 8.9% of the shares on issue. By contrast, current directors hold, in aggregate, 31% of BPS.
(Page 4 'Which Directors are better aligned with the interests of ALL shareholders?')
2. **BPS DIRECTORS HAVE A 5 YEAR STRATEGY WHICH IS WELL ADVANCED IN ITS IMPLEMENTATION**
(Page 9 'Business Transformation Process'). Alceon/LHC say they want major change but fail to explain what they will do or offer an alternative strategy.
(Page 4 'Alceon/LHC Resolutions offer change but no strategy')
3. **ALCEON/LHC'S NOMINEES LACK THE SKILLS OR RELEVANT EXPERIENCE TO RUN BPS**
Alceon/LHC's nominees for the Board and for senior management do not understand BPS' business.
(Page 5 'Alceon/LHC have no Growth Strategy and their nominees Do Not Understand BPS' business' and
Page 6 'Reasons for Rejection of Proposed Directors')
4. **TRANSFORMATION OF BARTERCARD HAS BEEN IN PROGRESS FOR THE PAST TWO YEARS**
Alceon/LHC's assertion in respect of Bartercard's performance is both incomplete and, in the view of the Board, misleading. While Bartercard has not performed to expectations, it has performed better than Alceon/LHC suggest and they completely overlook the business transformation process that is well underway.
(Pages 8–9 'Bartercard Performance')
5. **CASH FLOW GENERATION IS STRONG AT 93%**
Alceon/LHC have wrongly suggested that BPS is overstating its earnings due to the low cash conversion rate in FY15 and FY16.
(Page 11 'Cashflow Generation and Conversion to EBITDA')
6. **GEARING LEVELS AS AT 30 JUNE 2017 WERE VERY LOW AT 7%**
Alceon/LHC make some alarming claims in respect of capital management and debt levels. In fact, at the end of FY2017, BPS' gearing level was very modest and its FY17 financial results demonstrate clearly that net debt had reduced over the course of that year.
(Page 11 'Allocation of Capital and Debt')

7. **BPS' ACCOUNTING PRACTICES ARE ASIC/ASX COMPLIANT**

Alceon/LHC's assertions in respect of BPS's accounting practices are highly inflammatory and just plain wrong. (Pages 13–14 'Accounting Practices')

8. **BPS' BOARD COMPLIES WITH ITS CORPORATE GOVERNANCE REQUIREMENTS**

Alceon/LHC charge that the current Board lacks relevant experience and is falling short of basic standards of corporate governance.

This is simply untrue. In fact, like many small cap companies, particularly in the fintech space, the continued involvement of the people who built the business at both board and management level is vital.

(Pages 15–19 'Board Composition and Corporate Governance')

9. **RECENT PERFORMANCE OF ALCEON/LHC INVESTMENT IN NONI-B**

Noni-B's earnings per share (after abnormals) sharply declined by 25% for FY17. Alceon GT Pty Ltd had a combined holding in Noni-B of approximately 60% at the end of FY17.

Your Board urges you not to be misled by this opportunistic 'grab' for control of BPS. The Company has come a long way in the recent past and its future is bright as change is implemented at both Board and senior executive level. Please read our detailed rebuttal closely and then **VOTE AGAINST** all of Alceon/LHC's resolutions.

If you have any questions, please contact the BPS shareholder information line on 1300 362 398 (or from outside Australia +61 2 8355 1004).

Yours sincerely



Murray d'Almeida
Chairman, BPS Technology Limited

BPS' RESPONSE TO THE PROPOSED RESOLUTIONS IN THE NOTICE OF MEETING

Alceon/LHC Resolutions offer change but no strategy

The resolutions, if passed, would see the removal of all five existing directors, who have been elected by shareholders to represent them, and the appointment of four Alceon/LHC nominees as directors (with one nominee subsequently to be appointed managing director ('MD') and chief executive officer ('CEO')).

Alceon/LHC are also seeking the immediate removal of BPS' company secretary despite not naming a replacement. Alceon/LHC's NOM fails to share with other shareholders what their view of change might look like apart from suggesting that they can do better.

In the BPS Board's view, the proposed directors provide neither the relevant skills nor diversity that is currently being sought by the BPS Board as part of its own renewal plan and process.

Which Directors are better aligned with the interests of ALL shareholders?

Unlike Alceon/LHC, members of the current Board are significant and longstanding shareholders in BPS. Together their shareholding accounts for 31% of BPS' issued capital, thus representing a strong alignment of interests between you and your Board. Senior management appointed by your Board hold a further ~6%.

In March 2017, the executive directors met with their then broker and corporate advisor, Moelis, to discuss what could be done to improve the performance of the Company's share price. Moelis recommended they consider selling part of their holdings via a block trade in order to address the lack of liquidity in the stock.

Alceon/LHC have wrongly asserted that the fact that this sale was contemplated at a "significantly discounted price of \$0.70 per share, indicates that current management have no confidence in their ability to create value for BPS shareholders".

The three BPS directors considered selling a portion of their holding on the basis of Moelis' advice that it would resolve the stock's liquidity issue and in so doing remove the major factor causing the weakness in the share price.

The sale and other changes that were being considered at the time did not eventuate for the reasons outlined in detail in section 7.3.

The skills and technology experience of the BPS Board are key to the implementation of its Strategic Plan

Your Board has been proactively implementing a number of strategies designed to increase shareholder value through improved financial performance and broadening the scope of its payments platform into the B2C market, of which the highly successful 2016 Entertainment acquisition was a key element.

BPS has recently signed agreements with Alipay and Alibaba.com which will have a direct impact on the growth of both the Bartercard and Entertainment businesses. This is part of a 5 year strategy which the Board has been working on for the past 2 years that will provide BPS with direct access to the growth in China and Chinese tourism in Australia at the same time as repositioning the entire BPS business as an integrated marketing and payments platform offering both merchants and consumers access to deals, incentives and rewards.

BPS' buccq technology has been key to the relationship with Alipay and alibaba.com, providing BPS with a significant competitive advantage over others in securing the recent partnership agreement.

Management is leading a successful "transition to digital" phase and implementation strategy for the two key subsidiaries, Entertainment and Bartercard, which will reap superior returns for shareholders over the medium to long term. They are supported by the current Board's combined sixty years of BPS executive experience, corporate memory, customer, staff and bankers relationships that are key to this transition and the Company's future success. Two of the executive directors have been closely associated with the technology development of multi-currency, mobile capable, payments platforms where Bartercard acts as a third party record keeper of member transactions, for over 20 years.

Two years ago the current Board established a Technology Advisory Board chaired by Professor Iain Morrison, co-founder of Melbourne IT and a highly respected technology expert. In addition, they have established in the past 12 months an Entertainment Board, chaired by Mr Ben Johnson, founder and previous owner for 22 years of Entertainment Publications of Australia and New Zealand. Ms Heidi Halson, co-founder with Mr Johnson for 23 years, serves on that Board as Executive Director.

Following the announcement of Trevor Dietz' retirement, to be effective in the New Year, the process of majority independent board renewal, including the appointment of up to two independent non-executive directors, has commenced.

Alceon/LHC have no Growth Strategy and their nominees Do Not Understand BPS' business

Alceon/LHC and their nominated representatives to the Board are offering no alternative business strategy to take BPS forward. They have stated that they intend to undertake a 60 day strategic review which will then produce a strategic plan.

In BPS' discussions with Alceon, LHC and Moelis (who are now representing the activist shareholders) they have expressed concern, as is typical of private equity style investors and hedge funds, that BPS has not slashed costs or reduced headcount quickly enough since the Entertainment acquisition.

BPS has in fact been very focused on cutting costs and has outlined \$1m per annum in cost savings that is being driven through its digitisation programme. Other synergy benefits will flow through from the continued integration of the Entertainment business into BPS over the next year.

It is apparent from the issues Alceon/LHC have raised and the questions asked in relation to the accounts that they do not understand this business. Each assertion or insinuation has been easily answered (section 7) highlighting that this is really a campaign founded on fear to create a sense of panic amongst investors that there is something hidden or unknown to them.

The recent conduct of Alceon/LHC appears to be motivated to undermine the BPS share price.

When this is viewed in the context of their failed block trade agreement and the current campaign to spill the Board, it is difficult to draw any conclusion other than that this is all about gaining control of the Company.

REASONS FOR REJECTION OF PROPOSED DIRECTORS

The BPS Board believes that Alceon/LHC's nominees would bring neither relevant nor sufficient new skills to the Board to justify their appointment. Furthermore, it is clear that two of their nominees, Mr Dunstan and Mr Clare, have a significant existing association with LHC. This includes:

- Mr Dunstan and Mr Clare are both the nominees of LHC for directors of BPS.
- Mr Dunstan worked as the CEO and Mr Clare as a director of Rubik Financial Limited, a business in which LHC was a substantial shareholder.
- At the behest and request of Alceon/LHC Mr Dunstan and Mr Clare each attended and participated in the due diligence of BPS as detailed in section 7.3.

The skill set and experience most sought after by BPS is that of bringing consumers to merchants via mobile platforms, creating a positive reason for them to transact, and recording and rewarding that consumer's behaviour such that they remain engaged for the longer term. Key to this is ensuring that the merchant is happy to pay a larger fee for successfully marketing their business and getting a consumer to buy.

The experience of three of the four nominated directors in mega listed companies does not automatically translate into small caps in the emerging technology, mobile payments and loyalty space. In the view of the Board, the proposed new directors have insufficient experience in driving consumers to merchants, rather their credentials are based on the conducting of one-off transactions for a very small transaction fee only after the consumer has: (a) located the business and (b) selected the product.

Iain Dunstan – proposed CEO and MD

As portrayed by Alceon/LHC in their NOM, Mr Dunstan appears to present as a strong candidate for the role of CEO based on his background and particularly with regard to his experience in the technology and finance industry. However, close scrutiny of his executive record does not bear this out.

Mr Dunstan is known to, and strongly supported by, LHC particularly in relation to his involvement in the sale of Rubik Group to Temenos Group in May 2017, at a premium to its pre-deal share price. LHC was a 19.26% shareholder in Rubik and profited from the transaction. Longer term shareholders in Rubik were not so fortunate. During Mr Dunstan's tenure as Rubik CEO from October 2014 to May 2017, he presided over an 84% fall in the share price from 50 cents to 8 cents, prior to negotiating its sale to Temenos at 16 cents per share.

Mr Dunstan was also the founder and CEO of Bravura from 2004 to 2010. The company listed in June 2006 at \$1.12 per share and, after a promising start, quickly ran into trouble. In the 3 years prior to Mr Dunstan's departure, the finance software company suffered a massive drop in net profit after tax, plummeting from \$4.4 million in FY2007 to just \$1.6 million in both FY2008 and FY2009 and a net loss after tax of \$4.4 million for 1H FY2010. Its share price suffered along with it, plunging from a record high of \$2.72 in June 2007 to 15 cents on 23 February 2010 when Mr Dunstan was removed as CEO of Bravura following a boardroom spill.

At the time of the failed block trade agreement (see section 7.3), Mr Dunstan was strongly recommended to BPS by Moelis, Alceon and LHC as a proven CEO and director with a highly successful track record in relation to share price performance. At the time, with considerable time pressure for a decision from Alceon and LHC, this statement was taken at face value, however, further investigation suggested that the Board's confidence may have been misplaced.

Mr Dunstan's history with LHC (via Rubik), the poor performance of companies under his leadership, and lack of experience in relation to BPS' core business do not make him a suitable candidate for MD of this Board.

Peter Clare

Mr Clare has an impressive background operating in the banking sector, most notably as CEO of Westpac New Zealand and prior to that numerous senior roles within Westpac and St George Bank.

He commenced his non-executive director career in 2014 as director of Scottish Pacific (listed in 2016), was Chairman of Reffind from April 2015 to November 2016 and joined the board of Rubik Group in June 2016. He has been a senior adviser to Moelis & Company since January 2015.

Reffind listed with a market capitalization of \$20m and a share price of \$0.20 per share. Eighteen months later, after the share price had fallen to 4 cents per share, Mr Clare resigned from the Board.

Scottish Pacific listed at \$3.20 per share in July 2016 and, following a profit downgrade only four months later, continues to trade well below its issue price.

Mr Clare's history with Moelis and also LHC (via Rubik), his limited track record as a director of small cap listed companies and lack of any experience in relation to BPS' core business does not make him a suitable candidate for the Company's Board.

Andrew Pipolo

Mr Pipolo has a long history of leadership in the payments space, including with PayPal where he was the first Managing Director of Australian operations and also as Country Manager Australia for MasterCard.

He was a non-executive director of BPS from its listing in September 2014 until his resignation in April 2016. During that time he was Chairman of the Remuneration and Nominations Committee. He signed off on the BPS financial statements for FY15 which are now being challenged by Alceon and LHC.

Mr Pipolo was firmly opposed to the acquisition of Entertainment, failing to see the significant benefits that it could bring to the BPS group. On this basis alone we have reason to question his commercial judgement.

Finally, through his association with Loop Pay, Samsung Pay and now Change Financial, Mr Pipolo is unacceptably conflicted, a situation which emerged during his time at BPS and ultimately led to his resignation.

Anthony Lally

Mr Lally has had a long and distinguished career in the financial services sector, including as CEO of Sunsuper and the Chair of ASFA (Association of Superfunds of Australia).

Mr Lally was a non-executive director of BPS from its listing until November 2016. He was the chair of the Finance and Audit Committee but, like Mr Pipolo, is now participating in bringing into question the very accounts that he was responsible for reviewing and signing off.

He was initially also opposed to the Entertainment acquisition, but after much convincing of the potential to be derived from integrating this business onto BPS' payment platforms, he reluctantly agreed to support the deal. His inability to add value to the BPS Board ultimately led to his resignation.

BPS REBUTTAL OF UNTRUE OR MISLEADING STATEMENTS BY ALCEON/LHC

Your Board notes Alceon/LHC made a number of statements accompanying their NOM which, in the Board's view, are either untrue, omit pertinent facts, or deliberately misrepresent certain events.

We respond to these statements directly below:

1. Bartercard Performance

Alceon/LHC have presented figures that suggest the Bartercard business is under significant pressure. While Bartercard has not performed to expectations, the alleged decline in operating performance has been overstated and largely occurred in FY17 as detailed in the following charts.

Chart 1: Bartercard EBITDA

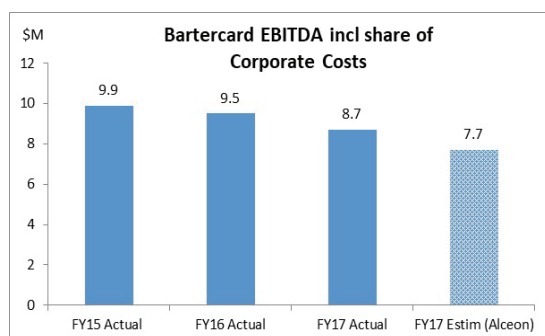
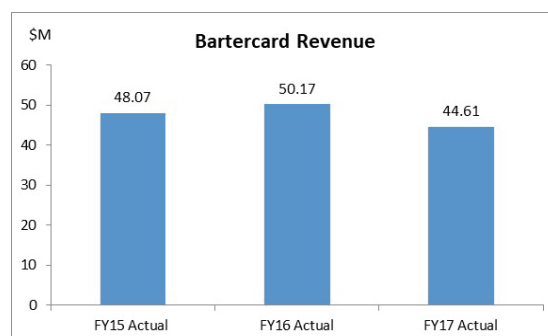


Chart 2: Bartercard Revenue



As reported in August 2017 as part of BPS' results presentation for FY17, the fall in Bartercard's revenue last year (Chart 2) was predominantly due to a reduction in income from licence and franchise sales (-\$4.6m). Revenue flow from these items is irregular and the completion time of sales agreements is difficult to forecast. This was anticipated and factored into BPS' forecast for group earnings provided to the market in August 2016. The actual decline in underlying revenue from Bartercard's core business transactions, trading and subscriptions for the same period was 2%.

In Chart 1, Bartercard's operating performance in FY17 has been adjusted for its share of corporate costs which in FY17 were separated out in BPS' segment reporting as a result of the Entertainment acquisition. Alceon/LHC have allocated all Corporate Costs to Bartercard, resulting in the quantum of decline being significantly overstated (-19%) compared to the actual decline (-8.4%). Importantly a greater reduction in costs (-12%) was achieved over the same period, delivering improved operating margins.

1.1 Bartercard pivoting proactively and transforming the business

We agree that any reduction in sales and profitability, no matter the size, is unacceptable. However, Bartercard has been undergoing a period of significant restructuring over the past 18 months as it moves to take all Platforms fully digital and transactional for cash, cash and rewards/bucqs, cash and Trade Dollars or pure Trade Dollars. It has also bought back, over the past 3 years, a number of key metro franchises which had been underperforming and were in need of strong management.

Compared with 5 years ago, there is significantly more online and mobile business ‘noise’ from the deals and discount sites such as Groupon, Catch of the Day and Grab One, but at a high cost of discount to the merchant. There is also a surge in online loyalty schemes to incentivise customers for repeat business. Large e-commerce platforms such as Amazon and Alibaba are also extending their reach and disruption into local communities around the world.

This rapidly changing business environment is impacting BPS customers, which has required Bartercard to search for and identify the most cost effective way to help the SMEs. As a result the Bartercard business model has been simplified to become “Mobile First for Search and Self-Serve”.

For any business to remain competitive it must drive automation and increase digitization in order to reduce costs and increase productivity. The deployment of BPS’ digital transformation and business reorganisation has already begun with stepped cost savings and revenue increases anticipated over the next 3 years.

1.2 Bartercard Business Transformation Process – at a glance

- Completed phase 1 of new mobile app deployed August 2017 – staged upgrade enhancement releases planned through 2018.
- BC Search – deployed in NZ, resulting in a 25% increase in trading of those using it to date. Soft launch in Australia with goal to be embedded in upgraded version of app.
- Market Place – allowing business owners to create their own virtual ‘shop front’, earning cash and creating trade opportunities.
- BC Express – to forward sell via the app e-vouchers, gift vouchers and travel package vouchers. Buyers via the app achieve immediacy of purchase. To be deployed by April 2018.
- Extending SME reach into e-commerce platforms including Alibaba local, Asia and worldwide – agreements signed and being rolled out to 4000 Australian merchants over the next 2 years.
- Introducing the Visa Bartercard and making the app transactional for cash, cash and barter and pure barter by early 2018 across all BPS platforms, capturing more data and transaction fees.
- Deploying BC express with a consumer home barter version in the second half of 2018 to create new revenues and increased trading.

None of this aligns with Alceon/LHC’s analysis of a division in serious trouble. BPS has been investing in technology and systems and re-engineering the business for the future. While this has come at the cost of short-term performance it has been essential in order to remain competitive and deliver sustainable growth.

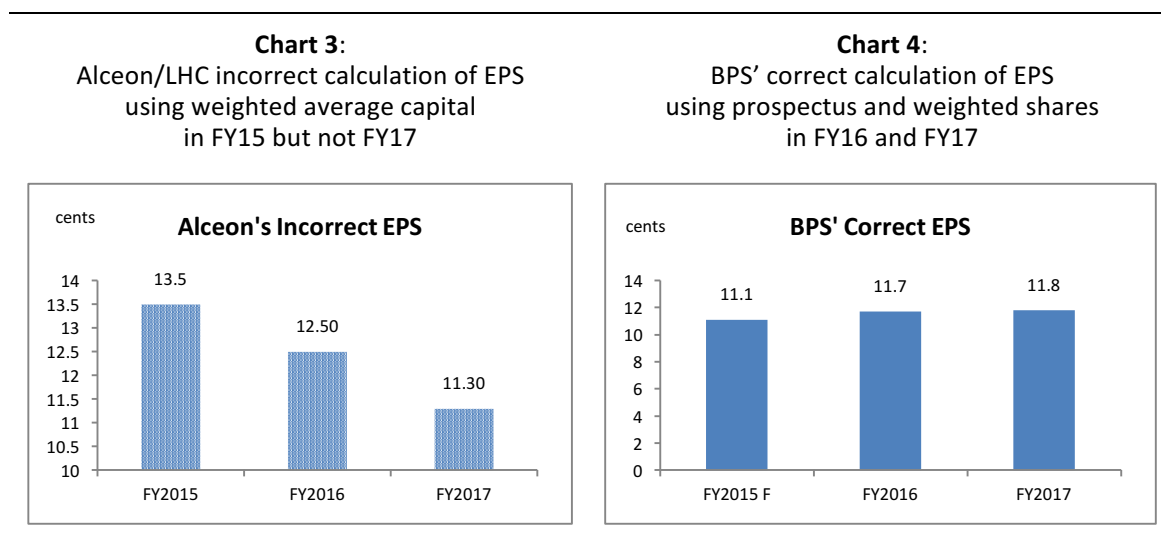
2. BPS Earnings per share

BPS earnings per share ('EPS') on a fully diluted basis stabilised at 11.7-11.8cps over the past 2 years. Given that the IPO prospectus forecast for EPS in FY15 was 11.1 cps, this is hardly consistent with Alceon/LHC's statement that "Bartercard's declining profitability has led to declining EPS".

In order to create the appearance of a decline in EPS, Alceon/LHC have calculated earnings by the total number of shares on issue at year end, despite the fact that BPS only raised the capital to purchase Entertainment in September 2016.

Alceon/LHC's approach is not in line with Australian accounting standards nor is it consistent with their calculation of EPS for FY15, the year in which BPS also raised its IPO capital in September, but booked a full 12 months of earnings. Construction of the Alceon chart deliberately distorts the EPS movement, creating the misleading impression that EPS is in steep decline.

BPS calculates its EPS on a basic and fully diluted basis in accordance with the Australian accounting standards by applying weighted average shares on issue.



Finally, in August 2016 BPS provided a forecast EPS of 11.8 cents for FY2017 as part of its capital raising for the Entertainment acquisition. As a result a number of institutional shareholders joined the register, including Alceon and LHC. In August 2017, BPS delivered a result that exceeded its forecasts for revenue and earnings per share, with EBITDA falling short by less than \$0.5m or -3%.

It defies logic that Alceon and LHC would have invested in BPS on the basis of the Company forecasts provided and then when these forecasts are exceeded, claim that the same Company is suddenly not living up to expectations.

3. Cashflow Generation and Conversion to EBITDA

Alceon/LHC have spent a great deal of time and effort misrepresenting the status of the audited accounts and asserting that the Company overstated its earnings due to the low cash conversion rate in both FY15 and FY16.

They fail to mention the reasons for this, despite having been made aware of this in the FY16 financial accounts when they conducted due diligence prior to providing BPS with a convertible note facility. They also failed to provide the same analysis for the FY17 accounts which was available prior to the release of their NOM and which showed a cash conversion rate of 93%.

The explanation that Alceon/LHC chose not to provide is that in both FY15 and FY16 BPS sold a number of licences on terms that enabled the licencees to pay in instalments. As a result while the revenue was booked in the income statement the cash received from the sale was not received upfront but paid over time. This reduced the cash conversion rate in both years.

In FY17, BPS shifted its focus on licence sales to the integration and execution of the Entertainment acquisition. The licence sales made were not executed on terms but with an upfront payment. This, together with the acquisition of Entertainment boosted the cash conversion rate up to 93%.

As with the calculations for EPS outlined in section 2, Alceon/LHC have been selective in providing only the figures that they feel suit their argument and then wilfully misrepresenting them. The reasons for doing so are consistent with previous actions designed to control the Board's composition without making a takeover offer (see section 7.3).

4. Allocation of Capital and Debt

In their NOM, Alceon/LHC makes some alarmist and, in the Board's view, misleading statements regarding BPS' investments in technology over the past 3 years, linking those investments to their already inaccurate analysis of Bartercard's performance and implying that not only has BPS had to increase its debt but that BPS' viability is at risk.

BPS operates with low levels of gearing, and as per the FY17 financial report, has continued to reduce debt over the past year.

BPS is a technology company and investing in its technology base is core to its operations. In their NOM Alceon/LHC omit to benchmark BPS' investments in technology and acquisition of franchises to the size of the business and its industry peers, which provide globally acceptable comparisons. Also notable is that Alceon/LHC invested in BPS after the publication of the Company's FY15 and FY16 profits, investments and balance sheets. Two of their current board nominees in fact signed off on those financial statements.

BPS has generated \$24 million operating cash on revenues of \$208 million over the last 3 years. Of this \$24 million cash, around half (5.6% of revenues) was invested across all the technology platforms and \$5.7 million (2.6% of revenues) in the acquisition of franchises and development of new territories. These amounts include technology investments in Entertainment, Bartercard, buccq, TESS and the establishment of the USA operations. By comparison, technology companies typically invest between 5% and 10% of revenue.

Now that much of the new technology has been deployed and 90% of planned franchise acquisitions completed, BPS has stated to shareholders that it expects to continue investing between 3 to 4% of revenues back into the business. Allocating capital for these franchise acquisitions has proved to be both appropriate and prudent. These acquisitions removed BPS from a number of restrictive and unproductive franchise agreements many of which were ten or more years old. The business has and will continue to benefit from this.

BPS' net debt has reduced from \$7.7 million at the end of FY16 to \$4.9 million at the end of FY17, representing a gearing ratio (net debt to equity) of only 7%.

5. Share Price Performance

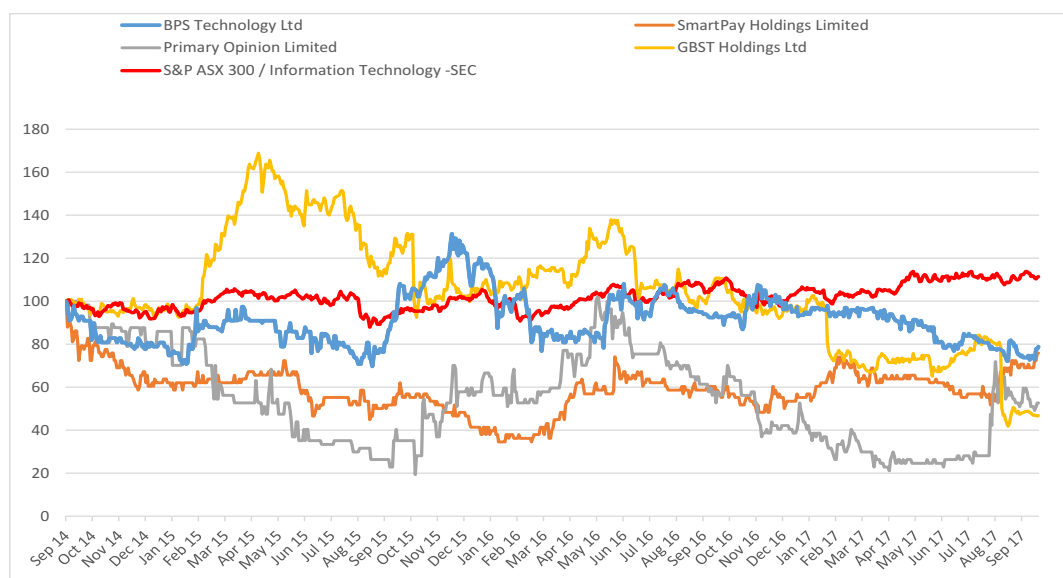
Alceon/ LHC states that BPS' share price since listing has been volatile, below the IPO price and has underperformed the broader market index by c. 30% when measured against the ASX 300.

When BPS is compared with peer companies in the tech sector of similar market capitalisation, it can be seen that since September 2014 all have experienced significant underperformance relative to the ASX300, ranging from 30-65%.

Up until the end of 2016 BPS had been broadly tracking the ASX 300, however, as the tech sector fell out of favour with investors over the course of the past 15 months, all four companies have experienced declining share performance.

BPS emerges as the strongest performer within this group supporting the argument that a large part of the share price performance is sector related and cannot be solely attributed to stock specific factors.

Chart 5:
Relative Share Price Performance of BPS vs peers and ASX200 since listing



Note: Peer companies (and their market capitalisation) chosen include:

- Primary Opinion (\$20m) a digital content and community platform focused on advisory professionals
- Smart Pay Holdings (\$37m) provider of payment solutions offering EFTPOS applications
- GBST Holdings (\$129m) provider of global technology services to the financial services industry

6. Accounting Practices

The NOM makes some highly inflammatory statements regarding BPS' accounting practices, based on the observation that its *"operating cash flow generation has been significantly lower than reported accounting earnings [and that] one potential explanation for this discrepancy is that the adopted accounting policies and/or approach to revenue recognition are having the effect of overstating the true profitability of the business"*.

These and other inaccurate statements are directly addressed as follows:

6.1 Overstatement of true profitability of the business

BPS at all times, as audited by the registered ASIC auditors, follows the accounting practices of the Australian Accounting Standards Board ('AASB') to the highest standards. These accounting policies and principles are outlined in section 6, Note 1(a) to (w) of the Company's Annual Report.

Alceon/LHC either do not understand the difference between profits and cash or are deliberately attempting to mislead shareholders to believe that profits and cash flow are one and the same thing.

According to AASB the Statement of Profit and Loss must be prepared on an accruals basis (not cash basis), whilst the Statement of Cash Flows must be prepared on a cash basis. The very reason why the Accounting Standards require both a Profit and Loss Statement as well as a Cash Flow Statement is for the reader to distinguish between the profits earned and the cash flow generated by the Company.

From the Company's FY17 Annual Financial Report it can be readily seen that \$10.3 million net profit was earned in that year whilst \$12.8 million cash from operations was generated. Over the last 3 years BPS has produced net profits of \$25.5 million and operating cash of \$24.0 million, representing a conversion ratio of 93%. The reasons for the lower cash conversion ratio reported in FY15 and FY16 have been detailed in section 3 on Cash flow Generation and Conversion to EBITDA.

6.2 Indian Bartercard Licence

Alceon/LHC query BPS' rationale and accounting for a \$1.5 million investment in a private entity that is associated with the Bartercard licensee in India.

During FY16, and prior to the Alceon and LHC investment in BPS, a TESS licence was sold to One Up Trading India Pvt Ltd in exchange for shares to the value of \$1.5 million in that company. One Up Trading Pvt Ltd is a substantial and profitable business that has operated for over 10 years across multiple cities in India. This relationship holds much potential for Bartercard's Marketplace e-Commerce platform as well as Entertainment's Frequent Values product. Activation of this licence has been delayed until India completed the implementation of their new GST system, which came into effect on 1 July 2017.

6.3 Investments in tangible and intangible assets

Alceon/LHC query whether BPS' investment of \$1.48 million during FY17 in tangible and intangible assets that did not involve cash flows may have contributed to "inflating accounting profits by non-cash items with questionable underlying value".

These items predominantly relate to fixed assets and franchise acquisitions at actual cost and have been recorded as required by the AASB.

6.4 Capitalisation of expenditure on software and other business development activities

Alceon/LHC acknowledge that this practice is not uncommon for technology companies, however, they express concern at the length of time BPS' technology and software assets are amortised and that "so-called Development Costs don't appear to be amortised at all. This has the effect of overstating accounting profits, both in comparison to other companies and in relation to BPS' actual cashflows for the same period."

BPS expenses all wages and outsourced contractor payments related to maintaining and managing software, as per the Australian Accounting Standards. When new technologies are built or developed then these costs are capitalised and amortised.

BPS's two key subsidiaries, Bartercard and Entertainment, have been in existence for 26 and 24 years respectively. Their core trade exchange systems and deals platforms indeed have a useful life exceeding 10 years.

Development costs are amortised commencing when the project is completed. As can be seen in the FY17 Annual Report in Note 15 on page 54, the amortisation for FY17 was \$273,000.

6.5 Carrying Value of Intangible Assets

Alceon/LHC assert that the carrying value of the intangible assets associated with the core Bartercard business "must come into question" in light of the continuing decline in its revenue and profitability.

The intangible assets in relation to Bartercard's returns and profitability have been thoroughly tested by the auditors. Their findings are detailed in the Independent Audit Report in terms of the new "Key Audit Matters" requirement – refer section 8, page 69 of the FY17 Annual Report.

It should be noted that BPS owns the global rights to Bartercard, which currently operates in nine countries. BPS also owns the global rights to Entertainment and Frequent Values other than in North America. These brands and international rights have only been stated at a fraction of their real value. BPS has commissioned one of the 'Big 4' accounting firms to prepare an independent valuation of the global rights for Bartercard, Entertainment and Frequent Values.

7. Board Composition and Corporate Governance

7.1 Composition of the Board

BPS has been listed on ASX for 3 years, has 3 founding shareholders on its Board of 5 directors and has a market capitalisation of around \$75 million. Like many small cap companies, particularly in the fintech space, the continued involvement of the people that built the business at both board and management level is regarded as vital as the Company transitions into its role as a public Company. There is a balance required between this experience, the size of the board and the important role of independent non-executive directors.

Over the past 6 months the Board has been reviewing both its succession plan for senior management and the process for board renewal. Integral to this was a move to increase the weighting of independent non-executive directors on the Board and an ASX announcement to this effect was made on 26 September 2017.

7.2 Status of Current Independent Directors

Alceon/LHC have questioned the independent status of the Company's Chairman, Murray d'Almeida, and Garth Barrett to which BPS makes the following response.

The Company's board charter relevantly says:

"An independent director is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment."

In making its assessment, the Board is required to have regard to matters set out in box 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

Neither Murray d'Almeida nor Garth Barrett is a member of management. In the Board's view, both are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Mr d'Almeida's status as an independent director was confirmed in the Company's 2016 Annual Report. Alceon did not raise any concern about his status as an independent director when it decided to subscribe \$5 million for convertible notes in December 2016. Raising it now as an issue appears, in the circumstances, to be quite disingenuous and to be lacking any genuine basis for concern.

Mr Barrett was appointed as a BPS director on 20 February 2017. In their NOM, Alceon/LHC appear to be arguing that the mere fact he was previously a partner of Pilot Partners, BPS' independent auditor, disqualifies him from being independent. Mr Barrett's involvement with Pilot Partners ceased more than 3 years ago. Further, whilst working with Pilot Partners, he at no time dealt with, nor had any input on, any matter relevant to BPS or its accounts.

He was previously with Deloitte and the founding partner of Pilot Partner's corporate advisory and assurance practice, specializing in mergers and acquisitions, a skillset that BPS determined would be a valuable addition to its Board.

The BPS Board has quite rightly assessed, with the aid of external advice and in accordance with the Company's board charter, that each of Murray d'Almeida and Garth Barrett is presently an independent director.

7.3 Proposed Block Trade Agreement and Board Changes

Alceon/LHC state in their NOM that they are “aware that on or around 26 June 2017, entities associated with three BPS executive directors executed a single Block Trade Agreement with Moelis Australia ...to sell a combined 16,000,000 shares to institutional investors at \$0.70 per share”.

The reality is that Alceon/LHC were much more than “aware”. Together with Mr Dunstan, Mr Clare and representatives from LHC, Alceon and Moelis were involved in confidential negotiations (and due diligence) with the three BPS executive directors for the purposes of exploring opportunities for Alceon and LHC to increase their investment in BPS.

To that end, a block trade agreement drafted by Alceon’s current lawyers (who were, at the relevant time, lawyers for Moelis) was produced to give effect to the outcomes that Alceon and LHC were seeking.

Once the three executive directors advised BPS’ independent non-executive directors (NED) of the block trade agreement and Alceon/LHC’s proposed arrangements, the NEDs immediately sought independent legal advice, consistent with good corporate governance and established best practice. That advice confirmed that the construct of that agreement created numerous breaches of the Corporations Act and effectively promoted a transaction in a manner that was capable of challenge before the Takeovers Panel.

Once the executive directors were made aware of this, they arranged for the immediate termination/withdrawal of all contracts. Moelis accepted that the termination was appropriate in the circumstances and agreed to it without hesitation.

Despite termination of those contracts, in circumstances where that was unquestionably the right action to take, Alceon and LHC proceeded to make demands that BPS continue to execute the various changes to the Board and management contained in their proposal. These demands were accompanied by a number of threats that included:

- a) asserting an entitlement to immediately redeem the \$5 million convertible note granted to BPS;
- b) asserting Mr Tony Wiese was in breach of his loan from IEP (Alceon’s associate) and thereby seeking to exercise control over the BPS shares held as security for same;
- c) lodging a “249” to roll the entire Board, (the subject of their NOM); and
- d) stating emphatically that BPS appoint “ALL OUR PEOPLE TO THE BPS BOARD” prior to 30 June 2017.

7.4 Compliance with Proper Market Disclosure

A key element of the block trade agreement dictated by Alceon/LHC was that it was part of a larger “package deal” (the term used by Alceon to describe the proposal). This deal included the resignation of the Chairman, the appointment of a new MD and CEO (Mr Iain Dunstan) and the appointment of a new non- executive director. It was proposed that the current CEO, Mr Trevor Dietz, assume the role of Chairman.

Alceon stipulated that all contracts (including the block trade agreement) were to be signed, that the Chairman’s written resignation was to be at hand and that a series of resolutions was to be passed by the NEDs agreeing to all of the foregoing, as part of a single arrangement. It was made clear that no individual aspect of that arrangement was to proceed unless all of these aspects were satisfied.

In relation to the offer of employment to Mr Iain Dunstan, BPS’ position is (and has always been) that the prospect of Mr Dunstan being engaged never reached a stage that would have required disclosure

to the ASX. The “package deal” was aborted before any employment of Mr Dunstan commenced or was agreed to by the NEDs.

Alceon/LHC knew that any engagement of Mr Iain Dunstan was conditional upon the block trade agreement completing and upon the prior approval of the NEDs. That was their stipulation. None of those events occurred.

7.5 Director’s loan

Alceon/LHC make a number of allegations in connection with a loan secured over 8 million BPS shares to Mr Tony Wiese, one of the BPS executive directors. This loan was provided by an entity associated with Alceon (IEP) as part of a refinancing of an existing loan arrangement and was done on Alceon’s recommendation in February 2017. Alceon subsequently alleged (once the block trade agreement was terminated) that the loan was in breach of BPS’ Securities Trading Policy.

BPS is concerned that disclosure by a lender of the private financial arrangements of a client breaches privacy laws. BPS can, however, confirm that Mr Wiese did not breach its securities trading policy. The allegation made appears more likely to have been an attempt by Alceon to use their trusted relationship at the time to potentially gain control over the voting rights of these shares ahead of their planned General Meeting.

In order to be clear regarding the construct that has been placed by Alceon on a perfectly straightforward refinancing arrangement, the facts are as follows:

- At the time of IPO, in September 2014, Mr Wiese had a financial arrangement that included BPS shares as security. This was disclosed to ASX at the time of the IPO when there was no prohibition in the company securities trading policy against margin lending. The loan was repayable by Mr Wiese after the end of the voluntary escrow period.
- During 2015, all the Company’s existing corporate governance guidelines, including the securities trading policy, were updated to the latest best practice guidelines as recommended by the ASX. One of the new additional guidelines to be included was the margin loan item.
- In late 2016, Alceon via Moelis offered to replace an existing \$5 million convertible note held by BPS at a substantially lower interest rate. One of Alceon’s conditions was that any sale of shares by a director prior to the release of the FY17 results in August 2017 could trigger an early repayment entitlement. Mr Wiese informed Alceon that he was under a prior obligation to settle his loan by selling some shares.
- Alceon offered to refinance that obligation which eventuated on 28 February 2017 via an associate, IEP.
- When the block trade proposal failed to advance in June 2017, Alceon threatened to spill the Board, redeem the BPS convertible note and call up Mr Wiese’s loan. Despite all monthly instalments being paid on time, Mr Wiese’s loan was called up on the basis that he “had breached the BPS securities trading policy”. In calling up the loan Alceon reminded Mr Wiese that if it was not repaid in 14 days the lender would take possession of all the security, namely his BPS shares.

Mr Wiese did not breach BPS’ securities trading policy by entering into the refinancing arrangement with Alceon. His BPS shares were already given as security, the underlying loan amount had not changed and it had been disclosed to the ASX.

Due to the issue raised by Alceon the Board resolved to clarify and update the intent of the securities trading policy and on 1 August 2017 made an appropriate disclosure to ASX.

Mr Wiese has fully repaid his entire loan to IEP and complied with every obligation imposed upon him under that arrangement.

7.6 Related Party Share Issues

Alceon/LHC have raised a number of questions in relation to BPS' disclosure that 895,000 shares (equating to an almost 1% stake in BPS) were issued to "various contractors and consultants" for performing "technology and advisory consulting services". They imply that there is some hidden agenda associated with diluting existing shareholders or shoring up support for the Board ahead of the Meeting. The reality is somewhat different.

These payments were made to five different contractors and consultants to BPS relating to technology and advisory services performed or being performed over a total period of approximately 18 months. These parties' services are closely aligned to outcomes that will benefit BPS shareholders and are EPS-accretive. Most of these arrangements were entered into some time ago when the share price was at or near \$1 and was payable after the results of FY17 were audited.

We can assure shareholders that your Board is not so foolish as to think that the frivolous issuance of shares amounting to less than 1% of issued capital would influence or have any bearing on the outcome of this Meeting.

These shares were issued for earnings-accretive projects that commenced some time ago whilst at the same time preserving precious cash resources. This is a smart strategy adopted by global technology companies around the world.

7.7 Auditor tenure and independence

Alceon/LHC contend that because BPS' auditor, Pilot Partners, is not an audit firm commonly used by ASX entities, and due to their having audited Bartercard entities since at least 2007, the Board should consider appointing a new auditor.

The BPS Board regularly review the competence and independence of its auditors and is open to change should it be required or justified. Pilot Partners are registered auditors. They are competent and qualified to act as the Company's auditors. BPS has a market capitalization of less than \$100 million so is mindful of the costs incurred on behalf of shareholders. Pilot Partners' costs are reasonable when compared to top tier audit firms and the Board is satisfied that they have always acted independently.

In addition, the Board has been informed that each of the registered company auditors at Pilot Partners has considerable experience working with and auditing listed entities, having previously worked in 'Big 4' firms. The current audit partner has been able to demonstrate that he has the relevant background and specific experience for the audit of our business and its accounts.

Pilot Partners has confirmed to the Audit & Risk Committee that they comply with all statutory and professional independence and other ethical requirements and that they operate quality control systems in full compliance with the latest standards. Further, the Board understands that Pilot Partners is subject to periodic external and peer review and that they consistently receive the highest endorsement regarding quality control systems.

The Company is aware that Pilot Partners reviews its independence annually, with all partners and professional staff being specifically required to confirm their independence in relation to audit clients.

7.8 Late lodgement of Change in Director's Interest Notice

Alceon/LHC have alleged that BPS has breached a continuous disclosure obligation regarding the relevant interests of certain executive directors. This would best be described as 'clutching at straws'.

In September 2016 there was an issue of new shares (as disclosed to the market by the lodgement of Appendix 3Bs) in connection with a placement and share purchase plan. This had the obvious and inescapable consequence of causing a decline (on a fully diluted basis) in the relevant interest (in

percentage terms) held by all existing shareholders who did not participate in the placement, the three executive directors included.

Prior to 30 June 2017, in compliance with the relevant superannuation legislation, two of the directors transferred shares from their family trusts to their self-managed superannuation funds. This did not result in any change in those Directors' relevant interests in the Company.

The decision to make the updated disclosure on 13 July 2017 was voluntary and done in the interests of total transparency. There was no breach of continuous disclosure obligations and the decision reflects a commitment to the highest standards of corporate governance.

**If you have any questions, are concerned about what you need to do
or need more information about the Meeting and how to vote:**

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

BPS Technology Limited

DIRECTOR STATEMENTS

About Murray d'Almeida

Murray d'Almeida is a highly-credentialed public company director with more than 35 years' experience on the Boards of national and international companies, including as Chairman. He founded the Retail Food Group and expanded their presence to seven countries. He has a deep understanding of licensing and franchising, with particular emphasis on business development and distribution strategy.

Mr d'Almeida has held senior operating and board positions within a range of financial services entities (including as a non-executive director of Hyperion Asset Management Limited and Hyperion Holdings Limited, which managed \$3.2 billion of superannuation funds and were rated Number 1 Funds Manager in 3 of 4 years), mining, commercial, technology and digital platforms, academic, government and sporting businesses and organisations.

He is a Fellow of the Australian Institute of Company Directors and in 2017 was appointed Deputy Chancellor of Southern Cross University, where he also chairs the Finance Committee.

He brings to the BPS Board table a broad spectrum of operating, strategic and governance abilities acquired in both public and private companies, including analysis and strategic planning, a thorough understanding of capital markets and investor relations, corporate governance knowledge and finance and audit skills.

Mr d'Almeida has served on the boards of more than 12 public companies since 1987 and has an extensive network of business contacts in Australia and internationally.

He is currently Chairman of BPS Technology Limited and of Barrack St Investments Limited (ASX:BST). He is a Director of Global Masters Fund Limited (ASX:GFL) and Triple Energy Limited (ASX:TNP).

Beyond the business world, in addition to his involvement with Southern Cross University, Mr d'Almeida is also a Trustee of the Currumbin Wildlife Hospital Foundation Trust and a Member of the Gold Coast Light Rail Business Advisory Group.

Mr d'Almeida has also held various Board and member positions on NFP and Government organisations as well as being a Director of the Australian Small Business Association.

About Trevor Dietz

Trevor Dietz is co-founder, Executive Director and Chief Executive Officer of BPS Technology Limited. He is also a Director of several BPS-related unlisted companies in Australia, New Zealand, the UK, the USA and Thailand as well as two non-related not-for-profits (NFPs).

With over 35 years in business, he has occupied senior roles within banking, finance, corporate human resources management (in particular driving change management), professional bodies, and NFPs in Australia. Mr Dietz has been a guest Speaker at several National, International fintech and payments conferences and has been the recipient of several industry awards. He has conducted due diligence programs on more than 10 acquisitions plus raised \$100m in capital, always delivering a positive outcome for shareholders.



In relation to BPS, he has an unmatched understanding of mobile payments technologies and has demonstrated expertise in bringing consumers to merchants using these systems. He is expert in the use of transactional QR codes, rewards systems and the concepts of portability of reward points, alternative currencies systems, transactional payments software, website analytics and design, big data capture and commercialisation, global trends in payments regulations, AML and anti-terrorism concepts, country franchising and international licensing and software development.

In the regulatory environment, Mr Dietz has significant experience in effectively negotiating with ASIC, APRA, ASX and similar authorities worldwide.

Many executives who claim to be industry experts know only how to facilitate a transaction after the consumer has bought something either at a store or on-line. That knowledge and expertise accounts for less than 5% of what is needed in BPS. Expertise in recruiting merchants on to a platform, encouraging consumers to use the platform, ensuring that the platform is available to complete the transaction while rewarding the consumer for shopping, and generating fees, is a key skillset within the BPS management team and Mr Dietz brings that expertise to the Board.

Mr Dietz has a Master's degree in Science, is a Graduate Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Public Accountants, a Chartered Member of AHRI, is Deputy Chair of the Advisory Board of Bond University Business School, and is a Community Member of the Board of Bond University. He is also the Founding Director of the One Light Charity Foundation in Australia.

About Garth Barrett

Garth Barrett is an independent non-executive director of BPS, chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee. He draws on more than 45 years of business leadership experience, as both an executive and non-executive director. He has particular expertise in consulting to companies on strategies that enable them to capitalise on market and economic trends, opportunities and developments.

Mr Barrett has an extensive track record of establishing, developing and building successful businesses as well as managing executive teams to deliver outstanding results.

He has served as chair, director and adviser for companies across a number of different industries and is considered by many as a trusted and confident 'sounding board'. His experience includes transaction consulting, due diligence and special investigating reports as well as corporate advisory, assurance consulting and capital raising advisory.

Mr Barrett has a B.Com (University of Qld) and is a Fellow of Chartered Accountants Australia and New Zealand. He was Managing Partner of Duesburys Accountants & Advisors in Queensland for 15 years before joining Deloitte Touche Tohmatsu Limited in Brisbane for 3 years. Until 3 years ago he was a senior partner (advisory) at Pilot Partners in Brisbane.

He has a fresh, hands-on and experienced approach to all independent, non-executive corporate matters which to date has been of great benefit to the Board of BPS Technology Limited.

About Tony Wiese

Tony Wiese is co-founder, Executive Director, Company Secretary and Chief Financial Officer of BPS Technology Limited. He is also a Director of BPS' 11 subsidiaries across Australia, New Zealand, the USA and the UK. Mr Wiese is a member of the BPS Audit and Risk Committee as well as the Remuneration and Nomination Committee. He has been associated with BPS and its subsidiaries for 10 years.

As CFO Mr Wiese has guided BPS through the acquisition of the Bartercard Group of Companies across 4 countries as well as the IPO of BPS on the ASX in 2014. During 2016 the successful capital raising and acquisition of Entertainment Publications of Australia and New Zealand was negotiated and completed. He has over 25 years' experience in the technology, trading, finance and logistics industries, including 10 years as an Executive Director of listed companies.

Mr Wiese spent most of his earlier career as Executive Director and CEO of the largest division by profit of the \$1billion Super Group Limited, the second largest listed transport group in Africa, employing over 10,000 staff and operating 7,000 commercial vehicles. He was also CEO for 3 years of OneLogix Group Limited, a South African listed parcel and e-commerce fulfilment Company, including the 226 PostNet counter network.

Prior to that Mr Wiese spent 3 years with Arthur Andersen LLP, then the largest global accounting and management advisory firm, where he qualified as Chartered Accountant after completing a Bachelor of Commerce and Bachelor of Accounting (Honours).

He is dedicated to serving the small business owners and NFPs of Australia and is committed to the future of BPS and the prosperity of all its shareholders.

In seeking to secure the long-term future of BPS, Mr Wiese is reminded of something President Nelson Mandela told him when they met. The President drew a distinction between what he termed activism for the greater good and activism that is self-serving. It is that distinction that motivates Mr Wiese's desire to continue to serve as a Director of BPS, on behalf of all shareholders.

About Brian Hall

Brian Hall is a co-founder and Executive Director of BPS Technology Limited. He is also co-founder of Bartercard which was established in 1991. Mr Hall has gained extensive skills and knowledge over the past 27 years particularly in the training and development, management and leadership of direct sales and customer service personnel. He has set new best practice industry bench marks and achieved industry worldwide sales records.

He has a deep understanding of this unique trade exchange industry, and built up an extensive knowledge base around its system drivers, participants and levers.

Mr Hall has held roles in direct sales, as franchise principal, national marketing and sales director and CEO of Bartercard Australia. He is currently CEO of Bartercard Group worldwide. As a start-up entrepreneur he has 'lived experience' as to what it takes to build a business and brand from a small team to a multinational, multi office and international company.

As a member of the BPS leadership team, Mr Hall has extensive experience and knowledge in all aspects of building a sales and customer service franchise network, its systems, processes and leadership. He also brings to the BPS Board expertise in complex international license negotiations, set up and support.

Mr Hall's technology experience is extensive. As a founding director of Bartercard, he has helped to transform Bartercard from a paper-based system in the 1990s to a semi-electronic system in 2000s. Now he provides guidance and input to the next generation of change to assist BPS to become a much more digitized and automated business delivering a transactional mobile first search and self-serve all-

inclusive platform. He has been a strong advocate for continuing investment in the upgrade of the Entertainment website and app to create even better value for its customers as well as additional revenues for the company. Entertainment, like Bartercard, is at its core a sales, marketing and customer service driven business and Mr Hall's expertise is ideally aligned with this business model.

Mr Hall has established a reputation as an Australian technology innovator – Bartercard was the first company in Australia to attain from banks variable direct debit authorisation from customer accounts and the first exchange in the world to complete a non-bank transaction through an eftpos terminal.

He has unrivalled experience in security and assessment of credit, anti-money laundering and anti-terrorism concepts, economic exchange management, swipe card and tap technology. He has a deep knowledge of alternative currencies, mobile payment technologies, use of QR codes, design of mobile apps, rewards and portable points systems, ecommerce and transactional website design, inbound and digital marketing, CRM platforms, as well as experience with software development from specification to design, testing and deployment.

Mr Hall holds a Bachelor of Commerce degree, has completed the Australian Institute of Company Director course, and was runner-up in the Ernst & Young Entrepreneur of the Year Award in 2003.

For the convenience of Shareholders, two proxy forms have been included.

If you wish to vote in accordance with the recommendations of the BPS Board, **you should sign the green proxy form and lodge it**, following the instructions on the form. *If you sign and return the green proxy form, you do not need to complete the white proxy form.*

If you do not wish to vote in accordance with the recommendations of the BPS Board, you will need to follow the instructions on this white proxy form to indicate your voting instructions.

YOUR VOTE IS IMPORTANT

Please complete, sign and return your proxy form,
in accordance with the details appearing below, as soon as possible.

**For your vote to be effective it must be received at an address given below
by 10:00am (Brisbane time) on Wednesday 1 November 2017,**
being not later than 48 hours before the commencement of the Meeting.

HOW TO COMPLETE THIS PROXY FORM

STEP 1 Appointment of Proxy

Indicate who you want to appoint as your proxy. If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Company's share registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 Voting Directions to Your Proxy

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

STEP 3 Sign the Form


The form must be signed as follows:


- Individual:** This form is to be signed by the securityholder.
- Joint Holding:** where the holding is in more than one name, all the securityholders should sign.
- Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**


STEP 4 Lodgement


Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **Online** www.linkmarketservices.com.au

 **By Email** Scan and email to:
registrars@linkmarketservices.com.au

 **By Fax** + 61 2 9287 0309

 **By Mail** BPS Technology Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney NSW 1235, Australia

 **In Person** BPS Technology Limited
c/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000, Australia

For your vote to be effective, your proxy form (and any power of attorney under which it is signed) must be received at an address given above by **10:00am (Brisbane time) on Wednesday 1 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

BPS Technology Limited

ABN 43 167 603 992

☐ Your Address

This is your address as it appears on the Company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left.

Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **BPS Technology Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of BPS Technology Limited to be held at **Crowne Plaza Surfers Paradise, 2807 Gold Coast Highway, Surfers Paradise, QLD 4217 on Friday 3 November at 10:00am (Brisbane time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote any undirected proxies against each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Removal of Director – Mr Trevor Dietz	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Removal of Director – Mr Antonie Hendrik Jakobus Wiese	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Removal of Director – Mr Murray Howard D'Almeida	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Removal of Director – Mr Brian Robert Hall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Removal of Director – Mr Garth Ronald Barrett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Removal of Additional Director/s	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Election of Director – Mr Iain Dunstan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Election of Director – Mr Peter Clare	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Election of Director – Mr Andrew Daniele Frances Pipolo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Election of Director – Mr Anthony Jude Lally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDER(S)

This form must be **SIGNED** to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... DATE / / 2017

For the convenience of Shareholders, two proxy forms have been included.

If you wish to vote in accordance with the recommendations of the BPS Board, **you should sign this green proxy form and lodge it**, following the instructions on the form. *If you sign and return the green proxy form, you do not need to complete the white proxy form.*

If you do not wish to vote in accordance with the recommendations of the BPS Board, you will need to follow the instructions on the white proxy form to indicate your voting instructions.

YOUR VOTE IS IMPORTANT

Please complete, sign and return your proxy form,
in accordance with the details appearing below, as soon as possible.

**For your vote to be effective it must be received at an address given below
by 10:00am (Brisbane time) on Wednesday 1 November 2017,**
being not later than 48 hours before the commencement of the Meeting.

HOW TO COMPLETE THIS PROXY FORM

STEP 1 Appointment of Proxy

Indicate who you want to appoint as your proxy. If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the Company's share registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

STEP 2 Voting Directions to Your Proxy

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

STEP 3 Sign the Form


The form must be signed as follows:

- Individual:** This form is to be signed by the securityholder.
- Joint Holding:** where the holding is in more than one name, all the securityholders should sign.
- Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**


STEP 4 Lodgement


Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

 **Online** www.linkmarketservices.com.au

 **By Email** Scan and email to:
registrars@linkmarketservices.com.au

 **By Fax** + 61 2 9287 0309

 **By Mail** BPS Technology Limited
c/- Link Market Services Limited
Locked Bag A14
Sydney NSW 1235, Australia

 **In Person** BPS Technology Limited
c/- Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000, Australia

For your vote to be effective, your proxy form (and any power of attorney under which it is signed) must be received at an address given above by **10:00am (Brisbane time) on Wednesday 1 November 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

BPS Technology Limited

ABN 43 167 603 992

☐ Your Address

This is your address as it appears on the Company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left.

Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **BPS Technology Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of BPS Technology Limited to be held at **Crowne Plaza Surfers Paradise, 2807 Gold Coast Highway, Surfers Paradise, QLD 4217 on Friday 3 November at 10:00am (Brisbane time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote any undirected proxies against each of the items of business.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Removal of Director – Mr Trevor Dietz	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Removal of Director – Mr Antonie Hendrik Jakobus Wiese	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Removal of Director – Mr Murray Howard D'Almeida	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Removal of Director – Mr Brian Robert Hall	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Removal of Director – Mr Garth Ronald Barrett	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Removal of Additional Director/s	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Election of Director – Mr Iain Dunstan	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Election of Director – Mr Peter Clare	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Election of Director – Mr Andrew Daniele Frances Pipolo	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Election of Director – Mr Anthony Jude Lally	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

STEP 3 SIGNATURE OF SECURITYHOLDER(S)

This form must be SIGNED to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name..... Contact Daytime Telephone..... DATE / / 2017