

ASX Announcement

7th December 2018

Adjourned General Meeting – Chairman's Address

On behalf of my fellow directors and me, I would like to welcome our shareholders, advisors, and interested parties to this resumed General Meeting of Inabox Group.

As stated at our AGM on the 19th of November, the FY18 year presented many trading challenges but at the forefront of our thinking, in all the decisions directors have made, was to unlock the considerable value within the Inabox Group and, in doing so, maximise the return to our shareholders.

After a detailed strategic review the decision was taken to sell the Direct business, consisting of the Anittel and Hostworks businesses, to refocus the Inabox Group on its core capabilities – enabling over 500 channel partners and national retail brands to resell telecommunication services. Such was the strength of this strategy that as soon as the market became aware of it a number of informal approaches were received to acquire the Indirect business at a significant premium to where the share price had been trading at that point in time.

The directors believed that the best interest of our shareholders would be served by entering a formal and competitive sale process and as a result of that process, on the 08/10/18 Inabox announced the intent, in the absence of a superior offer, to sell the Indirect business to the MNF Group.

On the 15/11/18 IAB received notice of a proposed takeover bid from the SB&G Group.

On the 23/11/18 IAB announced that it had signed an amendment to the agreement with MNF Group which significantly improved the terms of the sale for Inabox and our shareholders.

Under the Improved MNF Transaction the purchase price was increased to \$34.5m on a debt-free basis with the full purchase price payable at or shortly after completion. Importantly, completion of the Improved MNF Transaction is now unconditional except for approval by Inabox's shareholders.

This improved agreement has allowed Inabox to potentially increase the distribution to shareholders to at least \$0.90 per share. The structure of the Improved MNF Transaction will also allow the release of franking credits to those shareholders who are able to access them, which will be distributed by way of a special dividend which forms part of the expected \$0.90 per share return.

On 4th December SB&G announced an improved Takeover Offer and on 6th December 2018 Inabox provided shareholders with the board's views on their proposal.

The board and our advisors have considered the merits and potential risks of both the Improved MNF Transaction and the Improved SB&G Takeover Offer. We have weighed up the estimated total return to shareholders, the certainty and timing of returns to shareholders

and the impact on the Company's financial position. The Board's unanimous agreement is, in the absence of a superior proposal, in support of the Improved MNF Transaction, which we are asking shareholders to vote of in support today.

It is important to highlight to our shareholders that while trading has been in line with the guidance provided by the Company for FY19, the vast majority of the Company's earnings and cashflows are expected to be earned in the second half of the financial year.

The sale of the Direct business to 5G Networks Limited resulted in significant transaction expenses and some of these have not yet been paid.

In addition, there has been a significant increase in costs relating to the Improved MNF Transaction and in responding to the proposals announced by SB&G Telecoms. These costs will escalate in the coming months if the Improved MNF Transaction is not approved by shareholders today and, as the Company has previously stated, if the Improved MNF Transaction does not occur, Inabox will face solvency issues and will require an additional \$3m of capital to meet its existing and projected short-term obligations. This \$3m cannot be immediately satisfied from cashflow from operations and as a result a capital raising will immediately be required if the MNF Transaction is not approved by shareholders today.

If the Improved MNF Transaction does proceed, these costs are satisfied from the sale proceeds and have already been projected in the return of \$0.90 per share outlined in the Improved MNF Transaction announced on 23 November 2018.

I would also like to take this opportunity to thank my fellow directors and IAB executives, particularly our CFO Deb Zimmer, for their extraordinary efforts during this process. Also our advisors, Mark Nesbitt from TMT Partners and Kieren Parker/Rebecca Dooley from Addisons for their very wise counsel. I do recognise the incredible hours everyone has given, including many late nights, early mornings, and weekends.

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About Inabox Group Limited

Inabox supplies wholesale telecommunications and enablement services, including billing and technical and customer support, to retail service providers around Australia through wholesale brands, Telcoinabox, iVox, Neural Networks and Mobile Service Solutions. Inabox also enables mass-market consumer brands to enter the telecommunications market by leveraging its network and systems capabilities.

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