

XENITH IP GROUP LIMITED (ACN 607 873 209) ASX ANNOUNCEMENT

20 February 2019

Scheme Booklet lodged for proposed merger of Xenith IP and QANTM IP

Xenith IP Group Limited (ASX:XIP) lodged a Scheme Booklet late yesterday with the Australian Securities and Investments Commission (ASIC) for a proposed merger of equals with QANTM Intellectual Property Limited (ASX:QIP). The Scheme Booklet will be sent to shareholders on 27 February 2019.

An independent expert's report from Lonergan Edwards & Associates Limited has concluded that the Scheme is in the best interests of Xenith shareholders, in the absence of a Superior Proposal; and that the Merger terms are fair and reasonable to Xenith shareholders.

Xenith IP Chair Sibylle Krieger said, "The proposed merger has now cleared two important milestones, namely a review by corporate regulator ASIC and initial Federal Court scrutiny. The Court has ordered that eligible Xenith shareholders will have the opportunity to vote on the proposal at a Scheme Meeting on 3 April 2019."

"The Directors unanimously recommend that, in the absence of a Superior Proposal, Xenith shareholders vote in favour of the Scheme. The Directors intend to vote in favour of the Scheme, in the absence of a Superior Proposal."

"Xenith is yet to receive any formal notification from IPH Limited regarding its intentions, following IPH's recent acquisition of a 19.9% stake in Xenith. IPH has not revealed its strategic intent other than to state that it proposes to vote its recently acquired shares against the merger.

"Unless and until Xenith's board is presented with a formal proposal to consider, the market and those who watch the market will be left to form their own conclusions as to the motivation behind IPH's stake in the company.

"Any consolidation in the listed IP Services sector is likely to require ACCC clearance. QANTM (with Xenith's assistance) has sought this approval and a provisional date for announcement of ACCC's findings is currently scheduled for 21 March 2019. Xenith notes that the ACCC is reviewing the IPH share acquisition under section 50 of the Competition and Consumer Act, which prohibits the acquisition of shares if the acquisition would have the effect, or be likely to have the effect, of substantially lessening competition in any market. We will await the ACCC's findings with interest.

"It is clear to all those who work in the IP sector and those who follow it that there is a distinct difference in the business model and the culture of IPH on the one hand and of Xenith and QANTM on the other hand. These cultural differences are of great importance to the professionals who work in the sector and who are the key drivers of long term value.

"We are committed to the merger of equals with QANTM and regard the deal outlined in the Scheme Booklet as the right strategic outcome for the two companies and for the industry as a whole," Ms Krieger said.

"The Merger can create significant value for shareholders by combining two culturally aligned groups that share common values, vision and strategy for the future. The merger of equals will create a leading provider of IP services in Australia. The Merged Group will offer a broad base of highly complementary patent, trade mark, legal and strategic innovation advisory services."

On 27 November 2018, Xenith and QANTM announced that they had entered into a Scheme Implementation Deed under which the two Groups will merge through an all-scrip scheme of arrangement. Eligible Xenith Shareholders will receive 1.22 QANTM Shares as Scheme Consideration for each Xenith Share they hold.

Early indications from Xenith shareholders (other than IPH) suggest strong support for the merger.

For further information

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About Xenith

Xenith IP Group Limited (ASX: XIP) is the holding company for the businesses of Griffith Hack, Shelston IP, Watermark and Glasshouse Advisory and their related corporate entities. The Group's core business is to provide a comprehensive range of IP services including identification, registration, management, valuation, commercialisation and enforcement of IP rights for a global client base including Fortune Global 500 companies, multinational, domestic and foreign corporations, research institutes, educational institutions, SMEs and entrepreneurs.

Scheme Booklet

For the acquisition by QANTM Intellectual Property Ltd (ACN 612 441 326) (QANTM) of 100% of the shares in Xenith IP Group Ltd (ACN 607 873 209) (Xenith) by way of scheme of arrangement.

VOTE IN FAVOUR

The Directors unanimously recommend that, in the absence of a Superior Proposal, Xenith Shareholders vote in favour of the Scheme.

The Directors intend to vote in favour of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is in the best interests of Xenith Shareholders in the absence of a Superior Proposal, and the terms of the Merger are fair and reasonable.

Your vote is important to determine if the Scheme proceeds.

This is an important document and requires your immediate attention. It should be read in its entirety. If you are not sure what to do, you should consult your investment or other professional adviser.

Key dates relating to the Scheme

Event	Indicative Time and Date ¹
First Court Date	Tuesday 19 February 2019
Last date and time to lodge proxies for Scheme Meeting	Monday 1 April at 10.30am
Date and time for deciding eligibility to vote at Scheme Meeting	Monday 1 April at 7.00pm
Scheme Meeting (Xenith Shareholders) ²	Wednesday 3 April 2019 at 10.30am
If the Scheme is approved by Xenith Shareholders	
Second Court Date	Tuesday 9 April 2019
Effective Date ³	Wednesday 10 April 2019
Scheme Record Date ⁴	7.00pm Wednesday 17 April 2019
Implementation Date ⁵	Wednesday 24 April 2019

¹ All times referred to in this Scheme Booklet are Sydney, New South Wales time unless otherwise stated.

² All dates following the Scheme Meeting are indicative only and are subject to change.

³ Transfers of Xenith Shares are not registered after this date.

⁴ Xenith Shareholders on the register at 7.00pm on this date are entitled to the Scheme Consideration.

⁵ Payment of Scheme Consideration to Xenith Shareholders and transfer of Xenith Shares to QANTM.

Important notices

This Scheme Booklet

This Scheme Booklet is the explanatory statement required to be given to Xenith Shareholders under section 412(1) of the Corporations Act. You should read this Scheme Booklet in its entirety before deciding how to vote on the resolution to be considered at the Scheme Meeting. This Scheme Booklet does not take into account the individual investment objectives, financial situation and particular needs of each Xenith Shareholder. You should seek independent legal, financial, taxation, or other professional advice before deciding whether or not to vote in favour of the Scheme.

Capitalised terms used in this Scheme Booklet are defined in the glossary in Section 14.2.

Responsibility for information

The Xenith Information has been given by, and is the responsibility of Xenith. QANTM, QANTM's advisers and Xenith's advisers do not assume any responsibility for the accuracy or completeness of the Xenith Information.

The QANTM Information has been given by, and is the responsibility of QANTM. Xenith, QANTM's advisers and Xenith's advisers do not assume any responsibility for the accuracy or completeness of the QANTM Information.

The Independent Expert has prepared the Independent Expert's Report at Annexure A. None of Xenith, QANTM or their respective directors, officers or advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report. However, Xenith has given factual information that the Independent Expert has relied on in preparing the Independent Expert's Report. The accuracy and completeness of that information is the responsibility of Xenith.

The Investigating Accountant has prepared the Investigating Accountant's Report contained in Annexure B and takes responsibility for that report. None of Xenith, QANTM or their respective directors, officers and advisers assumes any responsibility for the accuracy or completeness of the Investigating Accountant's Report.

ASIC and ASX

A copy of this Scheme Booklet has been given to ASIC under section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has examined a copy of this Scheme Booklet. Xenith has requested that ASIC give a statement under section 411(17)(b) of the Corporations Act confirming that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced at the Second Court Hearing. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under section 411(1) of the Corporations Act

At the First Court Hearing on 19 February 2019, the Court ordered Xenith to convene the Scheme Meeting to consider and vote on the Scheme. The notice convening the Scheme Meeting is at Annexure E of this Scheme Booklet. The fact that the Court has ordered the Scheme Meeting to be convened is no indication that the Court has:

- (a) formed a view about the merits of the proposed Scheme or about how the Xenith Shareholders should vote (on this matter the Xenith Shareholders must reach their own decision); or
- (b) prepared, or is responsible for, the content of this Scheme Booklet, which forms the explanatory statement attached to the Notice of Scheme Meeting.

The Court's order for the convening of the Scheme Meeting is not an endorsement by the Court of the Scheme. On these matters the Xenith Shareholders must reach their own decision.

Disclosure about forward looking statements

Certain statements in this Scheme Booklet relate to the future. Those statements may not be based on historical facts. They may reflect the current expectations of Xenith or, for the QANTM Information, QANTM, about future events or results. Those statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual events or results to differ materially from the statements. Deviations about future conduct, results, performance and achievements are both normal and expected.

None of Xenith, QANTM, their respective Directors, officers or advisers, or any other person gives any representation, assurance or guarantee that the events or outcomes expressed or implied in any forward looking statement in this document will actually happen. You are cautioned against relying on any of those statements.

You should carefully review the information in this Scheme Booklet. Section 3 summarises the advantages and disadvantages of the Scheme, which are set out in more detail in Section 5.

All subsequent written and oral forward looking statements attributable to Xenith or QANTM or any person acting on their behalf are qualified by this cautionary statement.

The forward looking statements included in this Scheme Booklet are made at the date of this Scheme Booklet. Subject to any continuing obligations under the ASX Listing Rules or the Corporations Act, Xenith and QANTM do not give any undertaking to update or revise those statements after the date of this Scheme Booklet to reflect any change in expectations about those statements or any change in events, conditions or circumstances on which any of those statements are based.

Important notices

No investment advice

This Scheme Booklet does not constitute financial product advice and has been prepared without reference to individual Xenith Shareholders or any other person. It is important that you read this Scheme Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers immediately. You should consult your taxation adviser as to the applicable tax consequences of the Scheme for you.

A summary of the taxation considerations is set out in Section 11.

Privacy and personal information

Xenith will need to collect personal information for the Scheme. The personal information may include the names, contact details, details of shareholdings of Xenith Shareholders and contact details of persons appointed by Xenith Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act. Xenith Shareholders who are individuals, and other individuals whose personal information is collected, have rights to access the personal information collected about them and can contact Xenith's information line by calling 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) Monday to Friday) or emailing email@xenithip.com (attention Company Secretary) if they wish to access that information.

The information may be disclosed to print and mail service providers, and to QANTM, its Related Entities and their advisers for the Scheme. If this information is not collected, Xenith may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme. Xenith Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting must inform that individual of these matters.

Notice of Scheme Meeting

The Notice of the Scheme Meeting is set out in Annexure E.

Notice to Xenith Shareholders in jurisdictions outside Australia

Ineligible Foreign Scheme Shareholders will not receive New QANTM Shares under the Scheme. New QANTM Shares that would otherwise be issued to these shareholders under the Scheme will be issued to the Sale Agent to be sold on the ASX, with the Sale Proceeds to be paid to Ineligible Foreign Scheme Shareholders, after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges. See Sections 4 and 12.3.5 for further information.

Xenith Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme.

This Scheme Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. In particular, this Scheme Booklet may not be distributed to any person, and the New QANTM Shares may not be offered or sold, in any country outside Australia except to the extent provided in this Scheme Booklet. Refer to Section 13.5 for further information.

Financial amounts

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated.

Effect of rounding

Various figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Scheme Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

Timetable and dates

All references to time in this Scheme Booklet are references to the time in Sydney and Melbourne, Australia, unless otherwise stated. The dates and times set out in the Scheme Booklet are indicative only and are subject to change. Any changes to the timetable will be announced through the ASX.

Date

This Scheme Booklet is dated 19 February 2019.

Queries

If you have any questions or require any further information, you can call Xenith's information line, on 1300 346 808 (within Australia) or +61 3 9415 4140 (outside Australia) (8:30am – 5:00pm (Sydney time) Monday to Friday) or emailing email@xenithip.com (attention Company Secretary).

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1. Letter from the Chair of Xenith



Dear Xenith Shareholder,

On behalf of the Xenith Board, I am pleased to provide you with this Scheme Booklet which sets out the details of the proposed merger of equals between Xenith and QANTM, as well as the matters relevant to your vote on the Scheme, which is the mechanism chosen to implement the proposed merger.

On 27 November 2018, Xenith and QANTM announced that they had entered into a Scheme Implementation Deed under which the two Groups will merge through an all-scrip scheme of arrangement (**Scheme**) whereby Eligible Xenith Shareholders will receive 1.22 QANTM Shares as Scheme Consideration for each Xenith Share they hold (the **Transaction**).

Xenith undertook extensive, detailed, collaborative discussions with QANTM prior to the announcement of the Transaction. The agreement to merge the two Groups followed the completion of due diligence, and negotiation and execution of the Scheme Implementation Deed as well as the joint-commissioning of KPMG by both Groups to undertake due diligence in relation to the anticipated synergies to result from the proposed merger.

Based on the closing price of QANTM Shares on the day prior to the announcement of the Transaction (\$1.310 per share as at 26 November 2018), the Scheme Consideration implies a value of \$1.598 per Xenith Share. This value represents a premium of approximately 28.4% to the closing price of Xenith Shares as at 26 November 2018 (\$1.245 per share).

Based on the closing price of QANTM Shares as at 14 February 2019, the implied value of the Scheme Consideration is \$1.952 per Xenith Share.

The all-scrip Scheme Consideration will allow Eligible Xenith Shareholders to participate in the future benefits anticipated to be realised as a result of the Transaction. Following Implementation of the Scheme, existing Xenith Shareholders will own approximately 45% of the Merged Group.

With a clear alignment between Xenith and QANTM regarding values, vision and strategy for the future, the merger of equals will create a leading provider of IP services in Australia.

The Merged Group will offer a broad base of highly complementary patent, trade mark, legal and strategic innovation advisory services.

Greater scale achieved via the Transaction will increase capacity to fulfil the strategies previously communicated to shareholders, including a focus on the growth opportunities in Asia as well as implementation of the technology transformation program to increase operational efficiency. This greater scale is also anticipated to benefit the Merged Group's professionals with enhanced career opportunities, as well as its clients with increased collaboration, increased efficiency in service delivery and greater geographic reach.

It is anticipated that the Transaction will produce \$7 million of pre-tax cost synergies per annum excluding one-off transaction and integration costs. As is detailed in Section 9.2, the full impact of the anticipated synergies is expected to be achieved by the end of year three from completion of the Transaction. On a pro forma basis, if these anticipated synergies had already been achieved, the Merged Group's FY18 EBITDA would have been \$45.2 million which represents significant margin expansion relative to Xenith standalone.

Your CEO and Managing Director, Craig Dower, will hold the role of Managing Director and CEO of the Merged Group. I will join the Merged Group Board as Deputy Chair. Xenith and QANTM will each contribute half the members of the Merged Group Board.

The Xenith Directors, along with management and their advisers, have carefully considered the advantages and the disadvantages of the Scheme, which are listed in Section 3 and detailed in Section 5 of this Scheme Booklet. Having considered these factors, the Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each Xenith Director intends to vote the Xenith Shares held or controlled by them in favour of the Scheme, in the absence of a Superior Proposal. The Xenith Directors note the announcement by IPH on 13 February 2019 regarding its acquisition of approximately 19.9% of the issued share capital of Xenith and its intention to not vote in favour of the Scheme.

Despite this, the Xenith Directors reiterate their recommendation that Xenith Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal.

The Xenith Directors have also commissioned an Independent Expert, Loneragan Edwards & Associates Limited, to prepare an Independent Expert's Report in relation to the Scheme. The Independent Expert has concluded that, in the absence of a Superior Proposal, the Scheme is in the best interests of Xenith Shareholders and the terms of the Merger are fair and reasonable.

Your vote is important. The Scheme can only be Implemented if approved by Xenith Shareholders at the Scheme Meeting to be held at 10.30am (Sydney Time) on 3 April 2019 at the offices of Xenith, Level 9, 60 Margaret Street, Sydney NSW. For approval, votes in favour of the Scheme must be received from a majority in number of voting Xenith Shareholders, and at least 75% of the votes cast must be in favour of the Scheme.

I encourage you to read this Scheme Booklet carefully and consider all of the information in it when deciding whether or not to vote in favour of the Scheme at the Scheme Meeting. You are invited to vote on the Scheme either in person at the Scheme Meeting or by completing and returning the accompanying Scheme Meeting Proxy Form to the Xenith Registry by 10.30am (Sydney time) on 1 April 2019.

If you have any questions or require further information in relation to this Scheme Booklet or the Scheme, you should call the Xenith Shareholder Information Line on +61 2 9057 9100 on Business Days between 8:30am to 5:30pm (Sydney time). If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other appropriate professional adviser without delay.

On behalf of the Xenith Board, I would like to take this opportunity to thank you for your ongoing support throughout the Xenith Group's journey and I look forward to your participation at the Scheme Meeting.

Yours sincerely,

**Sibylle Krieger, Chair
Xenith IP Group Limited**

2. Letter from the Chair of QANTM



Dear Xenith Shareholder,

The QANTM Board is pleased to provide you with the opportunity to vote on the proposed merger of equals between Xenith and QANTM. We unanimously support this Transaction and believe the business combination will be beneficial for all shareholders and for other stakeholders, including employees and clients.

QANTM is the owner of leading intellectual property (IP) companies, Davies Collison Cave Pty Ltd, Davies Collison Cave Law Pty Ltd, Davies Collison Cave Asia Pte Ltd, FPA Patent Attorneys Pty Ltd, FPA Patent Attorneys Asia Pte Ltd and Advanz Fidelis IP Sdn Bhd. As at 14 February 2019, QANTM has a market capitalisation of over \$212 million.

The proposed merger of equals will create a portfolio of independent IP services businesses with the largest market share in Australia with respect to patent and trade mark filings. While each of those businesses will continue to operate independently in supporting their clients, the increased scale will enable the Merged Group to achieve its strategic objectives more quickly and more effectively. Leveraging QANTM's existing presence in Asia with Xenith's increasing activities and opportunities in the region, the Merged Group will be better placed to develop an expanded presence in the high-growth region. A strengthened balance sheet will also support the pursuit of acquisitions and other growth opportunities in Asia.

Increased scale will enable the Merged Group to realise benefits of a streamlined corporate management and shared back-office services, and to invest in common, world-class technology platforms.

With a high degree of cultural and strategic alignment already between QANTM and Xenith, and the anticipated synergies identified, we believe the Transaction will generate value for shareholders. QANTM and Xenith Shareholders will share in the benefits, with Xenith shareholders owning approximately 45% of the Merged Group.

IP services is a people-oriented business; our people are a key pillar in driving quality, performance and growth. The Transaction will bring together a pool of talented, high performing people from QANTM and Xenith, positioning the Merged Group to innovate and grow in Australia and globally. The merger will also enhance career development opportunities for QANTM and Xenith staff.

This Scheme Booklet provides important information in relation to the Scheme. Further details of the benefits of the Scheme to Xenith Shareholders and reasons why you may consider voting for or against the Scheme are set out in Section 5.

As a Xenith Shareholder, your vote is important to ensure that the Scheme is Implemented, and the benefits of the proposed merger can be realised by all shareholders. We encourage you to read this Scheme Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held at 10.30am (Sydney time) on 3 April 2019 at the offices of Xenith, Level 9, 60 Margaret Street, Sydney NSW.

On behalf of the QANTM Board, I look forward to welcoming you as a QANTM Shareholder following the successful Implementation of the Scheme.

Yours sincerely,

A handwritten signature in black ink that reads "Richard England". The signature is written in a cursive, slightly slanted style.

Richard England, Chair
QANTM Intellectual Property Limited

3. Key considerations relevant to your vote

This Section 3 summarises the reasons to vote in favour of, and those to vote against the Scheme, detailed in Section 5.

3.1 Key reasons why you should vote in favour of the Scheme

1. The Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.
2. The implied value of the Scheme Consideration represents an attractive premium over the trading prices of Xenith Shares prior to announcement of the Scheme.
3. All-scrip consideration available under the Scheme allows existing Xenith Shareholders to participate in and benefit from the combination of the companies.
4. The Implementation of the Scheme will lead to the creation of a market leading IP services group.
5. The Transaction accelerates the Implementation of the common growth strategy of both companies via a focus on Asia.
6. The Transaction leads to increased capacity to invest in technology.
7. The Transaction expands and further diversifies the client base of the Merged Group.
8. The Transaction will result in enhanced career opportunities for staff, reinforcing the Merged Group's ability to attract and retain high-quality people.
9. The Implementation of the Scheme is anticipated to deliver significant cost synergies of \$7 million per annum.
10. The Transaction combines the experience, skills and corporate knowledge of the Directors and Management teams from both Groups.
11. The Independent Expert has concluded that the Scheme is in the best interests of Xenith Shareholders in the absence of a Superior Proposal and the terms of the Merger are fair and reasonable.
12. Xenith's share price may fall in the near future should the Scheme not be Implemented and in the absence of a Superior Proposal.
13. No brokerage or stamp duty will be payable by you for the transfer of your Xenith Shares under the Scheme (unless you are an Ineligible Foreign Scheme Shareholder in which case brokerage fees may apply).

3.2 Key reasons why you may consider to vote against the Scheme

1. You may disagree with the Xenith Directors' unanimous decision and the Independent Expert in relation to the Scheme being in your best interests.
2. You may prefer to maintain an interest in a publicly listed investment with characteristics entirely specific to Xenith.
3. There are risks associated with the integration of Xenith and QANTM which you may consider exceed the anticipated benefits of the Scheme.
4. You may hold the view that a Superior Proposal could be made in the foreseeable future.
5. You may consider that the conditions to which the Scheme may be subject to are conditions that you consider to be unacceptable.
6. The value of the Scheme Consideration is not fixed and will depend on the price at which the New QANTM Shares trade on the ASX following the Implementation Date.

4. Frequently asked questions

Questions about the Transaction

What is the Transaction? The directors of Xenith are proposing to Xenith Shareholders for their approval, a merger with QANTM under which QANTM will acquire all of the Xenith Shares by way of a scheme of arrangement under section 411 of the Corporations Act, the effect of which would be to make Xenith a wholly owned Subsidiary of QANTM.

Eligible Xenith Shareholders will receive 1.22 QANTM Shares for each Xenith Share they hold.

What is a scheme of arrangement? A scheme of arrangement is a means of implementing an acquisition of shares under the Corporations Act. It requires a vote for the Scheme by certain majorities of Xenith Shareholders at the Scheme Meeting and also requires Court approval.

What should I do? Xenith Shareholders should read this Scheme Booklet carefully and in its entirety. Xenith Shareholders may also choose to consult their financial, legal, taxation or other professional advisers in relation to any of the information contained in this Scheme Booklet.

Based on this Scheme Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of corporate Xenith Shareholders, a corporate representative, to vote on your behalf.

Refer to Annexure E for further information on how to vote on the Scheme.

Who is QANTM? QANTM Intellectual Property Limited is listed on the ASX (ASX:QIP). QANTM is the owner of intellectual property companies Davies Collison Cave Pty Ltd, Davies Collison Cave Law Pty Ltd, Davies Collison Cave Asia Pte Ltd, FPA Patent Attorneys Pty Ltd, FPA Patent Attorneys Asia Pte Ltd and Advanz Fidelis IP Sdn Bhd. The QANTM Group offers services associated with the creation, protection, commercialisation, enforcement and management of IP rights.

Questions about the Scheme

Who is entitled to participate in the Scheme? Xenith Shareholders as at the Scheme Record Date who are Scheme Shareholders and are entitled to participate in the Scheme.

What do the Xenith Directors recommend? In the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Xenith Shareholders, each Xenith Director:

- recommends that you vote in favour of the Scheme to be considered at the Scheme Meeting; and
- intends to use the voting rights attached to any Xenith Shares held or controlled by him or her, to vote in favour of the Scheme.

What is the opinion of the Independent Expert? Lonergan Edwards, the Independent Expert, has concluded that the Scheme is in the best interests of Xenith Shareholders, in the absence of a Superior Proposal and the terms of the Merger are fair and reasonable.

A complete copy of the Independent Expert's Report is contained in Annexure A.

Am I obliged to follow the recommendation of the Xenith Board or the conclusions of the Independent Expert? No. Whilst the Xenith Board and Independent Expert consider that the Scheme is in the best interests of Xenith Shareholders in the absence of a Superior Proposal, Xenith Shareholders are not obliged to follow the recommendation of the Xenith Board or the conclusions of the Independent Expert.

Are there any conditions precedent? There are a number of conditions precedent to the Implementation of the Scheme. These are summarised in Section 12.2.1 of this Scheme Booklet.

What will be the treatment of Xenith Performance Rights if the Scheme is Implemented? As at 14 February 2019, there are 593,240 Xenith Performance Rights on issue. As described in Section 13.2 of the Scheme Implementation Deed, if the Scheme is Implemented, 331,209 Xenith Performance Rights will vest prior to the Scheme Record Date, and the remaining Xenith Performance Rights will lapse.

4. Frequently asked questions

Questions about the Scheme Consideration

What will I receive if the Scheme is Implemented?	If you are an Eligible Xenith Shareholder and the Scheme is Implemented, you will receive 1.22 New QANTM Shares for each Xenith Share held at the Scheme Record Date.
What premium is being offered to the trading prices of my Xenith Shares?	Based on the closing price of QANTM Shares on the last Trading Day prior to the announcement of the Scheme (being \$1.310 per QANTM Share as at 26 November 2018), the Scheme implies a value of \$1.598 per Xenith Share. This represents a: <ul style="list-style-type: none">• 28.4% premium to the closing price of Xenith Shares as at 26 November 2018 (\$1.245 per Xenith Share); and• 27.0% premium to the one-month VWAP of Xenith Shares up to and including 26 November 2018, being the day prior to the announcement of the Scheme (\$1.258 per Xenith Share).
Can I choose to keep my Xenith Shares?	No. If the Scheme is Implemented, your Xenith Shares will be transferred to QANTM and you will receive the Scheme Consideration (unless you are an Ineligible Foreign Scheme Shareholder in which case you will receive the Sale Proceeds of the sale of the Sale Shares to which you would otherwise have been entitled in accordance with the process outlined in Section 12.3.5). Provided that the Scheme Resolution is passed by the Requisite Majority of Xenith Shareholders at the Scheme Meeting and approved by the Court at the Second Court Hearing, the Scheme will proceed even if you did not vote on the Scheme or if you voted against the Scheme Resolution.
When will I receive my Scheme Consideration?	If the Scheme becomes Effective, you will receive the Scheme Consideration on the Implementation Date. Further, if you are an Eligible Xenith Shareholder you will have your name entered into the register of QANTM Shareholders as the holder of your New QANTM Shares, on the Implementation Date. If you are an Ineligible Foreign Scheme Shareholder, the Sale Proceeds of the sale of the New QANTM Shares to which you would otherwise have been entitled will be paid to you in accordance with the process outlined in Section 12.3.5. If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Scheme Consideration will also be delayed.
Will I have to pay brokerage fees on a transfer of Xenith Shares to QANTM?	No brokerage fees will be payable by Xenith Shareholders on the transfer of Xenith Shares to QANTM under the Scheme (unless you are an Ineligible Foreign Scheme Shareholder, in which case fees may apply).
What are the tax consequences?	In limited circumstances, you may be liable for CGT on the transfer of your Xenith Shares under the Scheme. Further details of the general tax consequences of the Scheme are set out in Section 11 of this Scheme Booklet. You should seek your own professional advice for your individual tax issues.
I am a foreign Xenith Shareholder. Does that make me an Ineligible Foreign Scheme Shareholder?	A Xenith Shareholder who is (or who is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories or New Zealand, Singapore (provided they are an Institutional Shareholder), and the province of Ontario, Canada, or whose Registered Address is a place outside Australia and its external territories, New Zealand, Singapore (provided they are an Institutional Shareholder), and the province of Ontario, Canada, or who is acting on behalf of such a person, will be classified as an Ineligible Foreign Scheme Shareholder, unless Xenith and QANTM jointly determine that it is lawful and not unduly onerous or impracticable to issue New QANTM Shares to that Xenith Shareholder when the Scheme becomes Effective. QANTM will not issue any New QANTM Shares to Ineligible Foreign Scheme Shareholders, and instead will issue the New QANTM Shares that would otherwise have been issued to the Ineligible Foreign Scheme Shareholders to a Sale Agent appointed by QANTM. QANTM will procure that the Sale Agent sells those New QANTM Shares on-market at such price and on such other terms as the nominee determines in good faith and, promptly after the last sale of those New QANTM Shares, remits the Sale Proceeds from that sale (after deducting any brokerage and other selling costs and taxes) to QANTM. QANTM will then remit the proceeds it receives to the Ineligible Foreign Scheme Shareholders in accordance with their entitlement. Any fractional entitlement of a Scheme Shareholder to Scheme Consideration: <ul style="list-style-type: none">• which is 0.5 or greater will be rounded up to the nearest whole number of New QANTM Shares; and• which is less than 0.5 will be rounded down to the nearest whole number of New QANTM Shares.
Will Xenith pay a dividend before the Transaction is Implemented?	Under the terms of the Scheme Implementation Deed, Xenith has the right, in its discretion, to pay an interim dividend in respect of the half-year ending 31 December 2018 to Xenith Shareholders in accordance with its stated dividend policy (which provides for a payment ratio of 70-90% of NPATA), calculated in accordance with the auditor reviewed consolidated accounts of Xenith and which is not franked in excess of the then available franking credits of Xenith.

Questions about the Scheme Meeting, agreement and approval

When and where will the Scheme Meeting be held?	The Scheme Meeting will be held at the offices of Xenith, Level 9, 60 Margaret Street, Sydney NSW on 3 April 2019 commencing at 10.30am.
Am I entitled to vote at the Scheme Meeting?	All Xenith Shareholders (other than Excluded Shareholders) who are the registered holders of Xenith Shares at 7.00pm on 1 April 2019 are entitled to vote at the Scheme Meeting.
Is voting compulsory?	Voting is not compulsory; however, the Xenith Directors believe that the Scheme is important to all Xenith Shareholders and encourage you to read this Scheme Booklet carefully and to vote in favour of the Scheme, in the absence of a Superior Proposal.
What vote is required to approve the Scheme?	<p>The resolution at the Scheme Meeting must be passed by:</p> <ul style="list-style-type: none">• a majority in number of Xenith Shareholders present and voting (in person or by proxy, attorney or corporate representative); and• at least 75% of the votes cast at the Scheme Meeting. <p>If all other Conditions Precedent have been satisfied or waived, the Court will then be asked to approve the Scheme.</p>
How do I vote if I'm not able to attend the Scheme Meeting?	<p>Voting by proxy</p> <p>If you wish to vote by proxy at the Scheme Meeting, you must complete the relevant proxy forms enclosed with this Scheme Booklet and return the form to the Xenith Registry by 10.30am (Sydney time) on 1 April 2019. The completed proxy forms can be returned to the Xenith Registry by:</p> <ul style="list-style-type: none">• posting them in the prepaid envelope provided (for use in Australia); or• posting them to Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001. <p>Details on how to complete the proxy forms are set out on the proxy forms enclosed with this Scheme Booklet.</p> <p>If a proxy form is completed by an individual or a corporation under a power of attorney, the original or a certified copy of the power of attorney under which the form is signed must also be received by the Xenith Registry by 10.30am (Sydney time) on 1 April 2019. Powers of attorney and certified copies of powers of attorney can be provided to the Xenith Registry in the same manner as proxy forms.</p> <p>Voting by corporate representative</p> <p>In order to vote in person at the Scheme Meeting, a corporate shareholder may appoint an individual to act as its representative. The representative should bring appropriate evidence of their appointment, including any authority under which it is signed.</p> <p>Voting by attorney</p> <p>If you are an attorney and you wish to attend and vote at the Scheme Meeting, you must provide to the Xenith Registry the original or certified copy of the power of attorney under which you have been authorised to attend and vote at the Scheme Meeting. The appointment of the attorney may be a standing one. The original or a certified copy of the power of attorney must be provided to the Xenith Registry in the same manner as the proxy forms and must be received by the Xenith Registry by 10.30am (Sydney time) on 1 April 2019.</p>
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX as soon as practicable. The results will be available online at www.asx.com.au .
What happens if the Scheme does not proceed?	If the Scheme is not approved at the Scheme Meeting (or is approved at the Scheme Meeting but is not approved by the Court), the Scheme will not become Effective and will not proceed. Xenith Shareholders will not receive the Scheme Consideration but will retain their Xenith Shares and Xenith will continue to operate as a company domiciled in Australia.

5. Advantages and disadvantages of the Scheme

5.1 Advantages of the Scheme

5.1.1 The Xenith Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

In reaching their unanimous recommendation, the Xenith Directors have carefully considered both the advantages and disadvantages of the Scheme in particular, with the information in consideration contained in:

- Section 5.1 – ‘Advantages of the Scheme’;
- Section 5.2 – ‘Disadvantages of the Scheme’;
- Section 10 – ‘Potential risks’;
- Section 11 – ‘Potential taxation implications’; and
- Annexure A – Independent Expert’s Report

Each of the Xenith Directors intends to vote in favour of the Scheme in relation to the Xenith Shares held or controlled by them, in the absence of a Superior Proposal.

The Xenith Directors note the announcement to the ASX dated 13 February 2019 of IPH having acquired an equity interest of approximately 19.9% in Xenith and its intention to not vote in favour of the Scheme. The Xenith Directors have carefully considered this acquisition and reiterate their intention to vote in favour of the Scheme, in the absence of a Superior Proposal. If any Xenith Shareholders are in favour of the Scheme, the Xenith Directors encourage them to vote in favour of the Scheme in order to maximise the opportunity that the Requisite Majority is met.

5.1.2 The implied value of the Scheme Consideration represents an attractive premium over the trading prices of Xenith Shares prior to announcement of the Scheme

The Scheme Consideration available represents significant value for Xenith Shareholders above recent trading levels before the proposed Scheme was announced. In receiving 1.22 QANTM Shares for each Xenith Share held, Xenith Shareholders will receive an implied value of \$1.598 per share, based on the closing price of QANTM Shares on the day prior to the announcement of the Scheme (\$1.310 per share as at 26 November 2018). As shown in Figure 5.1, this implied value of the Scheme Consideration represents approximately a:

- 28.4% premium to the closing price of Xenith Shares on the day prior to the announcement of the Scheme (\$1.245 per Xenith Share)
- 27.0% premium to the 1-month VWAP of Xenith Shares up to and including the day prior to the announcement of the Scheme
- 16.9% premium to the 3-month VWAP of Xenith Shares up to and including the day prior to the announcement of the Scheme
- 20.4% premium to the 6-month VWAP of Xenith Shares up to and including the day prior to the announcement of the Scheme
- 27.1% premium to the 12-month VWAP of Xenith Shares up to and including the day prior to the announcement of the Scheme

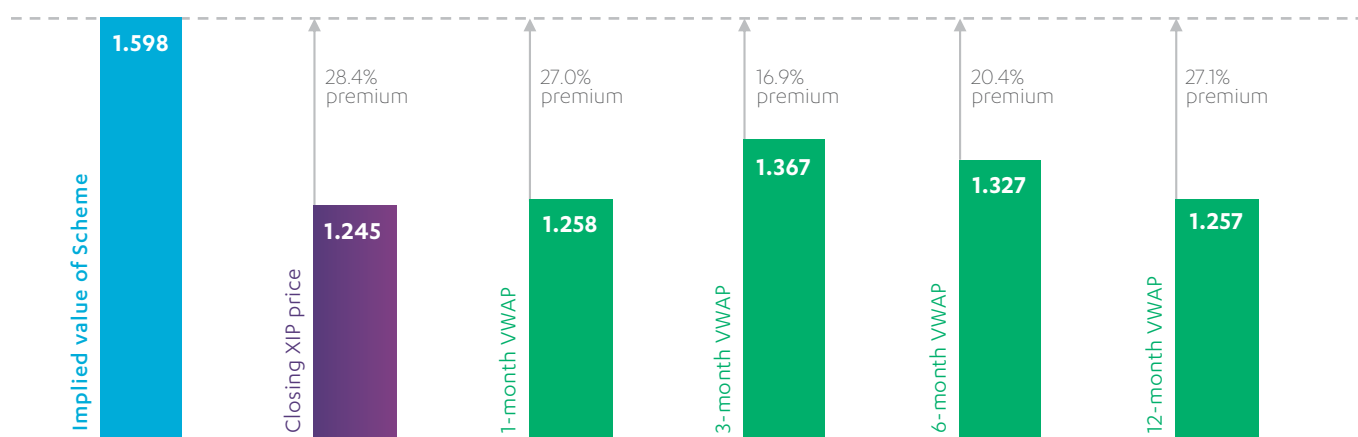


Figure 5.1: Scheme Consideration implied premia to recent Xenith trading levels

Based on the closing price of QANTM Shares on 14 February 2019, the implied value of the Scheme Consideration is \$1.952. The trading and movement in QANTM’s share price subsequent to the announcement of the Scheme reflects a number of factors which include, without being limited to, uncertainty in relation to receiving approvals to implement the Scheme, uncertainty as to whether there may be a QANTM Superior Proposal as well as uncertainty as to the realisation of the anticipated synergies and other benefits of the merger which is not currently reflected in QANTM’s share price however may be recognised by the market over time.

5.1.3 All-scrip consideration available under the Scheme allows existing Xenith Shareholders to participate in and benefit from the combination of the companies

If the Scheme is Implemented, Eligible Xenith Shareholders will receive 1.22 QANTM Shares for each Xenith Share they hold on the Scheme Record Date, resulting in an ownership of approximately 45% of the larger, more diversified Merged Group. The Scheme will therefore provide existing Eligible Xenith Shareholders with exposure to very similar group characteristics and industry dynamics to their current exposure through ownership of Xenith Shares, but through a much larger platform with an enhanced ability to pursue ongoing growth initiatives. Having ownership in this Merged Group will allow Eligible Xenith Shareholders to take part in the continued benefits from these ongoing growth initiatives.

Eligible Xenith Shareholders also have the potential to receive further value in the form of an appreciation of the Merged Group's shares through a possible rerating in time following Implementation of the Scheme and subsequent achievement of the anticipated benefits and synergies.

5.1.4 The Implementation of the Scheme will lead to the creation of a market leading IP services group

The merger of the two groups via the Scheme will result in a market leading group of independent intellectual property services businesses that operates across Australia, New Zealand and Asia, as depicted in Figure 5.2. The Merged Group will offer a broad base of highly complementary patent, trade mark, design, legal and strategic innovation advisory services.

With a clear alignment of culture and strategy between Xenith and QANTM, the Merged Group will retain both the unique propositions the standalone groups currently offer as well as the leading reputations and heritages of the brands which comprise them, whilst also adding the benefits of greater scale and ability to capture ongoing growth initiatives both domestically and abroad.



Figure 5.2 : Merged Group brand portfolio

5. Advantages and disadvantages of the Scheme

5.1.5 Accelerates the common growth strategy of both companies via a focus on Asia

The merger of Xenith and QANTM allows both groups to continue to accelerate their existing growth strategies in Asia. Should the Scheme be Implemented, QANTM's established platform in Singapore and Malaysia can be efficiently leveraged to allow a greater focus and ability to execute on Xenith's Asian strategy and pipeline of identified opportunities. The strengthened balance sheet will also allow an enhanced ability to pursue targeted acquisitions and growth opportunities in Asian markets. Together, Xenith and QANTM will have a stronger ability to capture opportunities in the region.

The combined office locations of the Merged Group, including those in Asia, are depicted in Figure 5.3.



Figure 5.3: Merged Group office locations

5.1.6 The Transaction leads to increased capacity to invest in technology

The merger of Xenith and QANTM will provide the Merged Group with a larger balance sheet and an enhanced ability to invest in common, world-class technology platforms. This enhanced scale and financial strength will produce benefits across the Merged Group by further:

- enabling optimised business operations to drive margin improvement and value for all shareholders;
- empowering employees with improved tools and greater access to information; and
- deepening client engagement via greater connectivity and collaboration.

The Merged Group will also benefit from the implementation of the technology transformation project previously announced to the market by Xenith. The investments in technology proposed following Implementation of the Scheme, as well as the ensuing benefits, are summarised in Figure 5.4 on the following page. All of these projects are already underway, to varying degrees, within Xenith.

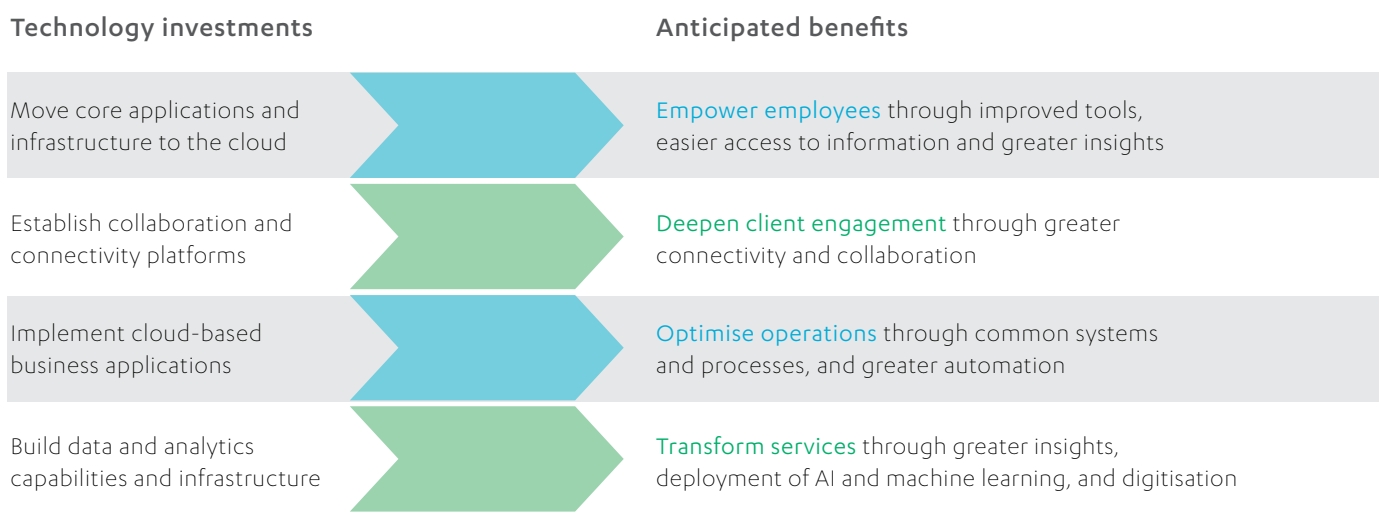


Figure 5.4: Summary of technology investment and benefits

5.1.7 The Transaction expands and further diversifies the client base

The merger of the two groups will result in a larger combined portfolio of long standing and sophisticated clients. Both QANTM and Xenith's IP businesses have high-quality client bases ranging from companies within the ASX300 and Fortune 500 companies, to large research institutions as well as start-ups and entrepreneurs across a broad range of industries. Bringing these two portfolios of clients together will provide further diversification of clients geographically and in relation to industry exposure.

5.1.8 The Transaction will result in enhanced career opportunities for staff, reinforcing the Merged Group's ability to attract and retain high-quality people

With a strong alignment in culture and an innovative approach to clients, the merger is intended to facilitate an inspiring, innovative and high-performance culture which attracts, retains and rewards top talent. In a business where people are the main assets, this is an important differentiating factor which promotes value going forward. As mentioned in Section 5.1.6, the larger scale of the Merged Group will create further investment opportunities and ability in training and developing the skills of staff. Furthermore, employees of the Merged Group will also benefit from greater experience and career development opportunities via an expansion by both geography and service line.

5.1.9 The Implementation of the Scheme is anticipated to deliver significant synergies

The Transaction is anticipated to deliver pre-tax cost synergies of \$7 million per annum, on a full run-rate basis and excluding one-off transaction and integration costs. These anticipated cost synergies, made available via the Scheme, primarily reflect benefits of transformation through technology, the elimination of duplication in the Merged Group, and include savings in general expenses, costs relating to back-office systems as well as enhanced productivity across the Merged Group through standardisation of systems and processes. The full run-rate of these anticipated synergies are expected to be achieved by the end of year three from completion of the Transaction, while one-off implementation costs are projected to be approximately \$7 million.

As a result of these anticipated synergies, the Merged Group's FY18 EBITDA on a pro forma basis would have been \$45.2 million, an increase in EBITDA margin (relative to service fee revenue) to 27.4%, representing a substantial increase over Xenith's standalone FY18 EBITDA margin of 20.4% as indicated in Figure 5.5. Furthermore, the scale and operational efficiencies driving this margin improvement are anticipated to support sustainable dividends into the future.

5. Advantages and disadvantages of the Scheme

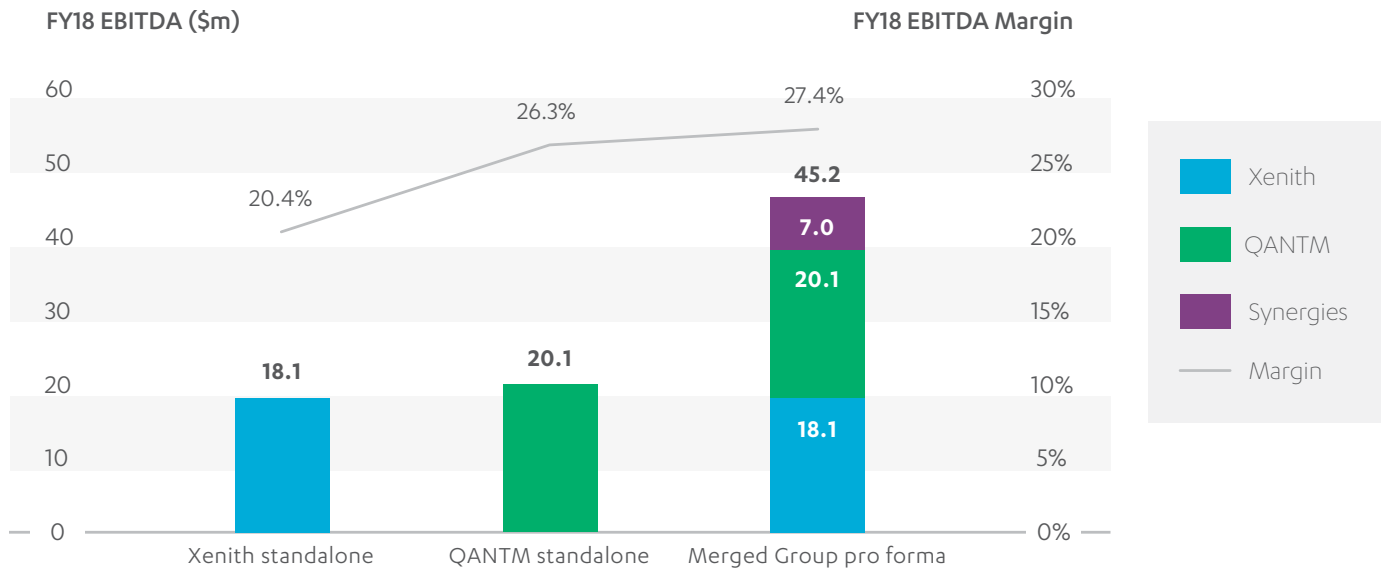


Figure 5.5: Pro forma Merged Group FY18 EBITDA⁶

5.1.10 The Transaction combines the experience, skills and corporate knowledge of the Directors and Management teams from both Groups

As is detailed in Section 9.4.3, the Merged Group Board and management will bring together the extensive experience, skills and knowledge of the IP services industry. Richard England will serve as the Merged Group's Chair and Sibylle Krieger will join as Deputy Chair. Craig Dower will assume the position of Managing Director / CEO whilst Leon Allen will continue as Executive Director and Head of Business Integration. The remaining members of the Merged Group Board and Management will be determined prior to or shortly after Implementation of the Scheme.

5.1.11 The Independent Expert has concluded that the Scheme is in the best interests of Xenith Shareholders in the absence of a Superior Proposal and the terms of the Merger are fair and reasonable

The Xenith Directors have appointed Lonergan Edwards & Associates Limited as the Independent Expert to provide an opinion as to whether the Scheme is in the best interests of Xenith Shareholders.

The Independent Expert has assessed both the merits of the Scheme as well as the value of the Scheme consideration and concluded that the Scheme is in the best interests of Xenith Shareholders, in the absence of a Superior Proposal, and the terms of the Merger are fair and reasonable.

A copy of the Independent Expert's Report is at Annexure A. The Xenith Directors recommend that you read this Independent Expert's Report in its entirety prior to forming a decision on whether or not to vote in favour of the Scheme.

5.1.12 Other benefits

- Xenith's share price may fall in the near future should the Scheme not be Implemented and in the absence of a Superior Proposal.
- No brokerage or stamp duty will be payable by you for the transfer of your Xenith Shares under the Scheme (unless you are an Ineligible Foreign Scheme Shareholder in which case brokerage fees may apply).
- EPS accretion and value accretion are anticipated, benefiting from the greater scale and \$7 million per annum of anticipated synergies from improvements to operations, to be delivered 3 years following Implementation of the Scheme as is detailed in Section 9.2

Since announcement of the Scheme, no Superior Proposal has emerged.

⁶ EBITDA margins are presented as a percentage of service fee review.

5.2 Disadvantages of the Scheme

5.2.1 You may disagree with the Xenith Directors' unanimous decision and the Independent Expert in relation to the Scheme being in your best interests

Notwithstanding the view of the Xenith Directors and the Independent Expert indicated in Sections 5.1.1 and 5.1.11 respectively, you may be of the opinion that the Scheme is not in your best interests. This opinion may be based on a range of factors, including that you may consider the implied premia of the Scheme Consideration to be insufficient.

There is no obligation for you to follow the recommendation of the Xenith Directors nor to agree with the Independent Expert's conclusion.

5.2.2 You may prefer to maintain an interest in a publicly listed investment with characteristics entirely specific to Xenith

You may wish to retain your Xenith Shares and continue your interest in a publicly listed company with the characteristics specific to Xenith. Notwithstanding the underlying businesses of Xenith and QANTM being very similar, Implementation of the Scheme may represent a disadvantage should you not wish to change your investment profile. You should read this Scheme Booklet carefully, in particular Section 8 for more information about QANTM and Section 9 for more information about the Merged Group, and seek investment, legal or other professional advice in relation to your own circumstances.

5.2.3 There are risks associated with the integration of Xenith and QANTM which you may consider exceed the anticipated benefits of the Scheme

Amongst other benefits, the Scheme is anticipated to result in the realisation of \$7m in annual synergies on a full run-rate basis and excluding one-off transaction and integration costs. The full run-rate of these anticipated synergies are expected to be achieved by the end of year three from Implementation of the Scheme, while one-off implementation costs are projected to be approximately \$7 million, as detailed in Section 9.2.

Notwithstanding the highly complementary operations of the underlying businesses of Xenith and QANTM as well as the independent assessment of these anticipated synergies completed prior to the announcement of the Scheme, you may consider that the integration of the two Groups, and in particular the back-office systems, may take more time, may not result in synergies to the full extent anticipated, or may require greater costs than what is presently anticipated. Should the anticipated synergies not be realised as is presently anticipated, there may be an adverse effect on the operations, financial performance and financial position of the Merged Group. Further detail in relation to the risks of the Implementation of the Scheme and the integration of Xenith and QANTM can be found in Section 10.3.

5.2.4 You may hold the view that a Superior Proposal could be made in the foreseeable future

You may believe that a Superior Proposal which is more attractive than the Scheme could emerge in the foreseeable future. If the Scheme is Implemented, existing Xenith Shareholders will not receive the benefit of any such Superior Proposal.

As at 14 February 2019, no Superior Proposal has emerged and the Xenith Directors do not expect that a Superior Proposal will emerge. The Scheme Implementation Deed prohibits Xenith from soliciting and responding, except in certain limited circumstances, to Competing Proposals. However, the Xenith Directors may respond to a Competing Proposal under certain circumstances as detailed in the Scheme Implementation Deed.

5.2.5 You may consider that the conditions to which the Scheme may be subject to are conditions that you consider to be unacceptable

The Scheme is subject to Australian Competition and Consumer Commission clearance, Xenith Shareholder approval and Court approval, amongst other conditions. You may consider these conditions to be unacceptable. These conditions are detailed in Section 12.2.1 and are set out in clause 3.1 of the Scheme Implementation Deed.

5. Advantages and disadvantages of the Scheme

5.2.6 The value of the Scheme Consideration is not fixed and will depend on the price at which the New QANTM Shares trade on the ASX following the Implementation Date

If the Scheme is Implemented, Eligible Xenith Shareholders will receive Scheme Consideration of 1.22 QANTM Shares for each Xenith Share held at the Scheme Record Date. The value of this Scheme Consideration received by Xenith Shareholders will depend on the price at which the New QANTM Shares trade on the Implementation Date.

After Implementation of the Scheme, the price of these New QANTM Shares may vary based on market conditions as well as the Merged Group's financial and operational performance. Should the price of QANTM Shares fall, the value of the Scheme Consideration will decline, however should the price of QANTM Shares rise, the value of the Scheme Consideration will increase. As such, the value of the Scheme Consideration is not fixed and there is no guarantee as to the future value of the Scheme Consideration if the Scheme is Implemented.

5.3 Other considerations relevant to your vote

5.3.1 Implications for Xenith Shareholders if the Scheme is not Implemented

If the Scheme is not Implemented due to any of the Conditions Precedent (including Xenith Shareholder and Court approval) not being satisfied or waived prior to the End Date, Xenith Shareholders will not receive the Scheme Consideration and will retain their Xenith Shares. The advantages of the Scheme detailed in Section 5.1 will not be realised and the potential disadvantages and risks of the Scheme detailed in Sections 5.2 and 10 will not arise.

Should the Scheme not be Implemented, Xenith will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX.

Xenith has incurred significant costs in respect of the Scheme prior to the date of the Scheme Booklet, including in relation to the conduct of negotiations with QANTM, retention of advisers, exchange of information with QANTM, facilitation of due diligence and an independent assessment of anticipated synergies, seeking regulatory approval and clearance, engagement of the Independent Expert and preparation of this Scheme Booklet. If the Scheme is not Implemented, Xenith expects such transaction costs to be approximately \$2,226,000 (excluding GST). If the Scheme is Implemented, these costs are anticipated to be approximately \$3,693,000 (excluding GST).

5.3.2 The Scheme may be Implemented even if you vote against the Scheme or do not vote at the Scheme Meeting

You should note that if you vote against the Scheme, or do not vote, the Scheme may still be Implemented if approved by the Requisite Majority of Xenith Shareholders and the Court, and if the Conditions Precedent are satisfied or waived (as applicable). If this occurs, your Xenith Shares will be transferred to QANTM and you will receive the Scheme Consideration (or the Sale Proceeds if you are an Ineligible Foreign Scheme Shareholder) despite voting against, or not voting on, the Scheme.

5.3.3 Break fees

A Break Fee may be payable by Xenith or QANTM under certain circumstances if the Scheme is not Implemented. These circumstances are set out in Section 12.2.4.

No Break Fee is payable by Xenith to QANTM solely because the Xenith Shareholders do not approve the Scheme by the Requisite Majority.

5.3.4 Exclusivity obligations

The Scheme Implementation Deed includes certain mutual exclusivity arrangements. These exclusivity provisions include customary no shop, no talk, no due diligence obligations, as well as requirements of notification of Competing Proposals and a matching right in the event a Superior Proposal or a QANTM Superior Proposal is received. Refer to Section 12.2.2 for further information.

5.3.5 Warranty by Scheme Shareholders about their Scheme Shares

If the Scheme is Implemented, each Scheme Shareholder is deemed to have warranted to QANTM that their Scheme Shares (including any rights and entitlements attaching to those shares) will, at the date of their transfer to QANTM, be transferred fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, including any restrictions on transfer of any kind, and that it has full capacity and power to sell and to transfer those Scheme Shares together with any rights and entitlements attaching to those shares. Each Scheme Shareholder is also deemed to have warranted to QANTM that they have no existing right to be issued any other Xenith Shares or any other form of Xenith securities.

6. IP services industry overview

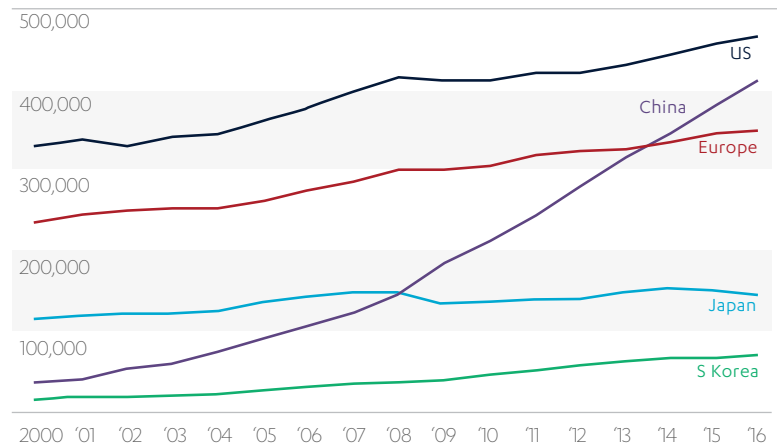
6.1 Overview of IP rights and services

IP rights are legal rights that protect the output of intellectual activity in the industrial, scientific, literary and artistic fields, such as inventions, works of art and literature and product designs. In addition, IP rights include trade marks used in association with products and services to distinguish them from similar products and services from other sources. The economic logic behind IP rights is to promote innovation and new investment in ideas by giving inventors, businesses and entrepreneurs exclusive commercial control over their work and protection to safeguard the value of those rights.

The intangible assets that IP rights represent are often critically important to businesses ranging from the largest national and multinational corporations and research institutes, through to small and medium sized enterprises (SMEs), innovative start-up companies and entrepreneurs.

Figure 6.1 shows a general increase in global investment in research and development (R&D) both in absolute terms and as a percentage of GDP, with the US, Europe and South Korea growing steadily and China showing particularly strong growth⁷. Upward trends in R&D expenditure are anticipated to drive investment in the protection and commercialisation of the resulting IP.

Gross Domestic Spend on R&D (\$US million)



R&D expenditure as % of GDP

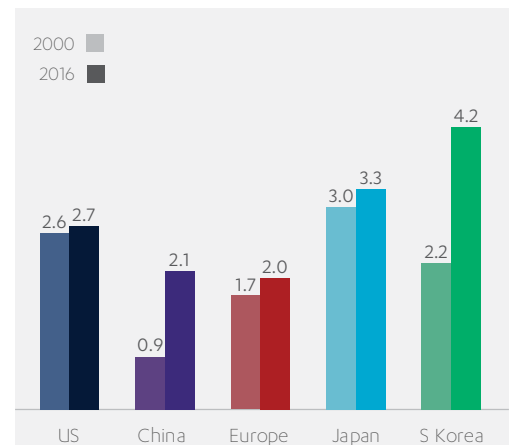


Figure 6.1: Gross domestic spend on R&D (\$US million) (left) and as % of GDP (right)

The laws and registration processes relating to patent, design and trade mark registration are complex and vary across jurisdictions. Accordingly, parties seeking the protection of IP laws usually engage qualified professionals to provide expert advice and assistance throughout the IP application, commercialisation, maintenance and enforcement processes. Professional IP services firms employ patent and trade marks attorneys and other legal professionals to assist their clients with IP related matters through all stages of the IP lifecycle.

6.2 Different forms of IP rights

The different forms of IP are governed by statutes and regulations, which vary by the type of IP right and by jurisdiction. The most common forms of IP are outlined below.

6.2.1 Patents

A patent provides monopoly protection to safeguard technological innovation. There are currently two types of patents in Australia:

- standard patents, used to protect most inventions for a period of up to 20 years (or 25 years for certain pharmaceutical inventions); and
- innovation patents, to protect innovations with a lower inventive threshold for a maximum term of 8 years, are used to a substantially lesser degree than standard patents.

6.2.2 Trade marks

A trade mark is a sign or other device used to indicate and distinguish the trade origin of goods or services. It may include words, logos, phrases, sounds, smells, shapes or aspects of packaging.

Business names (as well as domain names, which are becoming an increasingly important part of an IP portfolio) provide an adjunct to the protection conferred by trade marks. Registration of trade marks can be renewed indefinitely, subject to eligibility requirements.

⁷ OECD Data. This discussion focuses on regions outside of Australia as most activity comes from abroad, as shown in Figure 6.4.

6. IP services industry overview

6.2.3 Designs

A registered design protects product aesthetics by conferring a monopoly right in the shape and configuration, or surface pattern and ornamentation, applied to a product. In Australia, the protection period for registered designs is 10 years, subject to renewal after an initial registration period of 5 years.

6.2.4 Copyright and circuit layouts

Copyright protects original forms of creative and artistic expression and arises upon creation of the relevant work, conferring a right to prevent copying as distinct from a monopoly right. In Australia, no formal copyright registration process is required and the protection period generally extends for the life of the author plus 70 years.

Circuit layout rights, which protect the design of original circuits for computer chips, are protected by statute in Australia but are not subject to a formal registration regime.

6.2.5 Plant breeder's rights

Plant breeder's rights confer the right to control the production, sale and distribution of new plant varieties. In Australia, these rights are subject to a statutory registration system, which provides protection for 25 years in the case of trees and grapevines, and 20 years for other plant varieties.

6.2.6 Trade secrets and confidential information

The law in most countries provides some protection for trade secrets and knowhow, as forms of confidential information. These forms of IP are not registrable but are protectable to an extent for as long as they remain confidential.

6.3 IP regulatory framework

Registrable IP is protected at the national level by country specific legislation, with this legislation in relation to different types of IP varying from country to country. These variations arise from numerous factors including historical and cultural development, legal systems and precedents, levels of economic development, and political ideologies related to the protection and enforcement of IP rights.

There are certain regional arrangements in relation to protection of patents in Europe, Eurasia and Africa. However, there is no world patent. Apart from these regional arrangements, protection must be sought at the national level.

In Australia, IP Australia is the Government entity responsible for the administration of patents, trade marks, designs and plant breeder's rights. In New Zealand, the Intellectual Property Office of New Zealand (IPONZ) is responsible for administering IP rights and legislation relating to patents, trade marks, designs and plant breeder's rights.

6.4 The IP lifecycle and IP services revenue model

The processes of applying for, obtaining and subsequently maintaining protection for registrable IP rights can be viewed as long-term process pipelines. These pipelines can extend for up to 10 years in the case of registered designs, 20 years in the case of patents, and indefinitely in the case of trade marks.

Once IP rights are established, clients typically seek to commercialise and, if necessary, defend their IP rights. To assist clients in this regard, IP professionals also may provide services including corporate structuring, contracts for licensing, manufacturing and distribution and commercial exploitation of IP rights.

IP firms generate revenue by assisting clients at each stage, typically through a combination of time-based charges and scheduled fees relating to specific process steps, as outlined in the diagram below.

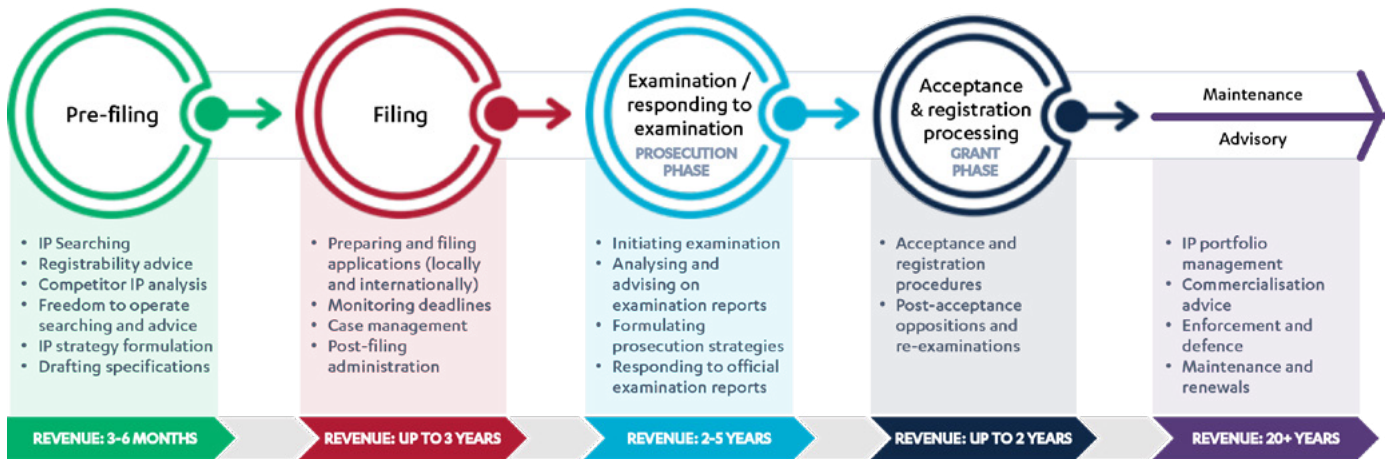


Figure 6.2: Patent process pipeline⁸

For IP services firms, the majority of revenue occurs during the pre-filing, filing and examination ('prosecution') stages, reflecting the volume of IP services required during these stages and the level of professional expertise involved. The post-grant management, maintenance and advisory stages of the IP lifecycle generate ongoing revenues, albeit at a reduced intensity. The processes depicted in Figure 6.2 are similar for trade marks although the period from pre-filing to acceptance and registration is generally much shorter.

6.5 Size and growth of IP markets

The majority of IP services undertaken by specialist IP firms in Australia relate to patents and trade marks. The patent and trade mark applications filed by specialist IP firms are a reasonable proxy for the IP services market.

6.5.1 Australia

In FY18, approximately 36,500 patent applications were filed in Australia, up from approximately 31,900 in FY14, as shown in Figure 6.3. The total number of registered patents in the Australian market was approximately 163,000 as at 1 July 2018.

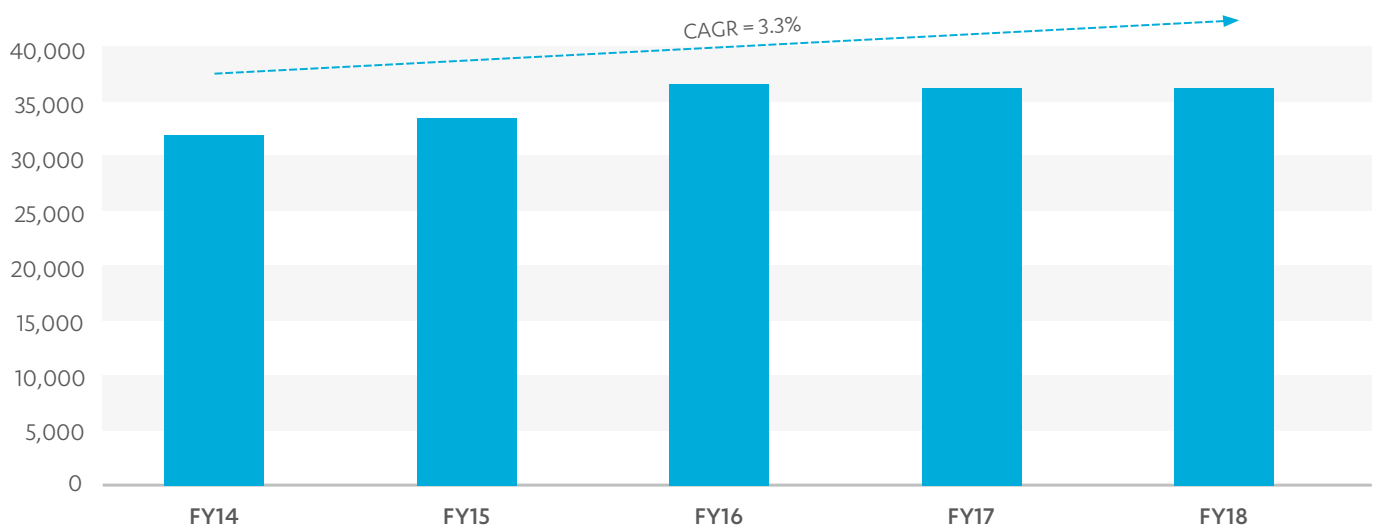


Figure 6.3: Patent applications filed in Australia⁹

⁸ Xenith Management.

⁹ IP Australia: AusPat.

6. IP services industry overview

Country of origin breakdown for Australian patent applications

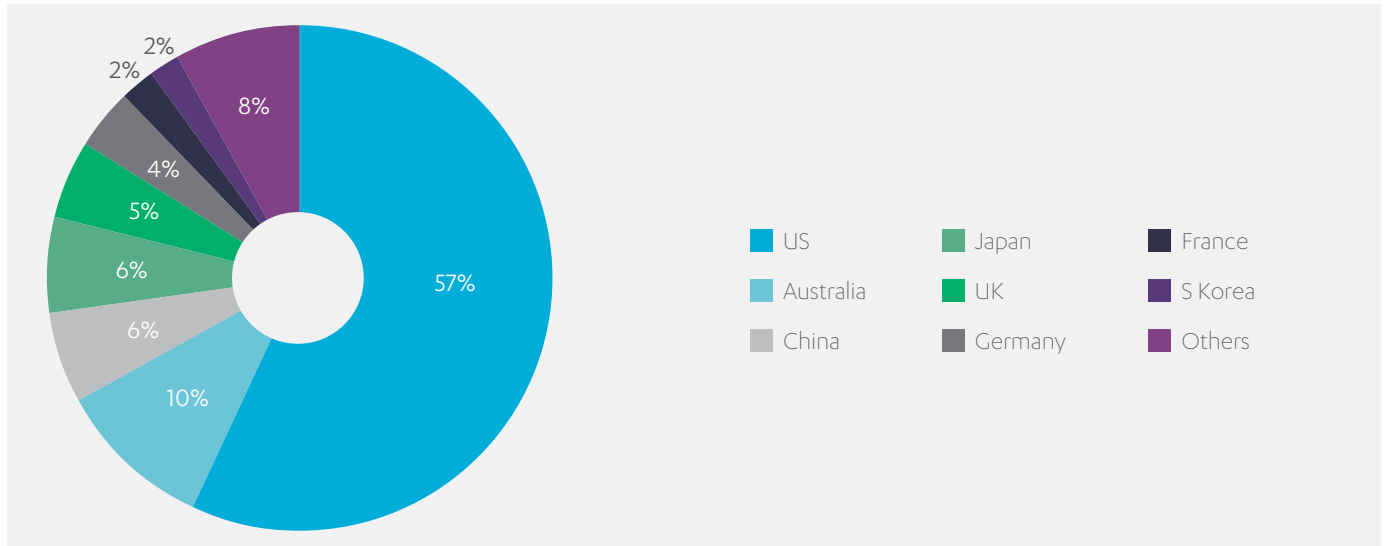


Figure 6.4: Applicant country of origin for patent applications filed in Australia (based on standard applications filed in FY18)¹⁰

The majority of patent applications in Australia are sourced from non-resident applicants as Figure 6.4 shows, with approximately 90% of standard applications filed in FY18 by non-resident applicants. The Patent Co-operation Treaty (PCT) mechanism is the predominant route for applicants seeking patent protection in multiple jurisdictions. The strong long-term growth profile of total PCT applications is broadly reflective of global growth in R&D, technological innovation and IP protection.

Figure 6.5 indicates the growth of PCT applications filed globally over time. While only a proportion of PCT applications proceed to national phase entry in Australia, the PCT filing statistics do nonetheless provide an indication of potential future patent applications in Australia.

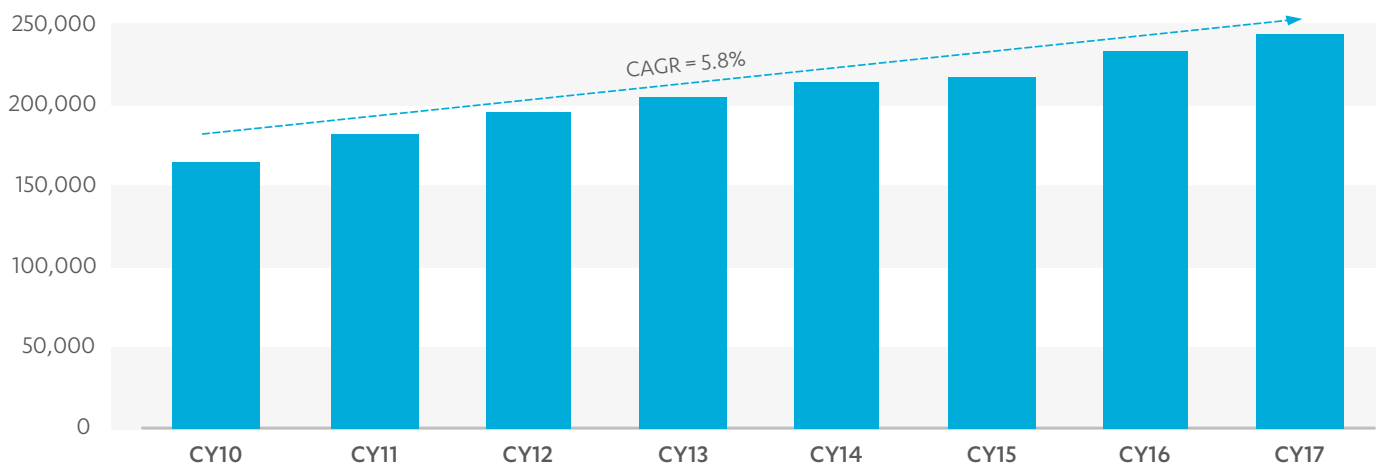


Figure 6.5: Total PCT patent applications filed globally¹¹

In CY17 the total number of trade mark applications filed in Australia was approximately 76,500, and on 1 July 2018 approximately 691,500 registered trade marks were in force in Australia. The compound annual growth rate (CAGR) in trade mark applications from CY10 to CY17 was approximately 3.7%, as indicated in Figure 6.6.

¹⁰ IP Australia.

¹¹ WIPO IP Statistics Data Center.

Australian trade mark applications

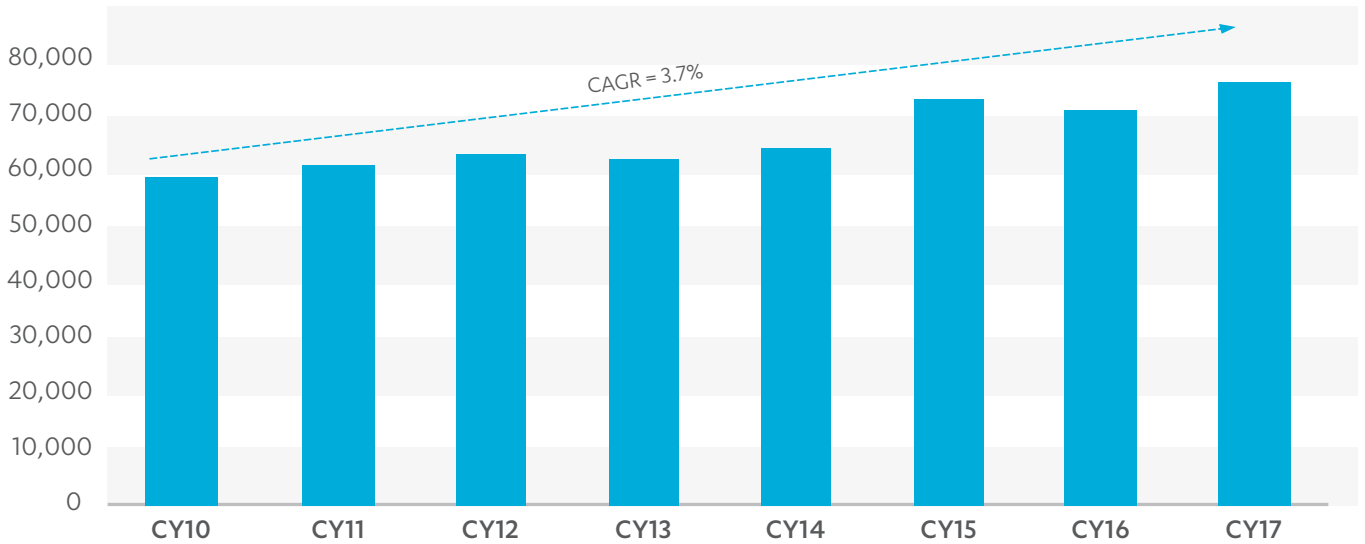
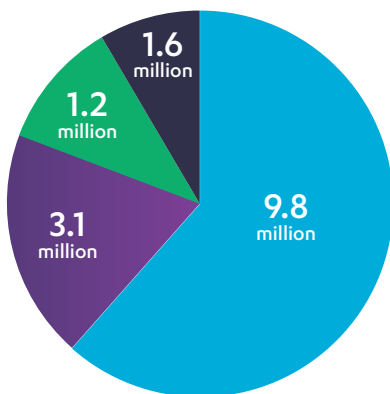


Figure 6.6: Trade mark applications filed in Australia between 2010 and 2017¹²

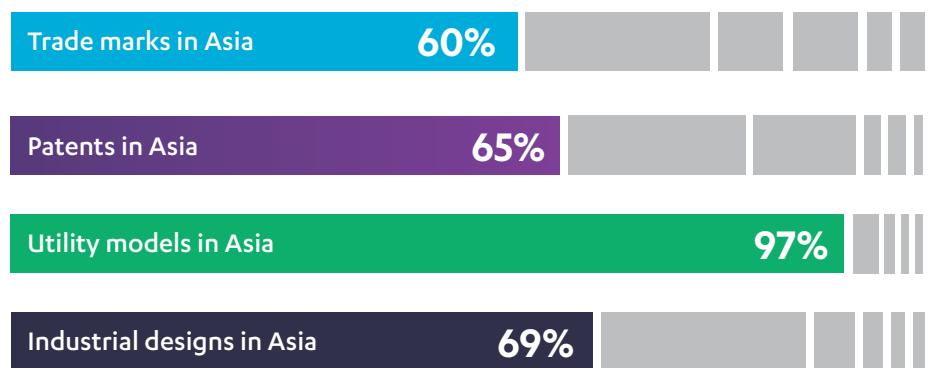
6.5.2 Asia

Asia now leads the world in global IP filing activity, with IP offices in Asia receiving the highest numbers of applications for patents, trade marks, industrial designs and utility models relative to all other regions combined. The breakdown of IP filing activity globally, and the relative proportions by IP type in Asia, are indicated in Figure 6.7.

Global filings by IP type



Proportion of global filings in Asia by IP type



■ Trade marks
 ■ Patents
 ■ Utility models
 ■ Industrial designs
 ■ Other regions

Figure 6.7: Global filings by IP type (left). Proportion of global filings in Asia by IP type (right)¹³

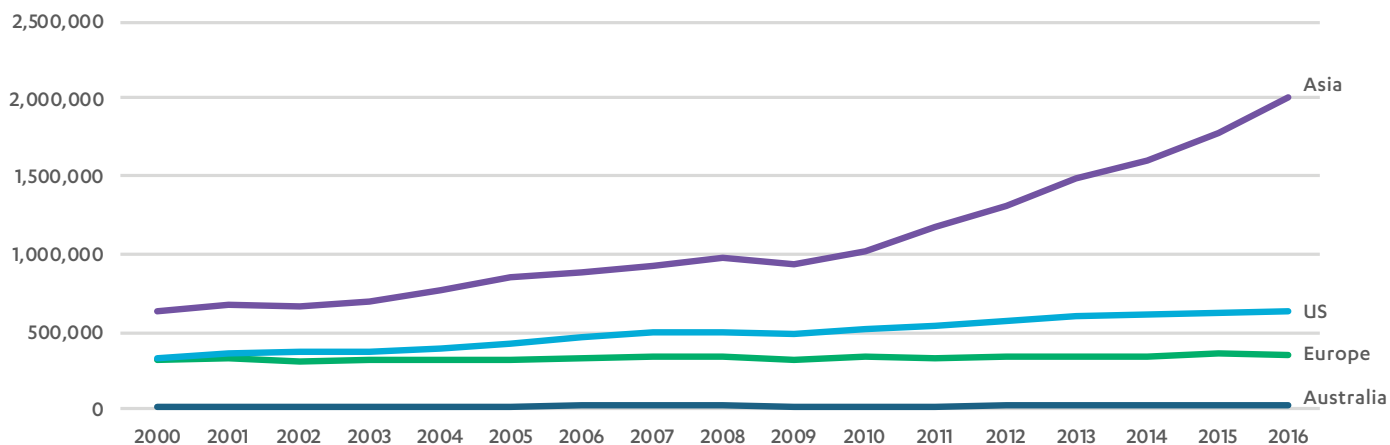
Growth in patenting activity in Asia has also far outstripped growth in Australia and other regions, strongly influenced by growth in China, as illustrated in Figure 6.8. This follows the theme of IP protection in emerging countries increasing in importance as wealth and consumer consumption in these economies continue to rise.

¹² IP Australia: Australian Trade Mark Search.

¹³ WIPO Facts & Figures.

6. IP services industry overview

Total patent applications by region – long-term trends



Source: WIPO Report 2017 – Statistics for patent applications filed by both resident and non-resident applicants.

Figure 6.8: Total patent applications by region¹⁴

Throughout the region, governments are actively promoting the development and strengthening of IP protection, commercialisation and enforcement regimes. More broadly, however, the growth of IP in Asia is being driven by governments and businesses, by innovators and consumers and across developed and developing economies.

¹⁴ WIPO IP Statistics Data Center.

7. Information about Xenith

7.1 Overview of Xenith

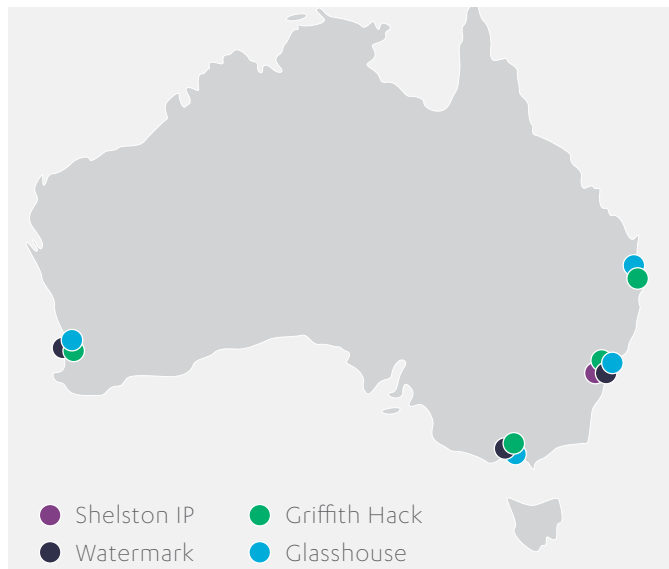


Figure 7.1: Xenith locations

Xenith IP Group (ASX:XIP) has quickly established itself as a leading innovator and a significant professional presence in the IP sector in Australia.

The four highly respected brands which form the Xenith IP Group provide a comprehensive suite of specialist IP and ancillary services across the innovation landscape. These services include the identification, registration, management, valuation, commercialisation and enforcement of intellectual property rights for a broad range of clients globally.

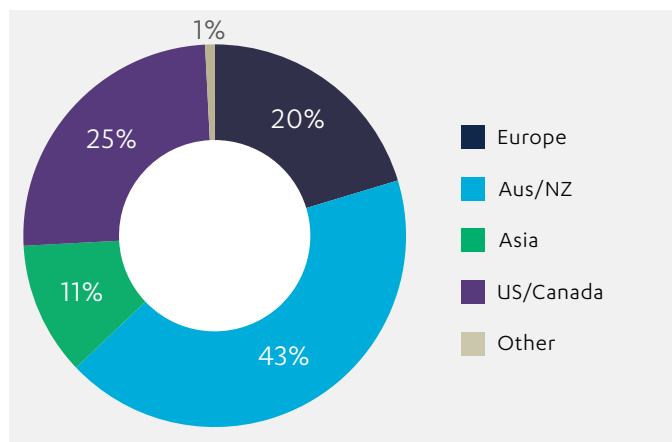
Xenith listed on the ASX in November 2015 following the acquisition of the business of Shelston IP. Xenith then acquired Watermark in November 2016 and Griffith Hack in February 2017. Shelston IP, Watermark and Griffith Hack are pre-eminent specialist Australasian IP firms, each long-established with a rich history dating back more than a century. Xenith also launched Glasshouse Advisory as a separate entity in May 2017 with the view to providing specialist expert advice across a range of highly complementary advisory services.

Of Xenith’s 392 staff, approximately 200 IP professionals serve approximately 11,000 customers from a combined 12 offices across Australia, as shown in Figure 7.1 below. As at 14 February 2019, Xenith has a market capitalisation of \$141.9 million (based on a closing price of \$1.60 per Xenith Share).

Xenith has a premium and diversified client base. Customers range from Fortune Global 500 companies, through local and foreign research institutes, to SME’s, innovative start-up companies and entrepreneurs. The broad customer base leads to diversification in revenue by service lines and industry sectors, as well as by client geography and currency as indicated in Figure 7.2. This profile creates a stable foundation, a high proportion of recurring revenues, high earnings visibility and reduced risk relative to other services-based companies.

Xenith businesses have relationships with a broad range of foreign associates internationally. These foreign associates engage Xenith businesses to act on behalf of international clients where those clients wish to obtain IP protection in Australia (often as part of the ‘national phase entry’ of PCT applications). Similarly, Xenith businesses will engage a foreign associate to act on behalf of a Xenith client in Australia that wishes to obtain IP protection in the foreign associate’s jurisdiction. This reciprocity between Xenith businesses and their network of foreign associates is important in generating incoming referrals of international clients and revenue for the firms.

Revenue diversification by client geography



Revenue diversification by currency

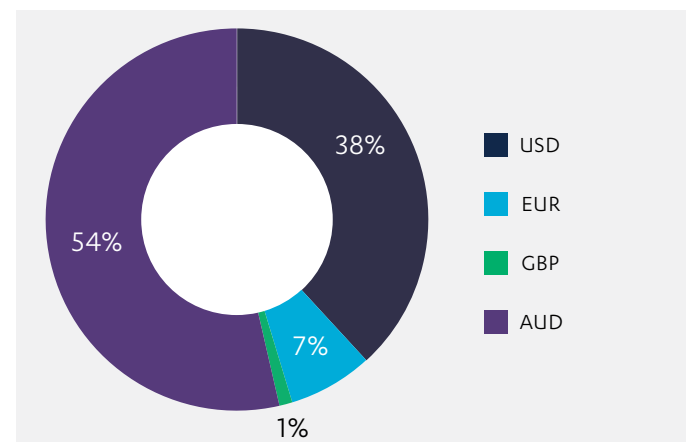


Figure 7.2: Xenith FY18 service fee revenue by geography and currency¹⁵

¹⁵ Xenith Annual Report 2018. Service fee revenue - exclusive of recoverable disbursements.

7. Information about Xenith

Following on from the acquisition-led growth in the financial year ended 30 June 2017, the 2018 financial year was one of consolidation for Xenith, including the initial phases of its comprehensive business integration and transformation program. This program, spanning six key areas, as outlined in Figure 7.3, is designed to optimise operational efficiencies across the group, while allowing the individual brands to continue to operate independently and focus on their respective strengths and clients.

The business transformation program will be driven predominantly through technological innovation, integration and optimisation, and will also involve complementary new services, and training to develop more commercially-oriented professionals. Success will also come from Xenith's strong culture based on its core values. The four brands under the Xenith umbrella operate independently, however, they share a corporate culture which focuses on its people and the clients they serve. The four core values which underpin this culture and mindset are illustrated in Figure 7.4.

Xenith's transformation program has been developed with the view to enabling operational scale to continue to expand, improving operational efficiencies, and developing a strong platform based on industry leading technology solutions to support Xenith's growth strategy locally as well as in the strategically targeted Asian region. The program will ensure Xenith's people are equipped with the toolset to continue to provide exceptional, collaborative service to their clients.

In addition, learning and training programs developed within the Group enhance the skillset of all staff. With a shared mindset, toolset and skillset across the Group, Xenith's people are able to work collaboratively with clients to deliver outstanding value across the IP, innovation and commercialisation landscape.



Figure 7.3: Overview of Xenith's transformation plan



Figure 7.4: Xenith's core cultural values

7.2 Xenith businesses and service offering

Each of the four businesses in the Xenith Group maintains its own brand, working closely with clients to address their specific needs.



Figure 7.5: Xenith brands

The four highly respected brands depicted in Figure 7.5 deliver a full spectrum of IP and complementary services across the innovation landscape, with the combined scope including more than 25 discrete service lines. The breadth of these services available to clients deepens the existing relationships that Xenith maintains as a central strength to its business. While the core services provided by Shelston, Watermark and Griffith Hack cover the primary aspects of IP protection, commercialisation and enforcement, Glasshouse Advisory provides highly complementary advisory services, including IP and intangible asset valuation, IP strategy development, IP monetisation, innovation incentives including R&D tax incentives, and IP analytics.

Griffith Hack

Griffith Hack is a multi-award winning IP firm with a heritage stretching back more than 100 years. The firm is one of Australia's largest filers of patents and trade marks and provides a comprehensive range of domestic and international services relating to the protection, management, commercialisation and enforcement of IP rights.

Shelston IP

Established in 1859, Shelston IP is one of the oldest and most respected specialist intellectual property firms in Australia. The firm's trademark attorneys, patent attorneys and IP lawyers provide services and advice relating to the protection, management, commercialisation and enforcement of intellectual property – locally and internationally.

Watermark

Watermark provides expert advice on IP protection and intellectual asset management to deliver greater value for clients from their intellectual assets. The firm was founded by Edward Waters, widely acknowledged as the father of the IP profession in Australia, in 1859 and has offices in Melbourne, Sydney and Perth. Its lawyers and attorneys align the IP needs of clients with their business objectives to drive profit and growth.

Glasshouse Advisory

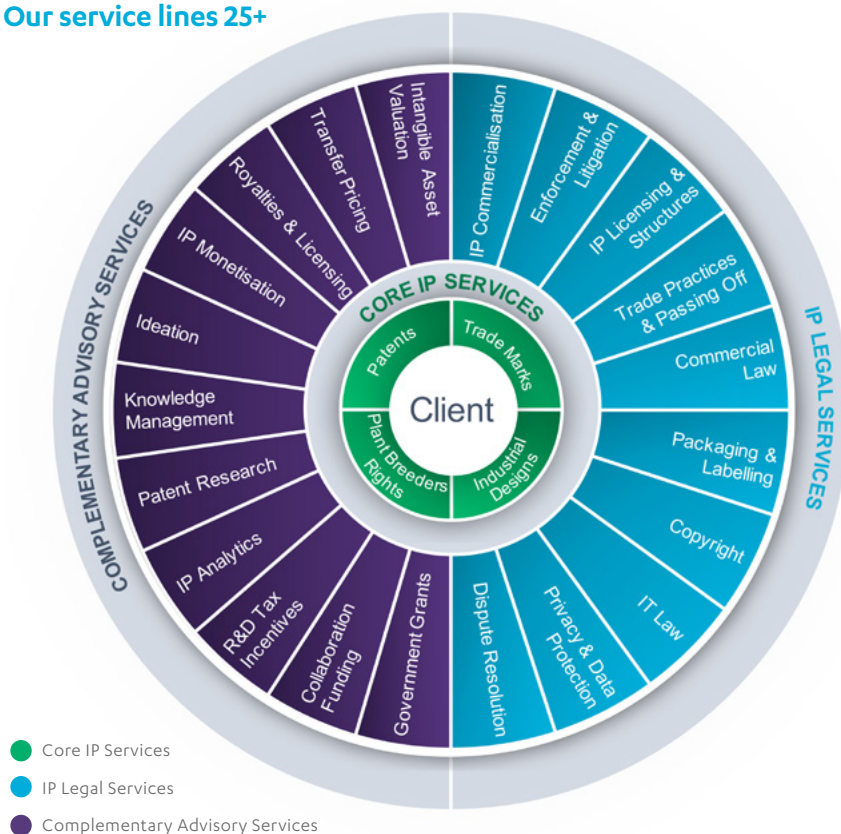
Glasshouse is focused on enhancing the value of clients' IP through a range of complementary services including IP strategy development, IP economics including intangible asset valuation and IP monetisation, IP analytics including IP searching and landscape mapping, and innovation incentives including R&D tax rebates and export market development grants.

Service offering

Xenith's core IP services, from which it derives the majority of its revenue, relate to the services detailed in Section 6.4, i.e. the creation, processing, maintenance and management of portfolios of patents, trade marks and designs for its clients across all stages of the respective IP lifecycles. The nature of the IP lifecycles discussed in Section 6.4 and the long-term relationships and multiple touch-points with clients are important factors contributing to the relatively consistent and transparent earnings profile of the Group.

7. Information about Xenith

Our service lines 25+



- Core IP Services
- IP Legal Services
- Complementary Advisory Services

Figure 7.6: Xenith’s service offering

To cater for the full-suite of IP services required by clients, Xenith also provides IP legal services via teams of experienced professionals to manage IP enforcement programs in Australia and abroad. The group’s IP commercial lawyers also advise clients on a range of commercial transactions to exploit their IP locally and internationally. These services include corporate structuring and contracts for licensing, manufacturing, distribution and commercial exploitation of IP rights.

Built on deep foundations of IP expertise, Xenith launched the Glasshouse Advisory business in 2017 to provide a unique combination of complementary services to help existing and new clients to identify and leverage the commercial potential of their intangible assets. This specialist intellectual asset advisory firm within the Xenith Group supports clients in IP research and analytics, IP strategy and development, IP economics and innovation incentives. The specialist teams within the Glasshouse Advisory collaborate with the other brands across the Xenith Group to deliver solutions tailored to each client’s needs and create a truly diversified offering.

Xenith’s comprehensive service offering is illustrated in Figure 7.6, whilst the subset of specialist complementary advisory services provided by Glasshouse is illustrated in Figure 7.7.

Xenith’s uniquely comprehensive suite of services, commercial perspective and holistic approach to service delivery, built on deep foundations of IP expertise, provide a strongly differentiated position in the market, while delivering superior value for clients at key stages along the innovation and commercialisation pathways.



Figure 7.7: Glasshouse Advisory’s service offering

7.3 Xenith Board and key management

The following Directors comprise the Xenith Board:



Sibylle Krieger – Chair and Non-executive Director

LLB (Hons) LLM MBA FAICD

Sibylle was appointed independent Non-executive Chair in October 2015.

Sibylle is a professional independent Non-executive Director with over 35 years of broad commercial experience. Her early career was in professional services as a corporate lawyer in private practice, followed by a period as an economic regulator. Her particular focus as a Non-executive Director has been on corporate governance, professional services, infrastructure and regulated industries, and sectors undergoing significant change or reform.



Craig Dower – CEO and Managing Director

FAICD FAIM MACS

Craig was appointed CEO and Managing Director in August 2017.

Craig's professional services career has spanned over 30 years and his recent positions include leadership roles as CEO of Salmat (ASX:SLM), and President, Asia Pacific and China for Avanade Inc. His experience includes leading and driving organisational change, building high performance teams, technology-based innovation and integrating and managing acquisitions. He also has more than 15 years' experience working across all of Asia Pacific, including five years based in Singapore.



Stuart Smith – Executive Director

BE (Mech) PEng FIPTA MAICD

Stuart was appointed to the Xenith Board in August 2015.

Stuart is an Executive Director and currently holds the position of Chief Corporate Development Officer within the Company's Group Executive management team. He led the Company through a corporate restructure and IPO in 2015 and served as Managing Director until August 2017, during which time the strategic acquisitions of Watermark and Griffith Hack were successfully completed and Glasshouse Advisory was launched.



Susan Forrester – Non-executive Director

BA LLB (Hons) EMBA FAICD

Susan was appointed as an independent Non-executive Director in October 2015.

Susan is an experienced company director with significant experience as a Non-executive Director across a range of listed and unlisted company boards, spanning legal services, professional services, and healthcare and child care sectors. Susan's expertise at the board table encompasses strategy, governance within fast growing companies and oversight of large complex transactions.



Kathryn Spargo – Non-executive Director

BA LLB (Hons) FAICD

Kate was appointed as an independent Non-executive Director in April 2017.

Kate has worked as a Non-executive Director for over 20 years in a range of company structures. She is a lawyer by profession and has worked in both public and private practice, as well as professional services practice management. She has extensive experience in directing Australian companies engaged in business internationally.

7. Information about Xenith



Robert Alexander – Non-executive Director

BCom, CA

Robert was appointed as an independent Non-executive Director in September 2018.

Robert is a chartered accountant by training and has over 30 years of commercial experience. In his executive career he was Global CFO of EYE Corp for 10 years, and Group CFO of Opus Group. Since 2015 he has been a Non-executive Director of QMS Media Ltd (ASX:QMS), and was involved in its ASX listing and in a subsequent capital raising for the purposes of an off-shore acquisition.

The key members of Xenith's senior management team are:

Name	Position
Craig Dower	CEO and Managing Director
Stuart Smith	Executive Director and Chief Corporate Development Officer
Lesley Kennedy ¹⁶	CFO
Kris Mason	Acting Chief Information Officer
Kylie Sprott	Chief Transformation Officer and Head of People and Culture
David Hughes	Head of Digital Strategy
Russell Davies	EGM of Shelston IP
David Madigan	EGM of Griffith Hack
Mark Bisset	EGM of Watermark and Glasshouse Advisory
Sarah Prince	Company Secretary

7.4 Historical financial information

7.4.1 Basis of preparation

The historical financial information in this Section has been derived from Xenith's financial statements for the years ended 30 June 2017 (FY17) and 30 June 2018 (FY18). The information is presented in an abbreviated form for the purposes of this Scheme Booklet and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. This Section should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Xenith's historical financial information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (including the Australian Accounting Interpretations), issued by the AASB which are consistent with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

As is stated in Section 7.12, Xenith's financial statements (including all notes to the financial statements) are available from the ASX's website (www.asx.com.au) as well as Xenith's website (www.xenithip.com).

A number of figures, amounts, percentages, prices, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables and commentary may not add due to rounding.

¹⁶ Lesley Kennedy resigned as CFO and Company Secretary on 17 January 2019, as announced to the ASX on the same day.

7.4.2 Consolidated income statement

\$ millions	FY17	FY18
Revenue	85.0	126.3
Other income	0.2	0.1
Employee benefits	(35.1)	(53.6)
Recoverable disbursements	(24.4)	(37.6)
Occupancy expense	(4.7)	(7.6)
Impairment	-	(20.7)
Acquisition related expenses	(3.8)	-
Net foreign exchange gain/loss	(0.1)	-
Other expenses	(7.1)	(11.2)
Statutory EBITDA	10.1	(4.3)
Statutory depreciation & amortisation	(3.1)	(6.4)
Statutory net interest expense	(0.7)	(1.2)
Statutory net profit/(loss) before tax	6.4	(12.0)
Statutory income tax expense	(2.4)	(2.7)
Statutory net profit/(loss) after tax	4.0	(14.7)
Statutory NPATA	5.3	(11.6)
Statutory to underlying EBITDA adjustments		
Impairment losses	-	20.7
Restructure expenses	0.5	0.7
Integration expenses	0.5	0.3
Acquisition expenses	3.6	0.1
IPO related expenses	0.8	0.6
Total EBITDA adjustments	5.4	22.4
Underlying EBITDA	15.5	18.1
Underlying depreciation & amortisation	(3.1)	(6.4)
Underlying net interest expense	(0.4)	(1.1)
Underlying net profit before tax	12.0	10.6
Underlying income tax expense	(3.6)	(3.2)
Underlying net profit after tax	8.4	7.4
Underlying NPATA	9.7	10.4

Commentary

Xenith listed in 1H FY16 with a well-established and stable underlying business, Shelston IP. As Watermark and Griffith Hack were not acquired until FY17, with these businesses contributing a substantial amount of incremental revenue, a comparison with FY16 is not meaningful.

FY17

With two acquisitions, as well as the launch of Glasshouse Advisory during FY17, this period was still not one of steady state for Xenith. Revenue and EBITDA accordingly grew over the same period with additional contributions for part of the period, however this increase was offset by a strategic investment into management resources to support the acquisitions, as well as growth initiatives ahead of integration and achieving synergies. Amortisation expense also increased over this period due to the amortisation of acquired intangibles.

7. Information about Xenith

FY18

In FY18, the full-year benefit of the two acquisitions provided a greater absolute revenue increase of over \$60m. The existing business however was negatively impacted by the AUD depreciation relative to the USD, as well as a slowdown in the Australian patents market. Additional corporate resources increased costs to support the larger, more diversified and complex business. Emphasis was also placed on reducing excess capacity and to refocus attention on clients, business development and efficient service delivery leading to moderate underlying EBITDA growth for Xenith in FY18.

Whilst the revenue contribution of the two acquired businesses had the full-year impact, the acquired businesses were not yet fully integrated throughout the period and hence the margin improvements and other rationales for these acquisitions were not realised. The prolonged lower industry volumes also resulted in a rebasing of the earnings of the businesses, which in turn led Xenith to take a one-off non-cash impairment charge of \$20.7m to the carrying value of the Griffith Hack and Glasshouse Advisory businesses. Despite the challenges faced during the period, an improved performance was nonetheless observed during 2H FY18 with Xenith outperforming the market trend in terms of a return to "normal" industry filings growth.

7.4.3 Consolidated statement of financial position

\$ millions	FY17	FY18
Current assets		
Cash and cash equivalents	3.6	2.8
Trade and other receivables	29.0	28.7
Work in progress	2.2	4.1
Derivative financial assets	0.1	-
Income tax receivable	-	0.3
Other assets	1.6	2.0
Total current assets	36.5	37.8
Non-current assets		
Property, plant and equipment	6.6	6.0
Goodwill and intangible assets ⁽¹⁾	162.7	137.4
Other assets	0.2	0.2
Total non-current assets	169.5	143.5
Total assets	206.0	181.3
Current liabilities		
Trade and other payables	6.9	7.9
Contingent consideration liability	5.2	-
Provisions	7.8	8.2
Income tax payable	2.6	-
Derivative financial liabilities	-	0.4
Other liabilities	3.0	3.0
Total current liabilities	25.4	19.5
Non-current liabilities		
Borrowings	14.9	15.8
Deferred tax liability	15.4	14.8
Provisions	2.0	1.5
Other liabilities	5.4	4.3
Total non-current liabilities	37.8	36.3
Total liabilities	63.2	55.8
Net assets	142.8	125.5
Equity		
Issued capital	141.4	144.5
Reserves	0.9	0.9
Retained earnings / (Accumulated losses)	0.5	(19.9)
Total equity	142.8	125.5

(1) As disclosed in Xenith's annual report, Goodwill of \$60 million predominantly relates to the acquisition of Griffith Hack and Watermark, including the corresponding impact on the Shelston IP business, and is allocated to the following cash generating units in the Xenith Group: \$39 million Griffith Hack, \$11 million Watermark, \$10 million Shelston IP.

7.4.4 Consolidated statement of cash flows

\$ millions	FY17	FY18
Cash flows from operating activities		
Receipts from customers	85.7	130.0
Payments to suppliers and employees	(74.2)	(114.6)
	11.5	15.3
Interest received	0.2	0.0
Income tax paid	(1.3)	(5.6)
Net cash provided by operating activities	10.3	9.7
Cash flows from investing activities		
Payments for property, plant and equipment	(1.8)	(1.5)
Payments for intangible assets	(0.1)	(0.5)
Payments for the acquisition of controlled entities, net of cash acquired and transaction costs	(88.3)	(2.7)
Net cash used in investing activities	(90.2)	(4.7)
Cash flows from financing activities		
Proceeds from issue of shares	76.2	-
Payment of share issue costs	(3.9)	(0.0)
Proceeds from borrowings	29.5	15.8
Repayment of borrowings	(18.7)	(15.0)
Dividends paid	(3.5)	(5.7)
Finance costs paid	(0.9)	(1.0)
Net cash provided / (used in) by financing activities	78.7	(5.9)
Net decrease in cash and cash equivalents	(1.1)	(0.9)
Cash and cash equivalents at the beginning of the year	4.9	3.6
Effects of exchange rate changes on cash and cash equivalents	(0.1)	-
Cash and cash equivalents at the end of the year	3.6	2.8

7.5 Xenith dividend policy

Under the terms of the Scheme Implementation Deed, Xenith has the right, in its discretion, to pay an interim dividend in respect of the half-year ending 31 December 2018 to Xenith Shareholders in accordance with its stated dividend policy (which provides for a payment ratio of 70-90% of NPATA) calculated in accordance with the auditor reviewed consolidated accounts of Xenith and which is not franked in excess of the then available franking credits of Xenith.

7.6 Material changes to Xenith's financial position since 30 June 2018

Within the knowledge of the Xenith Directors and other than as disclosed in this Scheme Booklet or announced to ASX, the financial position of Xenith has not materially changed since 30 June 2018, being the date of Xenith's financial report for the year ended 30 June 2018.

7.7 Half-year results

Xenith's results for the half-year ended 31 December 2018 will be released to the ASX separately to this Scheme Booklet, expected to be available on or around 27 February 2018. Once available, Xenith will provide a copy of the financial statements for the half year ended 31 December 2018 to any Xenith Shareholder who requests a copy, prior to the Scheme being voted on by Xenith Shareholders or approved by the Court.

7.8 FY19 guidance

Xenith confirms it will not be providing FY19 earnings guidance as part of this Scheme Booklet.

7. Information about Xenith

7.9 Xenith capital structure

As at 14 February 2019, Xenith's issued securities are as follows:

- 88,717,931 Xenith Ordinary Shares on issue; and
- 593,240 Performance Rights on issue.

7.10 Recent share price history

Xenith Shares are listed on the ASX under the code 'XIP'.

The closing price of Xenith Shares on the ASX on:

- 26 November 2018 (i.e. the last Trading Day prior to the announcement of the Scheme) was \$1.245; and
- 14 February 2019 was \$1.60.

During the twelve months up to and including 14 February 2019:

- the highest recorded daily closing price for Xenith Shares on the ASX was \$1.69 on 13 February 2019; and
- the lowest recorded daily closing price for Xenith Shares on the ASX was \$1.11 on 28 March 2018.

Figure 7.8 below shows Xenith's share price performance since its IPO on 20 November 2015 to 14 February 2019.

Xenith share price (\$)



Source: IRESS, noting share prices are adjusted for any capital raisings.

Figure 7.8: Xenith Share price performance since IPO

7.11 Xenith substantial shareholders

Based on filings to the ASX as at 18 February 2019, the entities listed in Table 7.1 below were substantial holders (within the meaning of the Corporations Act) of Xenith Shares.

Shareholder	Number of Xenith shares held	%
IPH Limited	17,734,708	19.99%
Adam Smith Asset Management	5,048,546	5.69%

Table 7.1: Xenith substantial shareholders

7.12 Publicly available information

Xenith is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a listed company, Xenith is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of Xenith Shares. In addition, Xenith is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website (www.asx.com.au) as well as Xenith's website (www.xenithip.com). Copies of the documents lodged with ASIC by Xenith may be obtained from, or inspected at any ASIC office.

8. Information about QANTM

8.1 Overview of QANTM

QANTM was incorporated on 17 May 2016 and was admitted to the official list of the ASX on 31 August 2016. As at 14 February 2019, QANTM had a market capitalisation of \$212.9 million (based on a closing price of \$1.60 per QANTM Share).

QANTM is the holding company of a suite of well-known and established intellectual property services businesses:

- Davies Collison Cave Pty Ltd (an incorporated patent and trade mark attorney business operating in Australia and New Zealand);
- Davies Collison Cave Law Pty Ltd (an incorporated legal practice operating in Australia);
- Davies Collison Cave Asia Pte Ltd (a specialist patent and trade mark attorney business operating in Singapore);
- FPA Patent Attorneys Pty Ltd (an incorporated patent attorney business operating in Australia and New Zealand);
- FPA Patent Attorneys Asia Pte Ltd (a specialist patent attorney business operating in Singapore); and
- Advanz Fidelis IP Sdn Bhd (a leading Malaysian specialist intellectual property business).

QANTM generates revenue by providing services in relation to the creation, protection, commercialisation, enforcement and management of IP.

Due to the long term nature of the IP lifecycle, QANTM's businesses are able to generate recurring revenue from their clients over a relatively long period. In respect of clients seeking IP protection, generally the majority of fees are generated during the initial filing and prosecution phase of the patent or trade mark process. In addition, QANTM's IP services businesses also typically generate revenue through ongoing patent or trade mark renewals, which can be up to 20 years or more for patents or indefinitely for trade marks. Where IP oppositions or infringements arise, they can also generate revenue for the QANTM businesses.

In addition, QANTM generates revenue outside the IP application process, with clients engaging the QANTM businesses to provide strategic IP advice regarding their IP portfolio or that of their competitors. Such strategic advice assists clients in identifying potential opportunities for IP protection.

Davies Collison Cave Law Pty Ltd provides IP legal and litigation services, and has also established a commercial legal capability.

QANTM has a diverse client base ranging from start-up ventures and SMEs to Fortune 500 multinationals, public sector research institutions and universities. The majority of QANTM's clients are located in the US, Europe, Japan and Australia, and can be broadly divided into the following groups:

- local clients, which include Australian and New Zealand based corporates, public sector research institutions, universities, and private individuals; and
- international clients which include:
 - foreign corporates who engage directly with QANTM, including Fortune 500 companies and other foreign multinational corporations; and
 - international clients referred to QANTM by foreign associate IP practices (foreign associates).

QANTM businesses have relationships with a broad range of foreign associates internationally. These foreign associates engage QANTM businesses to act on behalf of international clients where those clients wish to obtain IP protection in Australia, New Zealand, Singapore or Malaysia (often as part of the 'national phase entry' of PCT applications). Similarly, QANTM businesses will engage a foreign associate to act on behalf of a QANTM client in Australia, New Zealand, Singapore or Malaysia that wishes to obtain IP protection in the foreign associate's jurisdiction. This reciprocity between QANTM businesses and their network of foreign associates is important in generating incoming referrals of international clients and revenue for the firms.

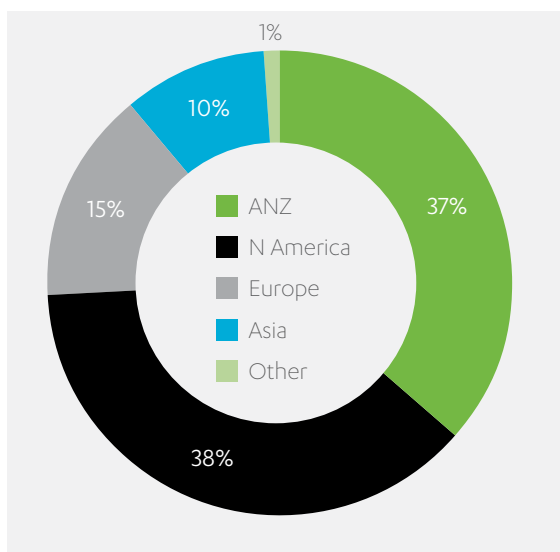


Figure 8.1: QANTM revenue by geography in FY18¹⁷

Figure 8.2: QANTM office locations

A breakdown of QANTM's FY18 Service Charges by geography is set out in Figure 8.1. QANTM's revenue base is geographically diversified with foreign revenue (excluding Australia and New Zealand) making up the majority of total FY18 group Service Charges. North America is the leading source of international service revenue followed by Europe. Asia represents a smaller proportion of service revenue but is a high-growth market for IP services and a key opportunity for QANTM's expansion. DCC also generates income through a strategic alliance with CPA Global Limited (CPA), whereby DCC receives a commission based on the fees provided to CPA by DCC clients.

QANTM currently has 150 professional services personnel operating from a combined 14 offices across Australia, New Zealand Singapore and Malaysia, as shown in Figure 8.2.

QANTM's operations are summarised in Figure 8.3^{18,19}.

	Patent and Design	Trade Marks	Legal / Litigation
% of Aggregate Service Charge Revenue in FY18	69% 57% Lifecycle 12% Advisory	19%	12%
Revenue Model	Services are charged on an hourly rate basis, a fixed price basis, or a combination of the two. Pricing is primarily in AUD, USD and SGD. The long-term nature of IP rights enables the QANTM businesses to generate recurring income throughout the IP life cycle.		
Market Position	QANTM #3 Group	QANTM #2 Group	N/A
Services	<ul style="list-style-type: none"> - Services in relation to all aspects of patent or design procurement for clients seeking protection - Strategic advice for clients in respect of their own patents and designs or those of their competitors 	<ul style="list-style-type: none"> - Services in relation to all aspects of trade mark procurement for clients seeking protection - Strategic advice for clients in respect of their own trade marks or those of their competitors 	<ul style="list-style-type: none"> - Legal services relating to all aspects of IP related rights • IP Litigation • IP Commercialisation • ICT Commercial Work • General IP Advice • Commercial legal advice including with respect to M&A and capital raising

Figure 8.3: Summary of QANTM operations

¹⁷ Revenue breakdown by geography may contain differences to the Annual Report due to financial year end accounting adjustments.

¹⁸ Excludes Associate Charges.

¹⁹ Market position analysis is based on the total number of patent or trade mark applications filed in Australia in FY18 and assumes the QANTM group, Xenith IP and an additional competitor group of businesses operated in their current form.

8. Information about QANTM

8.2 QANTM businesses

QANTM operates through six IP services businesses under the 3 key brands shown in Figure 8.4 – Davies Collison Cave Pty Ltd (DCC), Davies Collison Cave Law Pty Ltd (DCC Law), and FPA Patent Attorneys Pty Ltd (FPA) in Australia and New Zealand; Davies Collison Cave Asia Pte Ltd (DCC Asia) and FPA Patent Attorneys Asia Pte Ltd (FPA Asia) in Singapore; and in Malaysia, Advanz Fidelis IP Sdn Bhd (AFIP), which operate independently to provide a comprehensive suite of services across the IP value chain.



Figure 8.4: QANTM businesses

DCC and FPA both trace their history back to the late 1800's. These businesses were incorporated and became subsidiaries of QANTM in 2016, prior to QANTM's IPO and ASX listing. QANTM acquired AFIP in July 2018, QANTM's first acquisition in Asia. The key events in the development of the QANTM Group are depicted in Figure 8.5.

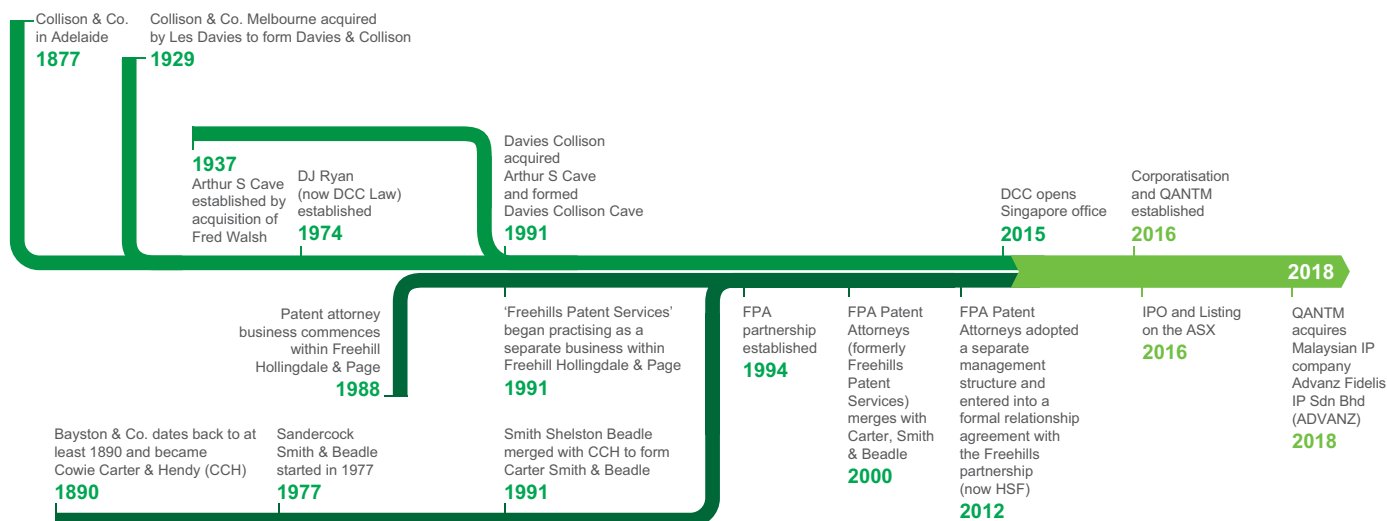


Figure 8.5: Key events in QANTM's history

Davies Collison Cave Pty Ltd

DCC is one of the largest patent and trade mark attorney businesses in Australia, with a long-established history dating back to 1877.

DCC's two major service areas are patents and trade marks. The firm operates from three primary offices in Melbourne, Sydney, and Brisbane, with offices also in Adelaide, Canberra, Geelong, Auckland, Newcastle and Hobart.

Davies Collison Cave Asia Pte Ltd

Davies Collison Cave Asia Pte Ltd has operated as a separate patent and trade mark attorney business in Singapore since 2015, and there is cross-referral of work between DCC and DCC Asia.

Davies Collison Cave Law Pty Ltd

DCC Law conducts a legal practice in Australia for both local and international clients, encompassing intellectual property litigation, advice and commercialisation services; general IP related commercial law advice relating to trade secrets, e-commerce, labelling, IP portfolio, anti-counterfeiting programs and trade practices compliance; technology, media and telecommunications (TMT) advice; privacy and data protection advice; and corporate, commercial and tax advice.

FPA Patent Attorneys Pty Ltd

FPA is a specialist patent attorney practice with offices in Sydney and Melbourne, with its origins in forerunner firms dating back to 1890. The company offers a range of strategic patent and design services. A related company, FPA Asia was established in September 2018 to operate as a specialist patent attorney business in Singapore.

Advanz Fidelis IP Sdn Bhd

AFIP was established in 2000 and operates in Malaysia. The company was acquired by QANTM in July 2018, representing QANTM's first acquisition in Asia.

AFIP has a spread of clients in Malaysia and Asia, Europe and the United States. AFIP's practice consists of 18 professionals providing clients with a range of intellectual property services.

8.3 QANTM Board and key management

The following Directors comprise the QANTM Board:



Richard England – Independent Non-executive Chair

FCA MAICD

Richard was appointed independent Non-Executive Chair of QANTM in May 2016. He was formerly a partner at Ernst & Young from 1988 to 1994 and a consultant until 2003.

Richard is a Fellow of the Chartered Accountants Australia and New Zealand and a Member of the Australian Institute of Company Directors.

Richard is a Non-executive Director of Bingo Industries Limited, Japara Healthcare Limited, Nanosonics Limited and Nutrano Produce Group Pty Ltd.



Leon Allen – Managing Director and Chief Executive Officer

BSc (Hons) Patent Attorney

Leon was appointed Managing Director and CEO of QANTM in May 2016.

Leon joined Davies Collison Cave in 1995 and has worked as a patent attorney since 1981. Leon was the Managing Partner of Davies Collison Cave and Chairman of the firm's national management board from 2011 to 2016.

Leon is a past President of The Institute of Patent and Trade Marks Attorneys of Australia, having served on its Council from 1992 to 2013. He has served two terms on the Advisory Council on Intellectual Property to the Federal Government, the second as Chair. Leon is a Fellow of the International Federation of Patent Attorneys Academy of Education, teaching patent drafting in Europe, and is also a Senior Fellow of the University of Melbourne.

8. Information about QANTM



Abigail Cheadle – Independent Non-executive Director

B. Bus ACA MAICD

Abigail was appointed as a Non-executive Director of QANTM in June 2016. Abigail is a chartered accountant with over 25 years' experience working in Australia, Asia, the Middle East and Europe.

She has had an international executive career with global services firms, building and managing businesses through Asia; undertaking restructuring and recapitalising the former Soviet Union and Iraqi foreign debt, listed companies and financial institutions; identifying fraud and managing regulatory investigations and litigation.

Previously, Abigail was an Executive Director and Managing Director of Kroll, South East Asia; an Executive Director, Partner and Head of Forensics at KordaMentha in Asia; Lead Director of Forensics at Deloitte Singapore; and Head of Forensic Accounting Service Line for Asia Pacific for Ernst & Young.

Abigail is currently a Non-executive Director and Audit, Risk and Compliance Committee Chair of Isentia (ASX:ISD) and an Investment Committee Member of Ecosse Capital Partners. Abigail was formerly a Non-executive Director and Audit, Risk and Compliance Committee Chair of SurfStitch Group Ltd (ASX:SRF).



Cameron Judson – Independent Non-executive Director

BA MBA MAICD

Cameron was appointed as a Non-executive Director of QANTM in June 2016.

Cameron was most recently the CEO of McGrath Limited, a position held from 2016 to 2018. Cameron was previously CEO and Managing Director of Chandler Macleod Group Limited from June 2012 to July 2015. He began working for Chandler Macleod in 2005 and held various operational and executive roles.

Cameron holds a Bachelor of Arts from the University of NSW and a Masters of Business Administration (Executive) from the Australian Graduate School of Management.

Cameron is also a member of the Australian Institute of Company Directors.



Sonia Petering – Independent Non-executive Director

LLB B.Com FAICD

Sonia was appointed as a Non-executive Director of QANTM in June 2016.

Sonia is an experienced corporate lawyer who commenced her own legal practice in 2001, and is a Non-executive Director of Cuscal Limited, Virtus Health Limited (ASX:VRT) and TAL Dai-ichi Australia Pty Ltd. She previously served as Non-executive Director on the boards of the Transport Accident Commission and Rural Finance Corporation of Victoria where she was Chair of the Board from 2009 to June 2016.

Sonia holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

The key members of QANTM's senior management team are:

Name	Position
Leon Allen	Managing Director and Chief Executive Officer
Martin Cleaver	Chief Financial Officer and Company Secretary
James Cherry	FPA Managing Principal
Michael Wolnizer	DCC Group Managing Principal
David Webber	DCC Patent Managing Principal
Adam Sears	DCC Trade Mark Managing Principal
Christopher Jordan	DCC Law Managing Principal
Jern Ern Chuah	AFIP Chief Executive Officer

8.4 Historical financial information

8.4.1 Basis of Preparation

The historical financial information in this Section 8.4 comprises:

- QANTM's historical consolidated income statements for the financial years ended 30 June 2017 (FY17) and 30 June 2018 (FY18);
- QANTM's historical consolidated statement of financial position as at 30 June 2017 and 30 June 2018; and
- QANTM's historical consolidated statement of cash flows for FY17 and FY18,

and has been derived from QANTM's financial statements for FY17 and FY18 (Financial Information).

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards. The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act.

A number of figures, amounts, percentages, prices, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables and commentary may not add due to rounding.

8.4.2 Consolidated income statement

\$ millions	FY17	FY18
Revenue	99.5	101.7
Other income (excluding FX)	2.0	2.1
Recoverable expenses	(19.3)	(23.4)
FX gain	0.8	0.8
Employee expenses	(45.1)	(44.8)
Occupancy expenses	(6.3)	(6.5)
Other expenses	(18.8)	(10.7)
Restructuring and business acquisition expenses	-	(2.3)
Statutory EBITDA	12.9	17.0
Depreciation and amortisation	(1.9)	(2.2)
Finance costs	(1.0)	(0.8)
Statutory net profit before tax	10.0	14.0
Income tax expense	(2.9)	(4.5)
Statutory net profit after tax	7.2	9.5
Statutory NPATA	8.0	10.5
Pro forma adjustments		
Statutory NPAT	7.2	9.5
DCC and FPA pre-acquisition NPAT	(2.3)	-
NPAT	4.9	9.5
Interest	1.0	0.8
Depreciation and amortisation	1.9	2.2
Tax	2.9	4.5
EBITDA	10.6	17.0

8. Information about QANTM

\$ millions	FY17	FY18
Statutory to underlying EBITDA adjustments		
IPO related expenses	6.6	-
Share based payments	1.0	0.1
Employee incentive payments	-	0.7
Retention bonuses	4.6	-
Reorganisation expenses	1.3	-
Initial recognition Principal LSL	1.7	-
Partnership expenditure	0.2	-
Notional remuneration adjustment	(1.4)	-
Restructuring and business acquisition costs	-	2.3
Total EBITDA adjustments	13.8	3.2
Underlying EBITDA	24.5	20.1
Underlying depreciation and amortisation	(2.0)	(2.2)
Underlying net interest expense	(1.0)	(0.8)
Underlying net profit before tax	21.5	17.1
Underlying income tax expense	(6.7)	(5.3)
Underlying net profit after tax	14.8	11.9
Underlying NPATA	15.7	12.9

Commentary

FY17²⁰

Total FY17 statutory revenue was \$99.5m consisting of \$77.5m in Service Charges and \$22.1m in Associate Charges. Statutory EBITDA after FX was \$12.9m.

Underlying Service Charges revenue of \$80.4m declined 1.3% from the prior corresponding period, reflecting a lower level of patent applications, prosecutions and advisory work. Associate Charges refer to the on-charging of invoices from foreign associates for patent work undertaken on behalf of QANTM. Net Associate Charges (net of recoverable expenses) increased year-on-year due to higher margins realised with underlying recoverable expenses representing 87.3% of Associate Charges.

Underlying operating expenses of \$61.7m were 1.0% lower than the financial year ended 30 June 2016 (FY16) with the implementation of ongoing operational cost savings, including the launch of a common ICT platform and back office rationalisation initiatives. Employee benefits expense included the addition of 10 new Principals post the IPO in August 2016, including two lateral hires in Singapore. Underlying EBITDA was \$24.5m.

FY18²¹

Total FY18 statutory revenue was \$101.7m consisting of \$76.5m in Service Charges and \$25.2m in Associate Charges. Statutory Service Charges experienced a 1.2% decline from FY17 while Associate Charges increased 14.2% from FY17. Statutory expenses were \$64.3m and statutory EBITDA after FX was \$17.0m.

On an underlying basis, Service Charges of \$76.5m declined 4.9% from FY17. Underlying Associate Charges were \$25.2m, a 10.5% increase from FY17. Recoverable expenses were \$23.4m and represent 92.8% of Associate charges.

The main features of the Service Charges outcome included lower patent revenue compared to FY17, mainly associated with a lower level of foreign derived, Australian prosecution and advisory patent business. The trade mark and legal and litigation businesses continued to strengthen.

Revenue for the second half of FY18 improved on the first half, with patent revenue stabilising and strong growth in trade mark revenue.

²⁰ As QANTM listed on the ASX on 31 August 2016, the statutory income statement may not accurately depict business performance in FY17. Commentary is based on QANTM underlying income statement which was disclosed by QANTM in its 2017 Annual Report. Underlying Service Charges were \$80.4m and Associate charges were \$22.8m. Underlying recoverable expenses were \$19.9m and operating expenses were \$61.7m. Underlying EBITDA was \$24.5m with an NPAT of \$14.8m and NPATA of \$15.7m.

²¹ Underlying operating expenses includes a \$0.9m adjustment from employee incentive and share based payments which are not considered recurring in nature. Total underlying operating expenses is \$61.1m.

A restructuring program was undertaken in FY18, the full benefit of which will not be realised until the financial year ended 30 June 2019 (FY19). In FY18, underlying operating expenses declined to a total of \$61.1m reflecting some restructuring benefits realised in the second half along with further efficiencies from the establishment of common ICT systems. The restructuring program has enabled QANTM to operate from a lower cost base while maintaining employee incentives and the professional development of staff. One-off restructuring and business acquisition costs of \$2.3m were incurred during FY18.

The Group recorded stronger second half FY18 financial outcomes, with second half underlying EBITDA increasing by 13.6% compared with the first half of FY18. Underlying EBITDA was \$20.1m, after adjusting for one-off restructuring and business acquisitions costs as well as one-off employee incentive costs.

8.4.3 Consolidated statements of financial position

\$ millions	FY17	FY18
Current assets		
Cash and cash equivalents	8.3	3.1
Trade and other receivables	29.6	31.6
Other financial assets	0.3	-
Other assets	1.1	1.2
Total current assets	39.3	35.9
Non-current assets		
Property, plant and equipment	2.3	2.7
Goodwill and intangible assets	67.1	66.3
Other assets	0.1	0.0
Total non-current assets	69.5	69.0
Total assets	108.8	104.9
Current liabilities		
Trade and other payables	8.1	9.5
Provisions	6.5	6.4
Borrowings	0.6	0.2
Current income tax liabilities	3.5	3.2
Other financial liabilities	-	0.1
Total current liabilities	18.6	19.4
Non-current liabilities		
Provisions	2.7	2.8
Borrowings	15.1	11.2
Deferred income tax liabilities	1.5	1.8
Total non-current liabilities	19.3	15.8
Total liabilities	37.9	35.2
Net assets	70.9	69.7
Equity		
Issued capital	293.8	293.8
Reserves	(222.7)	(222.6)
Accumulated losses	(0.2)	(1.5)
Total equity	70.9	69.7

8. Information about QANTM

8.4.4 Consolidated statements of cash flows

\$ millions	FY17	FY18
Cash flows from operating activities		
Receipts from customers	108.8	105.9
Payments to suppliers and employees	(86.6)	(89.2)
Interest and costs of finance paid	(1.1)	(0.8)
Income tax paid	(2.0)	(4.6)
Net cash provided by operating activities	19.2	11.3
Cash flows from investing activities		
Cash acquired	2.3	-
Proceeds from disposal of sale of property, plant and equipment	0.7	-
Payments for purchase of property, plant and equipment	(1.3)	(1.5)
Purchase of intangible assets	(0.0)	(0.2)
Loans to related entities	(0.5)	-
Net cash provided by / (used in) investing activities	1.2	(1.7)
Cash flows from financing activities		
Proceeds from issue of new shares	30.8	-
Proceeds from bank borrowings	15.0	-
Repayment of bank borrowings	(15.9)	(4.2)
Repayments of previous owner loans and distributions	(26.9)	-
Forward exchange contracts settlement	(0.8)	-
Transaction costs relating to issue of new shares	(9.9)	-
Dividends paid	(4.8)	(10.8)
Net cash used in financing activities	(12.5)	(15.0)
Net increase / (decrease) in cash and cash equivalents	7.8	(5.4)
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.0	0.1
Cash and cash equivalents at beginning of year	0.5	8.3
Cash and cash equivalents at end of year	8.3	3.1

8.5 Material changes to QANTM's financial position since 30 June 2018

Within the knowledge of the QANTM Directors and other than as disclosed in this Scheme Booklet or announced to ASX, the financial position of QANTM has not materially changed since 30 June 2018, being the date of QANTM's financial report for the year ended 30 June 2018.

8.6 Half-year results

QANTM's results for the half-year ended 31 December 2018 will be released to the ASX separately to this Scheme Booklet, on 22 February 2019. Once available, Xenith will provide a copy of the QANTM financial statements for the half year ended 31 December 2018 to any Xenith Shareholder who requests a copy, prior to the Scheme being approved by the Court, noting this information will also be available from QANTM's disclosures to the ASX.

8.7 FY19 guidance

QANTM confirms it will not be providing FY19 earnings guidance as part of this Scheme Booklet.

8.8 QANTM capital structure

As at the date of this Scheme Booklet, QANTM's issued securities are as follows:

- 133,050,724 QANTM Ordinary Shares on issue.

There are presently no rights to QANTM shares on issue, as detailed in Section 8.9.

8.9 QANTM employee share plans and incentive plans

Short Term Incentive Plan

QANTM has in place a Short Term Incentive (**STI**) Plan, whereby participants have an opportunity to receive each year a cash incentive payment, up to a cap of a percentage of their fixed annual remuneration, conditional on achievement of financial and non-financial performance criteria.

The performance measures against which each participant's short term incentive is assessed and their relative weightings are tailored to a participant's role and will be set each year. Certain minimum conditions must be met to receive a payment. QANTM reports STI outcomes for Key Management Personnel in the audited Remuneration Report comprised in its Annual Report.

Long Term Incentive Plan

In FY18, QANTM established an employee share trust (**EST**) for the benefit of key employees. The EST is intended to provide an incentive for participating employees to maximise their contributions to QANTM and to enable them to share in the future growth in the value of QANTM.

Under the EST, selected key employees are provided with an opportunity to acquire a beneficial interest in fully paid QANTM shares. Funds contributed by QANTM are used to acquire QANTM shares for the benefit of the relevant employee. The shares will generally be acquired on-market by the trustee of the EST (which is not a member of the QANTM Group), but may be issued by QANTM to the trustee of the EST. The relevant employees are not able to sell the shares held on their behalf for a period of time.

The EST supersedes a prior long term incentive plan whereby eligible employees were offered rights to Shares ('Retention Rights'), up to a limit calculated as a percentage of their fixed annual remuneration each year, conditional on achievement of stipulated performance criteria. Each Retention Right issued under the LTIP converted into one ordinary share of QANTM on exercise. All Retention Rights under that scheme have either vested (including 146,393 Retention Rights which vested on 30 August 2018 and in respect of which ordinary shares were issued) or have been forfeited and there are no current plans to offer further Retention Rights in the future.

8.10 Recent share price history

The closing price of QANTM Shares on the ASX on 26 November 2018 (i.e. the last Trading Day prior to the announcement of the Scheme) was \$1.31. The closing price of QANTM Shares on 14 February 2019 was \$1.60.

During the twelve months up to and including 14 February 2019:

- the highest recorded daily closing price for QANTM Shares on the ASX was \$1.60 on 14 February 2019; and
- the lowest recorded daily closing price for QANTM Shares on the ASX was \$1.045 on 2 July 2018.

Figure 8.6 shows QANTM's share price performance since listing on the ASX on 31 August 2016.

8. Information about QANTM



Source: IRESS

Figure 8.6: QANTM historical share price performance since IPO

8.11 Substantial shareholders

Based on filings to the ASX as at 14 February 2019 the entities listed in Table 8.2 below were substantial holders (within the meaning of the Corporations Act) of QANTM Shares.

Substantial Holder	Number of QANTM shares held	%
Perpetual Limited	12,221,049	9.19%
Investors Mutual Limited	10,030,334	7.54%
Renaissance Smaller Companies	8,439,215	6.34%

Table 8.2: QANTM substantial shareholders

8.12 QANTM dividend policy

As at the date of this Scheme Booklet, QANTM's dividend policy is to target a dividend payout ratio of 70% – 90% of NPATA and to frank and impute dividends to the greatest extent possible. This is not intended to be a forecast or guarantee of dividend payments; it is merely an indication of QANTM's objectives. QANTM may not be successful in achieving its objectives and returns are not guaranteed. Dividends have been 100% franked over FY17 and FY18.

Dividend per share	Interim	Final	Total
FY17	3.6c	5.3c	8.9c
FY18	2.8c	4.3c	7.1c

Table 8.3: Summary of historical QANTM dividends

The QANTM directors can provide no guarantee as to the future dividend policy, the extent of future dividends or the level of franking or imputation of such dividends, as these will depend on the future profits of QANTM, the contribution of profits from outside Australia and the Company's financial and taxation position at the relevant times. The level of payout ratio is anticipated to vary between periods depending on various factors including the general business environment, the operating results and the financial condition of the Group, future funding requirements, capital management initiatives, taxation considerations and any contractual, legal or regulatory restrictions on the payment of dividends by the Company and other factors the Directors may consider relevant. Should QANTM pursue value accretive strategic growth, acquisition or investment opportunities that may arise, it may result in a payout ratio in the future that is less than the above target.

See Section 9.4.4 for information in relation to dividends of the Merged Group.

8.13 Publicly available information

QANTM is a disclosing entity for the purposes of the Corporations Act and as such it is subject to regular reporting and disclosure obligations. As a listed company, QANTM is also subject to the ASX Listing Rules which require continuous disclosure (with some exceptions) of any information which a reasonable person would expect to have a material effect on the price or value of QANTM Shares. In addition, QANTM is required to maintain periodic disclosure (including yearly and half-yearly financial statements) with ASIC in accordance with the Corporations Act and the ASX in accordance with the ASX Listing Rules.

The information disclosed to the ASX is available from the ASX's website (www.asx.com.au) as well as QANTM's website (www.qantmip.com). Copies of the documents lodged with ASIC by QANTM may be obtained from, or inspected at any ASIC office.

8.14 QANTM interest in Xenith Shares

As at the date of this Scheme Booklet, QANTM has no interest in Xenith Shares.

8.15 Interests of QANTM Directors

8.15.1 Interests in QANTM Shares

As at the date of this Scheme Booklet, the interests of QANTM Directors (including interests held by a controlled entity or an associate of the QANTM Directors) in QANTM Shares are set out in the below table:

Director	QANTM Shares
Richard England	135,134
Leon Allen	2,037,227
Abigail Cheadle	45,045
Cameron Judson	45,044
Sonia Petering	45,044

Table 8.4: Interests of QANTM Directors in QANTM Shares

8.15.2 Interests in Xenith Shares

As at the date of this Scheme Booklet, no QANTM Director (including interests held by a controlled entity or an associate of a QANTM Director) had an interest in Xenith Shares.

8.16 Rights and Liabilities attaching to New QANTM Shares

The rights and liabilities attaching to New QANTM Shares which will be issued to Eligible Xenith Shareholders as Scheme Consideration will be the same as those attaching to existing QANTM Shares and will rank equally with all issued fully paid ordinary shares of QANTM from the date of their allotment. These rights and liabilities are detailed in the QANTM constitution, and are subject to the Corporations Act and the ASX Listing Rules.

Table 8.5 summarises some of the key rules in the QANTM constitution in relation to the rights and liabilities currently attaching to QANTM Shares. This summary does not purport to be exhaustive and must be read subject to the full text of the QANTM constitution. A copy of QANTM's constitution is available on the ASX announcements platform or QANTM's website.

Eligible Xenith Shareholders should seek their own independent advice in relation to their rights and liabilities as potential holders of New QANTM Shares in specific circumstances.

8. Information about QANTM

Item	
Issue of further QANTM Shares	The QANTM Board may from time to time issue any shares in the capital of QANTM.
QANTM Share transfers	<p>A QANTM shareholder may transfer all or any of the QANTM Shares held by them to a third party, including on the ASX, subject to customary requirements.</p> <p>The QANTM Board may refuse to register a transfer of QANTM Shares in any circumstances permitted by the ASX Listing Rules. The QANTM Board must refuse to register a transfer of QANTM Shares when required to by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.</p>
Meetings of members	<p>Each holder of QANTM Shares is entitled to receive notice of and to attend and vote at all meetings of members of QANTM. They are entitled to be present and vote at meetings in person, or by proxy, attorney or representative.</p> <p>QANTM's Shareholders are also entitled to call a general meeting in accordance with the Corporations Act.</p>
Voting	<p>Each QANTM Share confers the right to vote at general meetings.</p> <p>On a show of hands, each QANTM Shareholder has one vote. On a poll, each QANTM Shareholder has one vote for each fully paid ordinary share held by the shareholder and a fraction of a vote proportional to the amount paid on each partly-paid ordinary share.</p>
Dividends	<p>QANTM Shareholders are entitled to receive dividends declared in respect of QANTM Shares they hold and a fraction of the dividend proportional to the amount paid on each partly-paid ordinary share.</p> <p>The QANTM Board may declare dividends as and when it sees fit.</p>
Rights on winding up	<p>Each QANTM Share confers on its holder the right to participate equally in the distribution of the assets of QANTM on a winding up, subject only to any amounts unpaid on the share.</p> <p>If QANTM is wound up, the liquidator may, with the sanction of a special resolution, divide among the members all or any of QANTM's assets and for that purpose, determine how it will carry out the division between the members but the liquidator may not require a member to accept any QANTM Shares or other securities in respect of which there is any liability.</p> <p>The liquidator may also vest all or any of QANTM's assets in a trustee on trusts determined by the liquidator the benefit of the contributories.</p>
Sale of non-marketable parcels	<p>As permitted by the ASX Listing Rules, the QANTM constitution confers the power on QANTM to dispose of small parcels of QANTM Shares (being parcels of QANTM Shares, the number of which in aggregate constitutes less than a marketable parcel of shares under the ASX Listing Rules).</p> <p>QANTM must not sell a small parcel of QANTM Shares unless it has given 42 days' written notice to the QANTM Shareholder of its intention to sell those QANTM Shares. The shareholder may ask QANTM in writing to exempt their QANTM Shares, in which case QANTM will not sell the parcel. If QANTM does sell the QANTM Shares, the proceeds of the sale are remitted to the QANTM Shareholder.</p>
Variation of class rights	<p>The rights and liabilities attaching to a QANTM Shares may, unless their terms of issue state otherwise, only be varied or cancelled:</p> <ul style="list-style-type: none"> with the written consent of holders of such shares with at least 75% of the votes in the class; or with the sanction of a special resolution passed at a meeting of the class of holders holding shares in the class.
Amendments to the QANTM constitution	The QANTM constitution may be amended only by special resolution passed by at least 75% of the QANTM Shares voted (in person or by proxy or representative) and which are entitled to be voted on the resolution at a general meeting of QANTM. QANTM must give at least 28 days written notice of a general meeting of QANTM.

Table 8.5: Summary of rights and liabilities attaching to QANTM Shares under the QANTM constitution

9. Profile of the Merged Group

9.1 Overview of the Merged Group

The merger of equals will create a group of industry leading, independent IP services businesses with 349 professional services personnel across Australia, and Asia. As the standalone groups have a clear alignment of heritage, culture and strategy, the underlying operations and characteristics of the Merged Group will remain very similar in providing a broad base of complementary IP, legal and advisory services.

With an increased scale and the combination of the respective strengths of each group, the Merged Group will enable enhanced operational efficiencies and an investment ability into technology, regional expansion and other growth opportunities. Under the stronger umbrella of the Merged Group, the high quality portfolio of IP services businesses will continue to operate independently in supporting their clients.

							
	<i>Founding Xenith brand with history dating over 150 years</i>	<i>Over 150 years of IP experience</i>	<i>One of Australia's largest IP practice</i>	<i>Top tier patent attorney practice</i>	<i>One of Australia's largest IP practices</i>	<i>QANTM's first acquisition in Asia</i>	<i>Specialist IP valuation, innovation and advisory services</i>
Established	1859	1859	1877	1890	1904	2000	2017
Number of Professionals	49	31	96	36	90	18	29
Domestic Office Locations	Sydney	Melbourne Sydney Perth	Melbourne, Sydney, Brisbane, Adelaide, Canberra, Geelong, Newcastle, Hobart	Melbourne Sydney	Melbourne Sydney Brisbane Perth		Melbourne Sydney Brisbane Perth
International Office Locations			Auckland Singapore	Singapore		Kuala Lumpur	

Figure 9.1: Overview of Merged Group businesses

In addition to the locations in Australia and New Zealand as noted in Figure 9.1, the Merged Group will also service clients across offices in Singapore and Kuala Lumpur, with an increasing focus on supporting continued future growth in the Asian region.

The merger will create a leading provider of IP origination services in Australia with strengthened market positions across key IP services (including patents, PCT applications, trade marks and registered designs on a historical basis) domestically, as indicated in Figure 9.2.

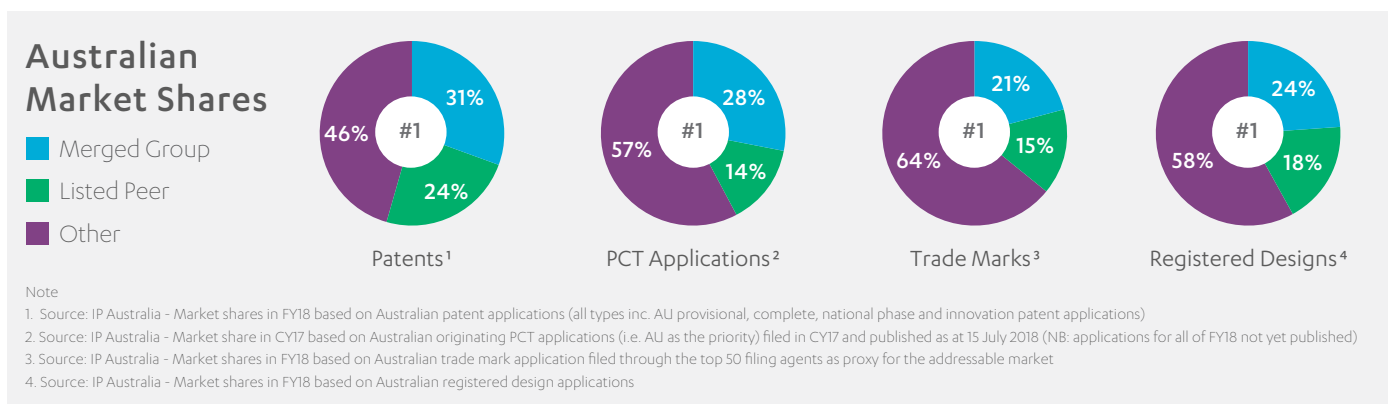


Figure 9.2: Merged Group market shares

9. Profile of the Merged Group

In combining the high-quality client portfolios of Xenith and QANTM, the combined client base of the Merged Group will be even further diversified as indicated in Figure 9.3, with clients covering all stages of the innovation ecosystem including ASX 100 and Fortune 500 companies, global corporates, large research institutions, academia, as well as start-ups and entrepreneurs. The client portfolio will also be diversified across geography and industry expertise. Clients will benefit from an improved platform experience and broad industry expertise of the Merged Group that will provide end-to-end servicing of the IP value chain.

Benefits to the Merged Group

Benefits to Clients

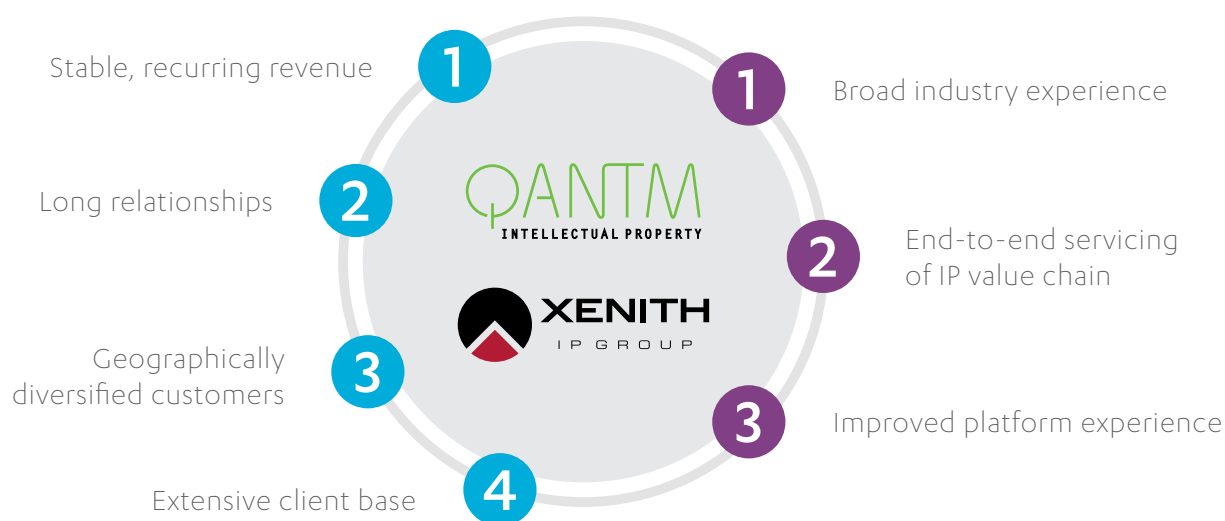


Figure 9.3: Benefits of the proposed Transaction

9.2 Anticipated synergies

As part of the detailed discussions and due diligence process conducted prior to announcement of the Transaction, Xenith and QANTM commissioned an independent review by KPMG of anticipated synergies should the Scheme proceed. Synergies were determined based on a detailed review of the Merged Group's operating cost structure and consideration of areas of overlap and duplication in both corporate overheads and back office costs, and operating efficiencies driven by economies of scale and investment in technology (refer below).

The Transaction is anticipated to deliver EBITDA synergies of \$7 million per annum, on a full run-rate basis and excluding one-off transaction and integration costs. The full run-rate of these anticipated cost synergies are expected to be achieved by the end of year three from completion of the Transaction, while one-off implementation costs are projected to be approximately \$7 million. Approximately 40-50% of the one-off implementation costs are expected to be incurred within the first 12 months following completion of the Scheme and approximately 90-95% within the first 24 months.

As the underlying businesses currently comprising the QANTM and Xenith Groups will continue to operate independently as part of the Merged Group, the anticipated cost synergies are expected to result predominantly from streamlined corporate operations and greater utilisation of shared back office functionalities. These initiatives are anticipated to drive margin improvement and support the people within the operating businesses to better service our clients.

These benefits are anticipated to be achieved primarily through an investment in technology that can be executed more effectively with greater scale, particularly through the implementation of a world-class IP services platform (which will be an integrated amalgam of market-leading, cloud-based applications, including ERP (enterprise resource planning), case management, document management, IP management, and workflow). In addition to driving efficiencies, the broader initiatives of a shift to market leading, cloud-based platforms will also assist the professionals within each of the operating businesses to service clients more efficiently with improved workflow and collaboration tools, as summarised in Figure 9.4.



Figure 9.4: Illustration of the Merged Group businesses and supporting platforms

9.3 Pro forma historical financial information

The Merged Group Pro Forma Historical Financial Information set out in this Section 9.3 has been prepared to illustrate the:

- historical income statement for the year ended 30 June 2018 (Merged Group Pro Forma Historical Income Statement);
- historical statement of financial position as at 30 June 2018 (Merged Group Pro Forma Historical Statement of Financial Position); and
- historical statement of cash flow for the year ended 30 June 2018 (Merged Group Pro Forma Historical Cash Flows),

(together, the Merged Group Pro Forma Historical Financial Information).

The Merged Group Pro Forma Historical Financial Information should be read together with the:

- basis of preparation as set out in Section 9.3.1;
- potential risks set out in Section 10; and
- other information contained in this Booklet.

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, totals in tables may not add due to rounding.

The Investigating Accountant has prepared an Independent Limited Assurance Report in respect of the Merged Group Pro Forma Historical Financial Information, a copy of which is included in Annexure B.

9. Profile of the Merged Group

9.3.1 Basis of preparation

The Merged Group Pro Forma Historical Financial Information set out in this Section 9.3 has been prepared in order to give Xenith Shareholders an indication of the financial performance, financial position and cash flows of the Merged Group as if the Scheme had been Implemented from 1 July 2017 in respect of the financial performance and cash flows and 30 June 2018 in respect of the financial position.

It does not reflect the actual financial performance, financial position or cash flows of the Merged Group at the time of Implementation. It has been prepared for illustrative purposes only for the purpose of this Booklet.

The Merged Group Pro Forma Historical Financial Information presented in this Section 9.3 is based on the:

- Xenith Group Historical Financial Information, as at and for the year ended, 30 June 2018 (presented in Section 7.4);
- QANTM Group Historical Financial Information, as at and for the year ended, 30 June 2018 (presented in Section 8.4); and
- pro forma adjustments described in Sections 9.3.3, 9.3.5 and 9.3.7 (Pro Forma Adjustments).

The historical financial information presented in this Section 9.3 has been derived from the consolidated financial statements of Xenith Group for the financial year ended 30 June 2018 and from the consolidated financial statements of QANTM Group for the financial year ended 30 June 2018.

The consolidated financial statements of Xenith Group for the financial year ended 30 June 2018 and the consolidated financial statements of QANTM Group for the financial year ended 30 June 2018 were audited in accordance with Australian Auditing Standards. The auditor issued unqualified audit opinions on each of these financial statements.

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (AAS), which are consistent with IFRS, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the exclusion of certain transactions that occurred in the relevant period, and (ii) the impact of certain transactions as if they occurred as at 30 June 2018 in the Merged Group Pro Forma Historical Statement of Financial Position and from 1 July 2017 in the Merged Group Pro Forma Historical Income Statement and the Merged Group Pro Forma Historical Cash Flows.

The historical financial information of Xenith Group and QANTM Group has been prepared in accordance with the significant accounting policies described in their respective financial statements for the year ended 30 June 2018. In preparing the Merged Group Pro Forma Historical Financial Information, Xenith Group has undertaken a review to identify significant accounting policy differences where the impact is potentially material to the Merged Group and could not be reliably estimated. Based on the high level review undertaken, no significant differences in accounting policies that would materially impact EBITDA of the Merged Group were noted.

9.3.1.1 Basis of consolidation

On Implementation of the Scheme, QANTM will gain control over Xenith and therefore under AASB 3 Business Combinations (AASB 3), QANTM is required to recognise the identifiable net assets of Xenith at fair value on the date of acquisition within the Merged Group Pro Forma Historical Statement of Financial Position. Any excess between the fair value of the consideration paid and the fair value of the identifiable net assets is recognised as goodwill.

On Implementation of the Scheme, QANTM will gain control over Xenith. QANTM will therefore consolidate the results of Xenith from the date of acquisition (being 1 July 2017 for the purposes of the Merged Group Pro Forma Historical Income Statement and the Merged Group Pro Forma Historical Cash Flows).

9.3.1.2 Preliminary purchase price accounting

AASB 3 allows the acquirer a period of 12 months from the acquisition date to finalise the identification and valuation process of all assets and liabilities and any resultant accounting adjustments. QANTM has not finalised the identification and valuation of Xenith's assets and liabilities, with finalisation to take place after Implementation of the Scheme. For the purpose of preparing the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that the historical carrying value of assets and liabilities is equal to their fair value and that there will be no additional separately identifiable intangible assets other than those already recognised in the 30 June 2018 historical statement of financial position of Xenith, such that the residual is recognised entirely in goodwill for the purposes of this Scheme Booklet.

As the purchase price accounting has not been finalised, additional amortisation in relation to identified finite life intangible assets may arise and this has not been reflected in the Merged Group Pro Forma Historical Income Statement. The quantum of any additional amortisation will depend on the incremental fair value allocated and the useful lives ascribed to the identifiable intangible assets as part of the final purchase price allocation.

For the purpose of preparing the Merged Group Pro Forma Historical Statement of Financial Position, it has been assumed that there will be no resetting of the Merged Group's tax cost bases following the acquisition. It is, however, likely that the allocable cost amount calculation will result in a deferred tax position which is different to the position presented in the Merged Group Pro Forma Historical Statement of Financial Position. Any resulting adjustment to deferred tax assets and liabilities will have an equal but opposite impact on the amount of goodwill recognised in the Merged Group Pro Forma Historical Statement of Financial Position.

9.3.1.3. Presentation

The Merged Group Pro Forma Historical Financial Information:

- is provided for illustrative purposes only;
- is presented in a summary form and consequently does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act; and
- has been prepared on the basis that QANTM is the acquiring entity for accounting purposes.

Pro Forma Adjustments have been made to reflect the financial impacts of the combination of Xenith and QANTM. The Merged Group Pro Forma Historical Financial Information presented in this Section 9.3 does not purport to reflect the likely actual or prospective reported financial performance, financial position or cash flows of the Merged Group.

It is likely that actual financial performance, financial position and cash flows in future periods will differ from the Merged Group Pro Forma Historical Financial Information presented in this Section 9.3.

The factors which may impact the actual financial performance, financial position or cash flows of the Merged Group include but are not limited to:

- trading of Xenith and QANTM after 30 June 2018, which is not reflected in the historical financial information of Xenith, or QANTM;
- the ultimate timing of Implementation of the Scheme to combine Xenith and QANTM;
- the value of a QANTM Share on the Implementation Date which will change the value of goodwill recognised on acquisition;
- differences between the estimated amount of transaction costs and the amount ultimately incurred;
- finalisation of the acquisition accounting, including determining appropriate purchase price adjustments, including the value of all assets and liabilities acquired in accordance with the relevant accounting standards. This may include the allocation of purchase price notionally attributed to non-amortising intangibles in this Section 9.3 ultimately being attributed to amortising intangibles on completion of the purchase price accounting adjustments, the amortisation of which could adversely impact reported earnings of the Merged Group;
- finalisation of the resetting of the tax cost bases following acquisition, including recognition of the associated deferred tax assets and liabilities, in accordance with the relevant accounting standards; and
- the ultimate timing and realisation of anticipated synergies and business improvements (and associated costs) arising from the combination of Xenith and QANTM (further details of which are provided in Section 9.2).

9.3.1.4. Standards issued but not yet effective

AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) were effective for the Merged Group from 1 July 2018. Xenith has performed a preliminary analysis of the impact of implementation of AASB 15 and AASB 9 and based on the work performed to date do not expect a material adjustment. QANTM has performed a preliminary analysis of the impact of the implementation of AASB 15 and does not expect a material adjustment. QANTM has not yet performed an assessment of the impact of applying AASB 9. No pro forma adjustments have been included in relation to the implementation of AASB 15 or AASB 9. AASB 16 Leases (AASB 16) will be effective for the Merged Group from 1 July 2019. The Merged Group has not yet assessed the impact of this standard on the financial statements.

9. Profile of the Merged Group

9.3.2 Merged Group pro forma historical income statement

This Section 9.3.2 outlines the Merged Group Pro Forma Historical Income Statement (FY18) as though the Scheme was Implemented on 1 July 2017, although without the inclusion of any of the anticipated synergies discussed in Section 9.2.

Merged Group Pro Forma Historical Income Statement (FY18)

\$ millions	QANTM	Xenith	Merged Group Pro Forma Historical
Revenue⁽¹⁾	103.8	126.5	230.3
Expenses			
Employee benefits	(44.8)	(53.6)	(98.3)
Recoverable expenses	(23.4)	(37.6)	(61.0)
Impairment losses	-	(20.7)	(20.7)
Occupancy	(6.5)	(7.6)	(14.0)
Other	(12.2)	(11.3)	(23.5)
Total expenses	(86.8)	(130.8)	(217.6)
EBITDA	17.0	(4.3)	12.7
Depreciation and amortisation	(2.2)	(6.4)	(8.6)
EBIT	14.8	(10.7)	4.1
Net finance costs	(0.8)	(1.2)	(2.1)
Net profit/(loss) before tax	14.0	(12.0)	2.0
Tax (expense)/benefit	(4.5)	(2.7)	(7.2)
Net profit/(loss) after tax	9.5	(14.7)	(5.2)

(1) Revenue disclosed above includes other income

Reconciliation of Statutory EBITDA to Underlying EBITDA

\$ millions	QANTM	Xenith	Merged Group Pro Forma Historical
Statutory EBITDA	17.0	(4.3)	12.7
Impairment losses	-	20.7	20.7
Restructuring and integration costs	1.9	1.0	2.9
Employee incentive payments	0.7	-	0.7
Acquisition expenses	0.4	0.1	0.5
IPO related expenses (incl. retention rights)	0.1	0.6	0.6
Total significant items	3.2	22.4	25.6
Underlying EBITDA	20.1	18.1	38.2

9.3.3 Adjustments to the Merged Group pro forma historical income statement

No pro forma adjustments have been made in preparing the Merged Group Pro Forma Historical Income Statement. Significant items for each of QANTM and Xenith are as described in each company's Annual Report for the financial year ended 30 June 2018.

In preparing the Merged Group Pro Forma Historical Income Statement, the anticipated synergies discussed in Section 9.2 have not been included. If the \$7 million in anticipated synergies were included, the Merged Group FY18 EBITDA on an underlying basis would have been \$45.2 million.

9.3.4 Merged Group pro forma historical statement of financial position

This Section 9.3.4 outlines the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 as though the Scheme was Implemented on 30 June 2018.

Merged Group Pro Forma Historical Statement of Financial Position (FY18)

\$ millions	QANTM	Xenith	Pro forma adjustments	Merged Group Pro Forma Historical
Cash and cash equivalents	3.1	2.8	-	5.9
Trade and other receivables	31.6	28.7	-	60.3
Other assets	1.2	6.3	-	7.6
Total current assets	35.9	37.8	-	73.7
Property, plant and equipment	2.7	6.0	-	8.7
Goodwill and intangible assets ⁽¹⁾	66.3	137.4	48.3	252.0
Other assets	0.0	0.2	2.4	2.5
Total non-current assets	69.0	143.5	50.6	263.2
Total assets	104.9	181.3	50.6	336.9
Trade and other payables	(9.5)	(7.9)	-	(17.3)
Provisions	(6.4)	(8.2)	-	(14.6)
Current tax liabilities	(3.2)	-	-	(3.2)
Other liabilities	(0.3)	(3.4)	-	(3.7)
Total current liabilities	(19.4)	(19.5)	-	(38.8)
Borrowings	(11.2)	(15.8)	(7.9)	(34.9)
Deferred tax liabilities	(1.8)	(14.8)	-	(16.5)
Provisions	(2.8)	(1.5)	-	(4.3)
Other liabilities	-	(4.3)	-	(4.3)
Total non-current liabilities	(15.8)	(36.3)	(7.9)	(60.0)
Total liabilities	(35.2)	(55.8)	(7.9)	(98.8)
Net assets	69.7	125.5	42.8	238.1
Issued capital	293.8	144.5	29.3	467.7
Reserves	(222.6)	0.9	(0.9)	(222.6)
Retained earnings	(1.5)	(19.9)	14.4	(7.0)
Total equity	69.7	125.5	42.8	238.1

(1) As disclosed in Xenith's annual report, Goodwill of \$60 million predominantly relates to the acquisition of Griffith Hack and Watermark, including the corresponding impact on the Shelston IP business, and is allocated to the following cash generating units in the Xenith Group: \$39 million Griffith Hack, \$11 million Watermark, \$10 million Shelston IP.

9.3.5 Adjustments to the Merged Group pro forma historical statement of financial position

Adjustment A – Purchase Price Accounting – The Merged Group Pro Forma Historical Statement of Financial Position has been prepared in accordance with the acquisition accounting principles as set out in AASB 3 on the basis of provisional amounts as noted below:

- Estimated Scheme Consideration of \$173.8 million, which assumes 108.6 million New QANTM Shares are issued, multiplied by the QANTM Share price of \$1.60 as at 14 February 2019;
- Net assets of Xenith as at 30 June 2018 of \$125.5 million; and
- The difference between the Scheme Consideration and the net assets of Xenith of \$48.3 million, which has been allocated to Goodwill.

Adjustment B – Transaction Costs – Total transaction costs of \$7.9 million are estimated to be incurred by QANTM and Xenith (and funded from existing debt facilities), which are assumed to be expensed as incurred and are presented as a reduction in retained earnings. The associated tax effect of \$2.4 million has been recognised as an increase to deferred tax assets (within other non-current assets).

Adjustment C – Eliminations – The Merged Group Pro Forma Historical Statement of Financial Position has been adjusted to reflect:

- derecognition of the contributed equity of Xenith of \$144.5million;
- derecognition of the pre-acquisition reserves of Xenith of \$0.9 million; and
- derecognition of the pre-acquisition accumulated losses of Xenith of \$19.9 million.

9. Profile of the Merged Group

9.3.6 Merged Group Pro forma historical statement of cash flows

This Section 9.3.6 outlines the Merged Group Pro Forma Historical Cash Flows as though the Scheme was Implemented on 1 July 2017.

Merged Group Pro Forma Historical Statement of Cash Flows (FY18)

\$ millions	QANTM	Xenith	Merged Group Pro Forma Historical
Cash flows from operating activities			
Payments from customers	105.9	130.0	235.8
Payments to suppliers and employees	(89.2)	(114.6)	(203.8)
Interest and costs of finance paid	(0.8)	-	(0.8)
Income tax paid	(4.6)	(5.6)	(10.2)
Net cash generated from operating activities	11.3	9.7	21.0
Cash flows from investing activities			
Payments for purchase of property, plant and equipment	(1.5)	(1.5)	(2.9)
Purchase of intangible assets	(0.2)	(0.5)	(0.7)
Payments for acquisition of controlled entities, net of cash acquired and transaction costs	-	(2.7)	(2.7)
Net cash used in investing activities	(1.7)	(4.7)	(6.4)
Cash flows from financing activities			
Proceeds from bank borrowings	-	15.8	15.8
Repayment of bank borrowings	(4.2)	(15.0)	(19.2)
Dividends paid	(10.8)	(5.7)	(16.4)
Finance costs paid	-	(1.0)	(1.0)
Net cash used in financing activities	(15.0)	(5.9)	(20.9)
Net decrease in cash and cash equivalents	(5.4)	(0.9)	(6.3)
Effects of exchange rate changes on the balance of cash held in foreign currencies	0.1	-	0.1
Cash and cash equivalents at beginning of year	8.3	3.6	12.0
Cash and cash equivalents at end of year	3.1	2.8	5.8

9.3.7 Adjustments to the Merged Group Pro forma historical statement of cash flows

No pro forma adjustments have been made in preparing the Merged Group Pro Forma Historical Statement of Cash Flows.

9.4 Intentions in relation to Xenith and the Merged Group

9.4.1 Operations of the Merged Group

The professional services businesses comprising the QANTM Group (Davies Collison Cave, Davies Collison Cave Asia Pte Ltd, Davies Collison Cave Law Pty Ltd, FPA Patent Attorneys Pty Ltd, FPA Patent Attorneys Asia Pte Ltd and Advanz Fidelis IP Sdn Bhd), operate independently of each other in the provision of professional services to their clients, as required in order to comply with professional standards, ethical duties, and applicable codes of conduct, including, with respect to Australia and New Zealand, the Code of Conduct for Trans-Tasman Patent and Trade Marks Attorneys (2018). The separate professional services businesses within the Xenith Group – Shelston IP, Griffith Hack, Watermark and Glasshouse Advisory – also operate independently of each other in the provision of professional services.

In both the QANTM Group and the Xenith Group, the independent professional services businesses are supported by shared “back-office” services, and investment in technology and automation, enabling them to operate in an efficient and innovative way to support their clients and people.

It is currently intended that the Merged Group would operate using a similar model, with the IP services businesses acting independently of each other in the provision of professional services, but supported by consolidated management at the future holding company level (QANTM), shared services and technology platforms which will be implemented over time.

9.4.2 Integration of shared services

Whilst it is not presently intended to alter the independent operations of the underlying IP services businesses as stated in Section 9.4.1, there are substantial benefits which stand to be realised through an integration of certain corporate and back-office functions as well as investment in technology platforms. The Merged Group anticipates achieving the synergies indicated in Section 9.2 through these and other initiatives.

9.4.3 Merged Group Board and key management

The Merged Group Board will consist of six Directors, three from each of the respective existing Xenith and QANTM boards. Four of these positions have been determined as indicated below, with the additional two roles to be determined on or around Implementation of the Scheme.

Name	Merged Group position	Current position
Richard England	Chair	QANTM Independent Non-executive Chair
Sibylle Krieger	Deputy Chair	Xenith Independent Non-executive Chair
Craig Dower	Managing Director / CEO	Xenith Managing Director / CEO
Leon Allen	Executive Director / Head of Business Integration	QANTM Managing Director / CEO

Refer to Section 7.3 for background on Xenith Directors and Section 8.3 for background on QANTM Directors.

In addition to Craig Dower as Merged Group Managing Director / CEO and Leon Allen as Executive Director / Head of Business Integration as indicated above, the remaining key management team will be determined on or around Implementation of the Scheme.

9.4.4 Merged Group dividend policy

Xenith's and QANTM's respective dividend policies are summarised in Sections 7.5 and 8.12, and have been to maintain a payout ratio of 70–90% of NPATA.

If the Scheme is Implemented, dividends will be of an amount determined by the Board of the Merged Group having regard to a range of factors including general business conditions, the performance and financial position of the Merged Group, future funding and capital management requirements, as well as taxation considerations and any other factors which the Merged Group Board may consider material to a decision. These factors have the potential to require a change to the existing dividend policies.

9.4.5 Removal of Xenith from the official list of the ASX

It is intended that Xenith Shares be delisted from the ASX if the Scheme is Implemented. Existing QANTM Shares and New QANTM Shares will continue to be listed on the ASX.

9.5 Capital structure and ownership of the Merged Group

9.5.1 Share capital

If the Scheme is Implemented, QANTM will issue approximately 108.6 million New QANTM Shares to Scheme Shareholders and in respect of the Xenith Shares held by Ineligible Foreign Scheme Shareholders, being the number of Xenith Shares on issue as at the Scheme Record Date multiplied by the Merger Exchange Ratio of 1.22.

The resultant number of QANTM Shares on issue should the Scheme be Implemented will increase from approximately 133 million as detailed in Table 9.1 below. This includes the early vesting of 331,209 Xenith Performance Rights out of a total of 593,240 Xenith Performance Rights on issue as at 14 February 2019, as stated in clause 4.6 of the Scheme Implementation Deed.

QANTM Shares on issue as at 14 February 2019	133,050,724
New QANTM Shares to be issued as Scheme Consideration for Xenith Shares on issue as at 14 February 2019	108,235,876
New QANTM Shares to be issued as Scheme Consideration for those Xenith Shares issued as early vesting Xenith Performance Rights	404,075
Total QANTM Shares on issue following Implementation of the Scheme	241,690,675

Table 9.1: Summary of QANTM shares on issue prior to and following Implementation of the Scheme

9. Profile of the Merged Group

9.5.2 Ownership structure

If the Scheme is Implemented, Eligible Xenith Shareholders (and purchasers of the Sale Shares) will own approximately 45% of the Merged Group, with existing QANTM Shareholders owning the remaining approximately 55% as indicated in Figure 9.5.

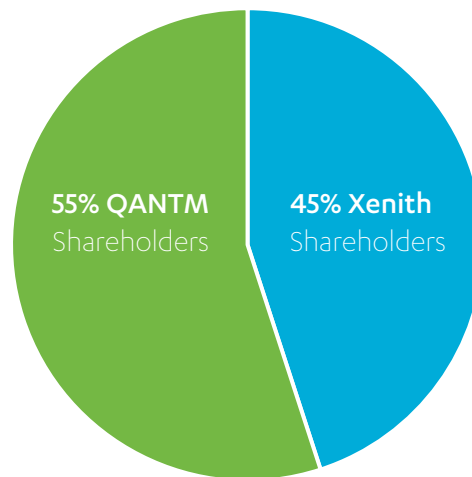


Figure 9.5: Merged Group shareholding structure

10. Potential risks

10.1 Introduction

This Section describes certain key risks associated with the Scheme. You should carefully consider the risk factors in this Section, as well as the other information contained throughout the Scheme Booklet before voting on the Scheme. This Section 10 outlines:

- specific risks relating to both Xenith and QANTM (and likely to be applicable to the Merged Group);
- additional specific risks relating to the Scheme and the creation of the Merged Group; and
- general investment risks.

The outline of risks in this Section 10 is a summary only and should not be considered exhaustive. This Section 10 does not attempt to set out every risk that may be associated with an investment in Xenith, QANTM or the Merged Group now or in the future. The occurrence or consequences of some of the risks described in this Section 10 may be partially or completely outside the control of Xenith, QANTM or the Merged Group.

10.2 Specific risks relating to Xenith and QANTM (and likely to be applicable to the Merged Group)

The business and operations risks outlined below apply to both Xenith and QANTM (and likely to be applicable to the Merged Group), unless otherwise stated.

10.2.1 Competition

Both Xenith's and QANTM's revenue is dependent upon providing IP services to clients. The market for Australian IP professional services is relatively mature and subject to substantial competition between large and small IP firms based on price, service levels, service range, technology, professional expertise and reputation. Competitive pressures resulting from activities of current competitors, emergence of new competitors, changing client expectations (including an expansion of fixed price demands and reduced tolerance for scale charges) or other changes in the competitive landscape could result in loss of key clients, resulting in loss of revenue, and/or margin compression and a corresponding reduction in profitability.

10.2.2 Limitations in market share/perceived conflict of interest

As IP businesses increase market share in particular industry sectors, the probability of legal or commercial conflicts of interest tends to increase. Some clients also require that their IP service providers not represent specified competitors, thereby potentially limiting the ability to expand services or market share in some industry sectors. This may have an adverse effect on the ability to grow revenue and market share.

One of the major benefits of Xenith and QANTM's corporatisation is that multiple IP businesses can be acquired with conflict risk managed through maintaining each business as a separate, standalone entity operating on separate systems and with separate professional personnel. However, not all clients may be comfortable with the common ownership and this may still result in loss of major clients due to perceived commercial or legal conflict. The Transaction and associated substantial increase in scale and market share increases the risk that key clients of different businesses in both groups will not be comfortable with the common ownership position.

10.2.3 Insourcing of IP services by key clients

A substantial proportion of revenue is derived from corporate clients, many of which have or can obtain in-house legal resources and, in some cases, IP service capabilities. There is a risk that some clients may increasingly undertake in-house IP services that have previously been performed by either group which may result in reduced revenue and profit.

10.2.4 Loss of key business relationships

The IP businesses of both groups have informal referral relationships with a large number of IP firms in various countries outside Australia, particularly in the US, Europe, China and Japan. The revenue of both groups is dependent in part upon maintenance and development of these referral relationships. Consequently, loss or diminution of these relationships may adversely affect financial performance of both groups.

Some firms in both groups also have contractual relationships with a number of specialist service providers, one of which is a source of PCT National Phase patent applications, and another of which is a specialist provider of IP renewals services. Both are a source of associated revenue for both groups. Although many of these relationships are long standing, some of them may be terminated on short notice. The loss or diminution of one or more of these relationships may have a material impact on revenue and a corresponding reduction in profitability.

10. Potential risks

10.2.5 Foreign currency exposure

A significant proportion of Xenith's and QANTM's revenue is invoiced in foreign currencies, particularly USD. Xenith and QANTM are therefore exposed to currency fluctuations as many of their key expenses such as rent and salaries are denominated and paid in AUD. If the AUD appreciates against the USD or the Euro (to a lesser extent), Xenith and QANTM will have lower revenue and lower net profits in AUD.

10.2.6 Removal or diminution of local agency role / Extension of ePCT to the National Phase

Some of Xenith's and QANTM's core IP services in relation to preparation and prosecution of patent applications in Australia are supported by rights and privileges granted exclusively to Australian patent attorneys and, to an extent, by the requirement for a local address for service in relation to Australian patent applications. Any legislative or regulatory change that has the effect of removing or diminishing the rights and privileges granted exclusively by statute to Australian patent attorneys, or local address for service requirements may have a material impact on QANTM's and Xenith's ability to generate and grow revenue and a corresponding reduction in profitability.

An example of potential diminution in the local agency role is the proposal currently under consideration to extend the ePCT system for filing international patent applications to the subsequent "national phase" entry stage. It is currently not known when or if the ePCT system will be extended in this way, or if IP Australia would participate in any such extension. However, if implemented, this proposal may have a significant adverse impact on revenue currently derived from the national phase entry process step.

10.2.7 Patent examination harmonisation

Currently, the majority of patent applications are separately examined in each country or region in which the applications are filed. Xenith and QANTM derive substantial revenue from the substantive examination process in Australia, New Zealand and other jurisdictions. There is a long term international trend toward harmonisation of patent examination regimes. Various proposals have been discussed, and in some cases implemented, with the aim of minimising the duplication of effort across multiple offices and improving consistency of examination outcomes, subject to variations in local laws. Any harmonisation regime that has the effect of diminishing IP services that Xenith or QANTM provides in connection with these patent examination processes may have an adverse impact on revenue and profitability.

10.2.8 Changes in scope of patentable subject matter

The boundaries of patentable subject matter continue to evolve as a result of technological innovation, legislative change and judicial interpretation. Material changes to the regulatory landscape or the interpretation of the regulatory framework may adversely affect Xenith's and QANTM's revenue by narrowing the scope of patentable subject matter, and hence potentially the number of patent applications filed in particular technical fields.

10.2.9 Computer system disruption

Xenith's and QANTM's businesses are heavily dependent upon computerised technology platforms including customised electronic case management, document management, file management, client relationship management and reporting systems. Any failure, corruption or disruption of the technology platforms including computer hardware, software, internet connections or communications systems may have a significant adverse impact on client service, deadline monitoring, integrity of records or financial performance. Both Xenith's and QANTM's backup protocols, in-built redundancies, restoration procedures and data recovery plans may not be adequate to enable timely recovery in all conceivable circumstances including natural disasters, acts of terrorism or war, failure of utilities, sabotage, including breaches of cybersecurity and malicious hacking, or system failure due to other causes. This could lead to delays and processes becoming more labour intensive, resulting in the Xenith and / or QANTM losing what each considers a competitive advantage with respect to its technology platform. Fundamental technology platform failure could lead to loss of clients' IP rights with consequential financial and reputational damage to Xenith and / or QANTM, potentially resulting in loss of clients, loss of revenue and/or claims against the Merged Group.

10.2.10 Professional duties

Conflict of duties

Xenith's and QANTM's legal practices provide IP legal and commercial services and their employed solicitors have duties to the court and their clients. In some circumstances these duties may prevail over the respective companies' duties and obligations to shareholders. Similarly, Xenith's and QANTM's patent and trade mark attorneys are bound by a professional code of conduct with duties and obligations to act in accordance with the law, the best interests of their clients, in the public interest and in the interests of the profession as a whole. In certain circumstances, these duties and obligations may also compete with and prevail over the respective companies' duties and obligations to shareholders, which may result in loss of clients, potentially impacting revenue.

Regulatory sanctions

The patent attorneys, trade mark attorneys and lawyers within Xenith and QANTM are bound by various ethical and professional standards imposed by relevant legislation and supervising professional bodies. Those bodies and the Legal Services Commissioner (in the case of lawyers) have the power to make findings of unsatisfactory professional conduct or professional misconduct against professionals who breach the required standards, to levy fines against the affected professional and in extreme cases, to disbar the affected individual. Even without disbarment, a finding of professional misconduct against a Xenith or QANTM employee may seriously damage the reputation of the companies, risking loss of clients and hence potential loss of revenue.

Litigation

There is a risk that the companies may be exposed to potential litigation from third parties such as clients, regulators, employees, service providers and business associates. Any such litigation may adversely affect profit and reputation.

10.2.11 QANTM's existing business in Asia

QANTM owns AFIP, a leading specialist intellectual property business in Malaysia, as well as DCC Asia and FPA Asia, which provide intellectual property services in Singapore. These businesses mean that QANTM is exposed to adverse changes in the competitive environment in those markets, and to regulatory changes and economic conditions in those markets.

10.3 Additional risks specific to the Scheme and creation of the Merged Group

10.3.1 Synergy risk

There is a risk that the anticipated synergies may not be realised to their full extent or not realised at all. Further, the anticipated synergies may be realised over a longer period of time, or involve greater costs to achieve, than anticipated.

The ability to realise the anticipated synergies will be dependent on, amongst other things, Xenith and QANTM being integrated efficiently, effectively and in a timely manner without disruption to the respective businesses. Any failure to achieve the anticipated synergies could impact the financial performance and position of the Merged Group.

10.3.2 Integration risk

There is a risk that unexpected issues and complications may arise during the process of integrating QANTM and Xenith. The Merged Group may face risks such as unanticipated liabilities and costs, operational disruption and possible loss of key employees, clients or market share if integration is not achieved in an efficient and effective manner.

Integration risk factors include:

- difficulty in consolidating corporate and administrative infrastructures and removing duplicative operations;
- difficulty in aligning and executing the strategy of the Merged Group;
- difficulty in integrating information systems;
- difficulty in merging the culture and management styles of two organisations;
- greater than anticipated loss of clients or client opportunities due to conflicts or other factors;
- unintended losses of key employees;
- unanticipated market conditions; and
- changes in regulations, or regulatory conditions imposed in connection with the Scheme, impacting the ability of the Merged Group to use its scale and presence to achieve anticipated benefits.

Integration planning is taking place to mitigate the risk of these issues occurring. Nonetheless, a risk remains that difficulties may arise.

10.3.3 Growth in Asia

It is the intention of the Merged Group to expand in the Asia Pacific region. Many of the markets in Asia are already very competitive and to be successful in Asia, the Merged Group may need to make significant investment of management time and financial resources, over a long period of time. There is a risk that the Merged Group's strategy in Asia may not be successfully realised or may take longer to successfully realise than is currently anticipated.

10.3.4 Potential variation in the value of New QANTM Shares

QANTM has offered 1.22 QANTM Shares per Xenith Share under the terms of the Scheme. As this share ratio is fixed, the number of New QANTM Shares to be received by Xenith Shareholders in the context of the Scheme will remain unchanged even if the market value of New QANTM Shares differs relative to the pre-Implementation market values of QANTM Shares and Xenith Shares.

No adjustment will be made to the ratio due to fluctuations in the market price of QANTM Shares or Xenith Shares. Any such fluctuations may adversely affect the market value of QANTM Shares (including the market value of the New QANTM Shares).

10. Potential risks

10.3.5 Employees

Many of Xenith and QANTM's key personnel are highly qualified and highly experienced with in-depth industry and client knowledge. Any loss of key personnel may have an adverse impact on the respective client service capabilities and / or financial performance of the Merged Group. Employee retention may be particularly challenging during the Scheme process and integration of QANTM and Xenith, as employees may experience change fatigue or uncertainty about their future roles.

Since the respective revenues are heavily dependent on professional staff, which represents a significant proportion of the cost base, this may have an adverse impact upon revenue and/or profitability. Furthermore, the Merged Group may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise relating to the business, and the Merged Group's ability to realise the anticipated benefits of the Scheme may be adversely affected.

Implementation of the Scheme is anticipated to result in the termination of management positions or employment contracts of certain executives or employees of QANTM or Xenith, which may result in significant redundancy payments. Certain key executives and other employees of QANTM or Xenith and in their respective Subsidiaries may terminate their management positions or their employment contracts on their own initiative or that of the Merged Group as a result of the Scheme. If members of the Merged Group's senior management depart, the Merged Group may not be able to find effective replacements in a timely manner, or at all, and its business may be disrupted.

10.3.6 Conditions Precedent

Implementation of the Scheme is subject to a number of Conditions Precedent, outlined in Section 12.2.1 including that no court or Regulatory Authority takes any action to restrain or prohibit the Scheme. Certain Conditions Precedent are beyond the control of Xenith and QANTM. There can be no guarantee that the Conditions Precedent to the Scheme will be satisfied or waived (as applicable) in a timely manner or at all. Any failure or delay to satisfy the Conditions Precedent could prevent or delay Implementation, which could reduce or delay the benefits that are anticipated to arise from the Scheme, increase the costs associated with the Scheme and impede successful integration of the groups.

10.3.7 Xenith Competing Proposal

There is a possibility that Xenith may receive a Xenith Competing Proposal before the Second Court Date that the Xenith Board may consider to be a Superior Proposal. If this were to occur, the Scheme Implementation Deed would likely be terminated and the Transaction would likely not proceed.

Xenith Shareholders should note that on 13 February 2019, IPH announced that it had acquired an equity interest of approximately 19.9% of Xenith Shares. In the announcement, IPH stated that it does not support the Scheme and that it does not intend to vote in favour of it. IPH further indicated its intention to seek discussions with Xenith and / or QANTM in relation to an alternative transaction to the Scheme.

As at the date of this Scheme Booklet, Xenith has not received a Xenith Competing Proposal and the Xenith Directors continue to unanimously recommend the Scheme.

10.3.8 QANTM Competing Proposal

There is a possibility that QANTM may receive, and recommend, a QANTM Competing Proposal before the Second Court Date. If this were to occur, the Scheme Implementation Deed would likely be terminated and the Transaction would likely not proceed.

Xenith Shareholders should note that on:

- 27 November 2018, IPH announced that it had recently made a number of approaches on the basis of non-binding conditional proposals to QANTM to combine the IPH and QANTM businesses through a scheme of arrangement, including the IPH Indicative Proposal; and
- 13 February 2019, IPH announced that it had acquired an equity interest of approximately 19.9% of Xenith Shares. In the announcement, IPH stated that it does not support the Scheme and that it does not intend to vote in favour of it. IPH further indicated its intention to seek discussions with Xenith and / or QANTM in relation to an alternative transaction to the Scheme.

While the QANTM Board did not consider that the IPH Indicative Proposal was in the best interests of QANTM shareholders, and although it is unclear from IPH's 13 February 2019 announcement as to its intentions with respect to QANTM, there remains a possibility that IPH may make an offer to acquire QANTM which is capable of acceptance. In the event that this occurs and it is a QANTM Competing Proposal which is recommended by QANTM, the Transaction would likely not proceed.

As at the date of this Scheme Booklet, QANTM has not received a QANTM Competing Proposal and the QANTM Board continues to unanimously recommend the Scheme.

10.3.9 Reputation

Industry reputation is a key asset of Xenith and QANTM. Maintenance of the reputation and value associated with the Merged Group, and the IP services and legal businesses within it, will be critical to the Merged Group's businesses and their strategy for the future.

It is possible that, if the Scheme is Implemented, the strategies described in this Scheme Booklet may not be achieved, or key employees may leave, resulting in the erosion of the reputation or value associated with the Merged Group and its businesses, which in turn could have an adverse effect on the performance and operations of the Merged Group. Other events, including a material non-compliance with regulations or a breach of or failure in information and technology systems, could have an adverse impact on the Merged Group's reputation and the value of its businesses and increase expenditure due to additional security costs and/or potential claims for compensatory damages.

10.3.10 Litigation

In connection with the Scheme, QANTM and / or Xenith could face new claims and litigation, in particular brought by business partners, competitors and / or regulators of QANTM or Xenith, or by investors in connection with the Scheme.

10.3.11 Due Diligence

The negotiations between Xenith and QANTM were conducted on the basis of the information that was publicly available to each party and on voluntary limited disclosure by each party to the other. While Xenith and QANTM consider the due diligence investigations to have been adequate and consistent with market practice for a transaction of this type, the investigations were undertaken within a limited timeframe and both parties have not been able to verify the accuracy, reliability or completeness of all of the information provided to them against independent data. In addition, consistent with market practice in Australia the warranties provided by Xenith and QANTM in the Scheme Implementation Deed are more limited than what a seller in a privately negotiated share acquisition agreement would normally provide.

As a result, following Implementation of the Scheme, unknown liabilities of Xenith or QANTM may arise, or expected types of liabilities may be greater than anticipated, and this may impact negatively on profitability, results of operations, financial position, market value and share price of the Merged Group, which the relevant party might otherwise have discovered if it had conducted a complete due diligence review and obtained extensive warranties from the other party.

10.3.12 After-market

If a large number of shareholders in the Merged Group do not intend to continue to hold their QANTM Shares (including, for Eligible Xenith Shareholders, those New QANTM Shares received as Scheme Consideration) after Implementation and instead choose to sell, there is a risk that the trading price of QANTM Shares will be adversely impacted by selling. The Sale Agent will be issued New QANTM Shares attributable to Ineligible Foreign Scheme Shareholders. The precise number of New QANTM Shares issued to the Sale Agent will not be known until after the Scheme Record Date (being the date for determining a Xenith Shareholder's entitlement to receive the Scheme Consideration). However, on the basis of the recent composition of the Xenith Share Register, the New QANTM Shares issued to the Sale Agent are anticipated to be no less than 1.3% of the total number of New QANTM Shares issued under the Scheme.

10.3.13 Tax consequences for Xenith Shareholders

If the Scheme proceeds, in some circumstances, it is possible that there may be tax consequences for Xenith Shareholders, including tax payable on any gain on the disposal of Xenith Shares, particularly for Ineligible Foreign Scheme Shareholders. Xenith Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them.

See Section 11 for more information on the possible tax consequences of the Scheme.

10.3.14 Purchase price accounting

The Merged Group Pro Forma Historical Statement of Financial Position at 30 June 2018 has been prepared on the basis of the assumptions set out in Section 9.3. The actual values which will be attributable to each of these assumptions will only be determined at the Implementation Date. As part of integration, including through the process of purchase price allocation, the Merged Group will need to consider the carrying values of Xenith assets and liabilities. Accordingly, there will be a risk that the Merged Group Pro Forma Historical Statement of Financial Position may be materially different from that presented in Section 9.3.4.

10.4 Risks specific to investment

10.4.1 Stock market fluctuations

The New QANTM Shares, which will be issued if the Scheme is Implemented, do not carry any guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The value of the New QANTM Shares will be determined by the share market and will be subject to a range of factors beyond the control of Xenith, QANTM and the Merged Group.

10. Potential risks

These factors include the demand for and availability of QANTM Shares, movements in domestic interest rates, exchange rates, fluctuations in Australian and international share markets and general domestic and economic activity. Returns from an investment in the New QANTM Shares may also depend on general share market conditions, as well as the performance of the Merged Group.

10.4.2 Economic conditions

The performance of the Merged Group will be affected by domestic and global economic conditions. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption, consumer spending and sentiment, employment levels, industrial disruption, and other conditions, are outside the control of the Merged Group and may result in material adverse impacts on the Merged Group's business and operating results.

10.4.3 Liquidity

The Merged Group's shares will only be listed on the ASX and will not be listed for trading on any other securities exchanges. There can be no guarantee that an active market in the QANTM shares will continue. If an active market for the QANTM shares is not sustained, it may be difficult for investors to sell their shares at the time or for the price they seek. Further, the market price for shares may fall or be made more volatile because of the relatively low volume of trading in QANTM securities. When trading volume is low, significant price movements can be caused by the trading in a relatively small number of shares. Sales of a substantial number of shares following Implementation or the perception or expectation that such sales may occur, could cause the market price of the shares to decline. The Merged Group may also offer additional shares in subsequent offerings, which may adversely affect the market price for the shares.

10.4.4 Access to capital

The Merged Group may rely on access to debt and equity financing. The ability to secure financing on acceptable terms may be materially adversely affected by volatility in financial markets, either globally or impacting a particular geographic region, industry or economic sector, or by a downgrade in its credit rating. For these (or other) reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or such increase to the costs of obtaining, financing could materially adversely affect the Merged Group's operations or financial performance.

10.4.5 Ability to service or refinance debt

The Merged Group may become unable to service or refinance its existing debt, or obtain new debt, on acceptable terms or at all, depending on future performance and cash flows of the Merged Group which are affected by various factors, some of which are outside the Merged Group's control, such as interest and exchange rates, general economic conditions and global financial markets. If any of these scenarios materialise in an adverse way, the Merged Group may be unable to raise financing on acceptable terms to repay maturing indebtedness. This could adversely affect the longer term prospects and financial performance of the Merged Group's business.

10.4.6 Tax

Future changes in taxation law, including changes in interpretation or application of the law by the courts or taxation authorities, may affect taxation treatment of an investment in shares or the holding and disposal of those shares. Further, changes in tax law, or changes in the way tax law is expected to be interpreted, in the various jurisdictions in which the Merged Group will operate, may impact the future tax liabilities and performance of the company. Any changes to the current rates of income tax apply to individuals and trusts will similarly impact on shareholder returns.

10.4.7 Change in accounting or financial reporting standards

Australian Accounting Standards are set by the AASB and are outside the Merged Group's control. Changes to AASB accounting standards (including the introduction of AASB 16 Leases from 1 January 2019), or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the Merged Group's financial statements.

10.4.8 Concentration of shareholding

As of 14 January 2019, approximately 70 million QANTM Shares (approximately 53%) on issue are held by current or former principals within the QANTM Group, or their Associates. This includes approximately 19 million QANTM Shares held by retired principals. Similarly, as of 16 January 2019, approximately 40 million Xenith Shares (45%) on issue are held by Xenith Directors, principals and other employees and related parties.

Assuming that such shareholdings are maintained until Implementation, on Implementation, current or former QANTM principals will hold approximately 29% of QANTM Shares, while Xenith Directors, principals and other employees and related parties will hold approximately 20% of QANTM Shares. This may allow principals collectively to exercise substantial influence over the election of Directors and other matters put before shareholder meetings. There may be circumstances where the principals collectively have different objectives or motivations from other shareholders and there is a risk that the principals collectively could exercise their voting rights differently from other shareholders. Concentration of shareholding may also impact market liquidity for QANTM Shares.

11. Potential taxation implications

11.1 Introduction

11.1.1 General

The following is an outline of the Australian income tax, stamp duty, and GST consequences that will generally apply for Xenith Shareholders who dispose of their Xenith Shares under the Scheme.

The Australian income tax consequences for you as a Xenith Shareholder as a result of the Implementation of the Scheme depend on a number of factors, including:

- whether you hold the Xenith Shares on capital or revenue account;
- your tax residency; and
- your tax profile (i.e. individual, trustee, company or superannuation fund).

11.2 Disposal of Xenith Shares

11.2.1 General

The following discussion sets out the income tax consequences that will generally apply where you hold your Xenith Shares on capital account. Generally, Xenith Shareholders who hold their Xenith Shares with a view to deriving dividend income and / or generating long term capital growth will be considered to hold their Xenith Shares on capital account.

If the Scheme is Implemented, QANTM will acquire all of the Xenith Shares from Xenith Shareholders. Eligible Xenith Shareholders will receive Scheme Consideration of 1.22 QANTM Shares for each Xenith Share they hold on the Scheme Record Date and Ineligible Foreign Scheme Shareholders will receive the Sale Proceeds.

The disposal of the Xenith Shares by Xenith Shareholders to QANTM under the Scheme will constitute CGT Event A1 for Australian tax purposes. The time of the CGT event will be when the Xenith Shares are transferred by the Xenith Shareholders to QANTM under the Scheme (that is, the Implementation Date).

As discussed further below:

- If you are an Australian tax resident Xenith Shareholder who would otherwise make a capital gain on the disposal of your Xenith Shares under the Scheme, you should be eligible to choose scrip for scrip rollover relief in relation to the capital gain, with the effect that any capital gain that may arise on the disposal of your Xenith Shares under the Scheme should be disregarded.
- If you are not a resident of Australia for income tax purposes just before the CGT event happens and you do not hold the Xenith Shares as part of an enterprise carried on through an Australian permanent establishment, then you should disregard the capital gain or capital loss you make on the disposal of your Xenith Shares for Australian income tax purposes.

11.2.2 Calculation of capital gain or capital loss (apart from scrip for scrip rollover relief)

If you do not choose scrip for scrip rollover relief, you will make a capital gain on the disposal of your Xenith Shares if the capital proceeds you receive on disposal of your Xenith Shares via the Scheme exceed the cost base of those Xenith Shares. You will make a capital loss if the capital proceeds are less than the reduced cost base of your Xenith Shares. The calculation of the cost base or reduced cost base of the Xenith Shares will vary for each Xenith Shareholder. The reduced cost base is calculated in broadly the same way as the cost base but can differ in certain limited circumstances.

Capital gains and capital losses in a year of income are aggregated to determine if you made a net capital gain or net capital loss. A net capital gain for the year is included in your assessable income and is subject to income tax at your marginal tax rate. A capital loss may only be deducted against capital gains for income tax purposes. Net capital losses may be carried forward to offset against capital gains derived in future income years. Specific loss recoupment rules apply if you are a company or a trust. These rules may limit the ability to offset capital losses in a current or later income year.

Table 11.1 is a guide as to how the capital gain or capital loss is calculated on the disposal of your Xenith Shares via the Scheme if you do not choose scrip for scrip rollover relief.

11. Potential taxation implications

Disposal of Xenith Shares

Capital Proceeds	The capital proceeds for the disposal of Xenith Shares will be the aggregate of the market value of the Scheme Consideration, determined at the Implementation Date.
Cost Base	Generally, the CGT cost base for your Xenith Shares is equal to the cost of acquisition plus certain incidental costs of acquisition and disposal (such as brokerage and stamp duty) that are not otherwise deductible to you as a Xenith Shareholder. The reduced cost base of Xenith Shares will be similarly determined.
Capital Gain	If the capital proceeds received by you from the disposal of your Xenith Shares exceed the cost base, a capital gain will arise.
Capital Loss	<p>If the capital proceeds received by you from the disposal of your Xenith Shares are less than the reduced cost base, a capital loss will arise.</p> <p>As outlined above, capital losses can only be used to reduce the capital gains in the year the loss is realised and future years, subject to certain conditions.</p>
CGT Discount	<p>You will be entitled to benefit from the CGT discount if:</p> <ul style="list-style-type: none">• you have held your Xenith Shares for at least 12 months prior to the timing of the CGT event, being the Implementation Date for the Scheme (excluding the day of acquisition and the day of the CGT event); and• you are an individual, the trustee of a trust, or a complying superannuation entity. <p>Where the CGT discount applies, you will be entitled to reduce your net capital gain realised on disposal of your Xenith Shares by 50% (for individuals holding Xenith Shares) or 33.33% (for complying superannuation entities).</p> <p>The CGT discount is applied only after available capital losses have been applied to reduce the capital gain. The CGT discount does not apply to capital losses.</p> <p>The rules for applying the CGT discount in relation to trusts are complex. Trustees should seek their own advice as to how the discount capital gains provisions apply to them and their beneficiaries, having regard to their own particular circumstances. If you are unsure about the eligibility of the above CGT concessions, you should consult with your tax adviser.</p> <p>The CGT discount will not be available to you if you are a company.</p>

Table 11.1: Summary of capital gain or loss calculation on disposal of Xenith Shares

Where you have not chosen scrip for scrip rollover relief, the first element of the cost base of the New QANTM Shares you receive as Scheme Consideration should be equal to the market value of your original Xenith Shares as at the Implementation Date.

11.2.3 Australian resident shareholders: choosing scrip for scrip rollover relief

If you are an Australian tax resident, and the Scheme is approved by the Court, then you may choose to apply scrip for scrip rollover relief for any capital gain made on disposal of your Xenith Shares under the Scheme. If scrip for scrip rollover relief is available and chosen by a Xenith Shareholder, the capital gain that may otherwise arise should be disregarded. Rollover relief is not available if you make a capital loss on the disposal of your Xenith Shares.

A net capital loss may arise for the income year to the extent that your capital losses for the year exceed your capital gains for the year. Net capital losses may not be deducted against other income for income tax purposes, but may generally be carried forward to offset against capital gains derived in future income years. Net capital losses cannot be offset against prior year capital gains. Certain integrity rules must be satisfied before a net capital loss can be utilised. Whether any integrity rules are relevant to utilisation of a net capital loss you make will depend on your tax profile (i.e. individual, trustee, company or superannuation fund) when you utilise the net capital loss and other factors. You should seek your own advice as to how these rules apply to a net capital loss you make.

QANTM will not make a choice under section 124-795(4) of the Income Tax Assessment Act 1997 (Cth) (the 1997 Act) to deny scrip for scrip rollover relief.

You must make a choice to apply scrip for scrip rollover relief before lodging your income tax return for the income year in which the Implementation Date occurs. You will provide sufficient evidence of having chosen scrip for scrip rollover relief by the way in which you prepare your income tax return (that is, by excluding the applicable capital gain from assessable income). There is no need to lodge a separate notice with the ATO.

Where you have chosen scrip for scrip rollover relief, the first element of the cost base of the New QANTM Shares you receive as Scheme Consideration should be equal to the cost base of your original Xenith Shares. Where scrip for scrip rollover relief has been chosen, the QANTM Shares will be taken to be acquired at the time the Xenith Shares were originally acquired, for the purpose of any subsequent application of the CGT discount.

Whether choosing scrip for scrip rollover relief is beneficial to you overall will depend upon your individual circumstances.

11.2.4 Non-resident Shareholders (including Ineligible Foreign Scheme Shareholders)

For Australian tax purposes, you should disregard the whole of the capital gain or capital loss you make on the disposal of your Xenith Shares via the Scheme if you meet the following requirements:

- you are not a resident of Australia for income tax purposes just before the CGT event happens;
- you have not held the Xenith Shares as part of an enterprise carried on through an Australian permanent establishment; and
- broadly, you and your associates do not hold an interest of 10% or more in Xenith as at the Implementation Date, or for a 12 month period within the two years preceding the Implementation Date (**a non-portfolio interest**).

You should obtain independent tax advice if your Xenith Shares constitute a non-portfolio interest. However, we note that even if your shares do not constitute a non-portfolio interest in Xenith, then the capital gain or capital loss made on disposal of your Xenith Shares via the Scheme may still be disregarded if you meet the first two requirements and your Xenith Shares are not indirect Australian real property interests (very broadly, the Xenith Shares may be indirect Australian real property interests if the Xenith Shares principally derive their value from interests in Australian real property).

If you have previously resided in Australia and held the Xenith Shares when you left Australia, you should seek advice on the Australian income tax consequences which may arise from the disposal of your Xenith Shares.

You should also obtain specific advice on the application of the laws of your country of residence and any tax treaty between your country of residence and Australia in determining the tax consequences of the disposal of your Xenith Shares via the Scheme.

11.3 Income Tax Implications

11.3.1 General

The following discussion sets out the income tax consequences that will generally apply where you hold your Xenith Shares on revenue account. Generally, Xenith Shareholders who hold their Xenith Shares as part of a share trading business or with a view to deriving a short term profit by selling their Xenith Shares may be viewed as holding those Xenith Shares on revenue account.

11.3.2 Australian resident shareholders

If you hold your Xenith Shares as trading stock, or otherwise in certain circumstances for the purpose of sale at a profit, the profit or loss that you realise on the disposal of your Xenith Shares will effectively be included in the calculation of your taxable income or loss. How the gain or loss is worked out and shown in your tax return may differ depending on whether you hold your Xenith Shares as trading stock or otherwise for the purpose of sale at a profit, and what choices you have made under the trading stock rules.

The profit or loss you include in your assessable income is calculated without reference to discounts on disposal, unlike the case with capital gains.

11.3.3 Non-resident Shareholders (including Ineligible Foreign Scheme Shareholders)

If you are a foreign resident shareholder, you may be subject to Australian tax on profits from disposal of shares in certain circumstances. You should obtain advice on the application of the Australian income tax law and any tax treaty between your country of residence and Australia in determining the tax consequences of the disposal of your Xenith Shares. You should also obtain specific advice on the application of the laws of your country of residence in determining the tax consequences of the disposal of your Xenith Shares.

11.4 Implications of holding QANTM Shares

As a consequence of the Scheme, an Eligible Xenith Shareholder will cease to be a shareholder of Xenith and will become a shareholder of QANTM. Dividends (and any attached franking credits) received by an Australian tax resident shareholder of QANTM would generally be required to be included in the assessable income of such a shareholder.

11.5 GST

No GST should be payable by Xenith Shareholders in respect of the Scheme Consideration you receive for your Xenith Shares. If any GST is incurred on costs associated with the disposal of shares, each Shareholder should consider, with reference to their own circumstances, whether any entitlement exists to recover that GST.

11.6 Stamp duty

No Australian stamp duty will be payable by any Xenith Shareholder on the disposal of the Xenith Shares to QANTM. QANTM, as the transferee/acquirer of those shares will be the party who will be liable for any Australian stamp duty that is payable in respect of the acquisition of those shares.

11. Potential taxation implications

11.7 Scope of comments on potential tax implications

The general summary above does not take into account the specific circumstances of any particular Xenith Shareholder. In particular, the general comments in this Section do not cover the Australian income tax, stamp duty and GST consequences that may arise for:

- the holders of the Xenith Performance Rights;
- Xenith Shareholders who acquired their Xenith Shares pursuant to an employee share, option, or rights plan;
- Australian tax resident Xenith Shareholders who hold their Xenith Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- Xenith Shareholders who are subject to the taxation of financial arrangements rules in Division 230 of the 1997 Act in relation to gains and losses on their Xenith Shares; or
- Xenith Shareholders who, together with any associates, hold 30% or more of Xenith Shares (or are otherwise “significant stakeholder” or “common stakeholder” for the Scheme within the meaning of section 124-783 of the 1997 Act).

This Section is based on Xenith’s understanding of the Australian tax law and administrative practice in effect at the date of this Scheme Booklet. It does not take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, nor does it take into account tax legislation of countries apart from Australia.

The comments assume that:

- Xenith will continue to have more than 300 members as at the Implementation Date and that there will not be a group of less than 20 individuals who own between them, or have rights the exercise of which would give them, directly or indirectly (through one or more interposed entities) 75% of Xenith Shares; and
- The New QANTM shares will be quoted on the ASX at all relevant times (including for example the Effective Date, the Scheme Record Date and the Implementation Date) and the Scheme will not result in a Xenith Shareholder, together with associates, holding 90% or more of the New QANTM Shares.

The information contained in this outline is of a general nature only. It does not constitute tax advice and should not be relied upon as such. You are advised to consult your own independent tax adviser regarding the consequences of disposing of Xenith Shares pursuant to the Transaction in light of Australian tax law, or other tax law applicable to you, and your particular circumstances.

12. Implementation of the scheme

12.1 Background to the Scheme

On 27 November 2018, QANTM and Xenith announced that they had entered into the Scheme Implementation Deed under which the two companies / groups will merge. On Implementation of the Scheme, Eligible Xenith Shareholders will receive 1.22 QANTM shares for each Xenith share they hold while Ineligible Foreign Scheme Shareholders will receive their respective Sale Proceeds. The key terms of the Scheme Implementation Deed are summarised below.

12.2 Key terms of the Scheme Implementation Deed

12.2.1 Conditions Precedent

- a. The Conditions Precedent are summarised below and are set out in full in clause 3.1 of the Scheme Implementation Deed.
 - i. **Regulatory consents** – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am on the Second Court Date.
 - ii. **ASX Quotation** – the ASX approves the quotation of the New QANTM Shares, subject to any customary conditions, and the approval is not revoked.
 - iii. **Xenith Shareholder approval** – the Requisite Majority of Xenith Shareholders approve the Scheme at the Scheme Meeting.
 - iv. **Court approval of Scheme** – the Court approves the Scheme.
 - v. **Independent Expert's Report** – the Independent Expert concluding that the Scheme is in the best interests of Xenith Shareholders and the Independent Expert maintains that opinion at all times up to 8.00am on the Second Court Date.
 - vi. **No Material Adverse Change** – No QANTM / Xenith Material Adverse Change occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - vii. **No Prescribed Events** – No QANTM / Xenith Prescribed Event occurs between the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - viii. **Warranties** – the QANTM / Xenith Representations and Warranties being true and correct on the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
 - ix. **Xenith Performance Rights** – Xenith has satisfied its obligations under clause 4.6 of the Scheme Implementation Deed prior to 8.00am on the Second Court Date.
 - x. **Finance Facilities** – Before 8.00am on the Second Court Date:
 1. all necessary consents and approvals are obtained from Xenith's financier under the Xenith Finance Facility in relation to the Transaction; and
 2. the QANTM Finance Facility has been extended for a 12 month term in accordance with its terms.
- b. The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.
- c. As at the date of this Scheme Booklet, the Xenith Directors are not aware of any circumstances which would cause the outstanding Conditions Precedent not to be satisfied or waived (as applicable).

12.2.2 Exclusivity

The Scheme Implementation Deed includes certain arrangements as to exclusivity. The parties agreed to an exclusivity period which is the period from and including the date of the Scheme Implementation Deed to the earlier of:

- the termination of the Scheme Implementation Deed;
- the Effective Date; and
- the End Date (**Exclusivity Period**).

The exclusivity provisions include, but are not limited to, the following;

12. Implementation of the scheme

No existing negotiations

- a. Other than in relation to the discussions between the parties in connection with the Transaction and the Scheme Implementation Deed, each party represents and warrants to the other, that as at the date of the Scheme Implementation Deed, it, its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate are not participating in negotiations with a third party that concern, or that could reasonably be expected to lead to a Competing Proposal or to a party abandoning or not proceeding with the Transaction.

No shop

- b. During the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, directly or indirectly, solicit, invite, initiate or encourage any Competing Proposal or any enquiries, proposals, discussions or negotiations with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal or to a party abandoning or not proceeding with the Transaction.

No talk

- c. Subject to certain exceptions, during the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, directly or indirectly:
 - i. negotiate or enter into or participate in negotiations or discussions with any person; or
 - ii. communicate any intention to do any of the things referred to above,in relation to (or which may reasonably be expected to lead to) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by a party or any of its Related Bodies Corporate, or that person has publicly announced the Competing Proposal.

Notification of approaches

- d. If either party is approached by any person to engage in any activity that would breach its 'no shop' and 'no talk' obligations under the Scheme Implementation Deed, each party must promptly inform the other party of that fact and give details of the relevant proposal and identity of the bidder.

12.2.3 Matching right

- i. During the Exclusivity Period, each party must not, and must ensure that its Representatives and Related Bodies Corporate and the Representatives of those Related Bodies Corporate do not, publicly recommend a Competing Proposal or enter into any legally binding agreement, arrangement or understanding to give effect to or implement a Competing Proposal unless the party (**Notifying Party**) has provided the other party (**Matching Party**) with full details of the Competing Proposal, including, without limitation, the identity of the relevant Third Party, the consideration offered under its Competing Proposal and any conditions to the Competing Proposal, and at least 3 Business Days to match the terms of the Competing Proposal.
- ii. If the Notifying Party determines that the Matching Party matches or exceeds the terms of a Competing Proposal (Counter Proposal), then the Notifying Party and the Matching Party and each of their respective Representatives must use their best endeavours to agree the amendments to the Scheme Implementation Deed that are reasonably necessary to reflect the Counter Proposal and to enter into an amended deed to give effect to those amendments and to implement the Counter Proposal, and the Notifying Party must use its best endeavours to procure that its board unanimously recommends the Counter Proposal to its shareholders and does not recommend the applicable Competing Proposal.

12.2.4 Break Fee

Under clause 11 of the Scheme Implementation Deed:

Payment by Xenith to QANTM

- a. Xenith agrees to pay QANTM \$1.6 million if:
 - i. **Xenith Competing Proposal** - a Xenith Competing Proposal is publicly announced prior to the End Date and within twelve months from the date of the public announcement of such Xenith Competing Proposal the proponent of that Xenith Competing Proposal completes, implements and consummates that Xenith Competing Proposal; or acquires a relevant interest in at least 50% of the Xenith Shares under a transaction that is or has become unconditional or otherwise acquires Control of Xenith or the Xenith Group;
 - ii. **Termination** - QANTM terminates the Scheme Implementation Deed in accordance with its rights under the Scheme Implementation Deed;

- iii. **Xenith Material Adverse Change** - a Xenith Material Adverse Change condition is breached or not satisfied prior to 8.00am on the Second Court Date (except if that condition is breached as a sole result of a change in any applicable law) and QANTM terminates the Scheme Implementation Deed; or
- iv. **Xenith Prescribed Occurrence** - Xenith breaches or fails to satisfy a Xenith Prescribed Occurrence provision within the Scheme Implementation Deed prior to 8.00am on the Second Court Date and QANTM terminates the Scheme Implementation Deed, within five Business Days of receipt by Xenith of a demand for payment from QANTM made after the occurrence of an event referred to above.

Payment by QANTM to Xenith

- a. QANTM agrees to pay Xenith \$1.6 million if:
 - i. **QANTM Competing Proposal** - a QANTM Competing Proposal is publicly announced prior to the End Date and within twelve months from the date of the public announcement of such QANTM Competing Proposal the proponent of that QANTM Competing Proposal completes, implements and consummates that QANTM Competing Proposal; or acquires a relevant interest in at least 50% of the QANTM Shares under a transaction that is or has become unconditional or otherwise acquires Control of QANTM or the QANTM Group;
 - ii. **Termination** - Xenith terminates the Scheme Implementation Deed in accordance with its rights under the Scheme Implementation Deed;
 - iii. **QANTM Material Adverse Change** - a QANTM Material Adverse Change condition is breached or not satisfied prior to 8.00am on the Second Court Date (except if that condition is breached as a sole result of a change in any applicable law) and Xenith terminates the Scheme Implementation Deed;
 - iv. **QANTM Prescribed Occurrence** - QANTM breaches or fails to satisfy a QANTM Prescribed Occurrence provision within the Scheme Implementation Deed prior to 8.00am on the Second Court Date and Xenith terminates the Scheme Implementation Deed; or
 - v. **Scheme Consideration** - QANTM does not provide the Scheme Consideration in accordance with the terms and conditions of the Scheme Implementation Deed and the Deed Poll,

within five Business Days of receipt by QANTM of a demand for payment from Xenith made after the occurrence of an event referred to above.
- b. at any time after the entry into the Scheme Implementation Deed and before completion of the Scheme, Xenith terminates the Scheme Implementation Deed because QANTM is in material breach of its obligations under the Scheme Implementation Deed.

12.2.5 Termination

- a. Either party (**Non-Defaulting Party**) may terminate the Scheme Implementation Deed by written notice to the other at any time before 8.00am on the Second Court Date if:
 - i. the other party has breached any material provision of the Scheme Implementation Deed including any Xenith Representation and Warranty or QANTM Representation and Warranty (as applicable);
 - ii. the party wishing to terminate has given written notice to the other in a timely manner setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed; and
 - iii. the relevant circumstances are not remedied within 5 Business Days after the time the notice of intention to terminate is given (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date).
- b. QANTM or Xenith may terminate the Scheme Implementation Deed by written notice to the other in the circumstances set out in, and in accordance with, clause 3.7 of the Scheme Implementation Deed.
- c. QANTM may terminate the Scheme Implementation Deed by written notice to Xenith if Xenith has materially breached any exclusivity provision of clause 10 of the Scheme Implementation Deed.
- d. Xenith may terminate the Scheme Implementation Deed by written notice to QANTM if QANTM has materially breached any provision of any clause of the Scheme Implementation Deed.

12. Implementation of the scheme

12.2.6 Deed Poll

- a. Under the terms of the Deed Poll, QANTM agrees in favour of those persons who hold Scheme Shares at the Scheme Record Date to observe and perform all obligations under the Scheme which relate to it, including the obligation to pay the Scheme Consideration under the terms of the Scheme.
- b. A copy of the signed Deed Poll is at Annexure D.

12.2.7 Suspension of trading in Xenith Shares

- a. Xenith Shares will be suspended from trading on the ASX from close of trading on the Effective Date (Currently anticipated to be 10 April 2019).

12.3 Key steps required to implement the Scheme

12.3.1 Scheme Meeting

- a. On 19 February 2019, the Court ordered that a Scheme Meeting be convened as specified in the Notice of Scheme Meeting at Annexure E and appointed Sibylle Krieger to chair the Scheme Meeting. The Scheme Meeting will begin at 10.30am on 3 April 2019.
- b. All Xenith Shareholders registered on the Xenith Share Register at 7.00pm on 1 April 2019 may attend and vote at the Scheme Meeting, either in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed under section 250D of the Corporations Act. Voting at the Scheme Meeting is by poll.
- c. The resolution in favour of the Scheme must be passed at the Scheme Meeting by:
 - i. a majority in number (more than 50%) of Xenith Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative); and
 - ii. at least 75% of the votes cast on the resolution at that Scheme Meeting.
- d. Instructions on how to attend and vote at the Scheme Meeting (in person or by proxy), are set out in the notes for the Notice of Scheme Meeting, included in Annexure E.

12.3.2 Second Court Hearing

- a. If:
 - i. the Scheme is approved by the Requisite Majority of Xenith Shareholders at the Scheme Meeting; and
 - ii. all Conditions Precedent have been satisfied, including all regulatory approvals required for the Scheme have been obtained,Xenith will apply to the Court for orders approving the Scheme. Xenith expects the Second Court Date to be 9 April 2019. Each Xenith Shareholder has the right to appear at the Second Court Hearing.

12.3.3 Effective Date

- a. The Scheme will become effective on the Effective Date, being the date on which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such other date as the Court determines or specifies in the order. The Effective Date is currently anticipated to be 10 April 2019.
- b. If the Scheme becomes Effective, Xenith will immediately give notice of the event to the ASX.
- c. Once the Scheme becomes Effective, Xenith and QANTM will become bound to implement the Scheme in accordance with its terms.

12.3.4 Scheme Record Date

- a. Scheme Shareholders are entitled to the Scheme Consideration for the Scheme Shares they hold at the Scheme Record Date.
- b. The Scheme Record Date is currently anticipated to be on 17 April 2019.

12.3.5 Persons entitled to Scheme Consideration

- a. Each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in accordance with the terms of the Scheme Implementation Deed and the Scheme.
- b. QANTM undertakes to Xenith (in its own right and as trustee on behalf of the Scheme Shareholders) that, in consideration of the transfer to QANTM of each Scheme Share under the terms of the Scheme, on the Implementation Date it will accept that transfer and QANTM will provide each Scheme Shareholder the Scheme Consideration in accordance with the terms of the Scheme.
- c. QANTM will not issue any New QANTM Shares to Ineligible Foreign Scheme Shareholders, and instead will issue the New QANTM Shares that would otherwise have been issued to the Ineligible Foreign Scheme Shareholders to a Sale Agent appointed by QANTM. QANTM will procure that the Sale Agent sells those New QANTM Shares on-market at such price and on such other terms as the nominee determines in good faith and, promptly after the last sale of those New QANTM Shares, remits the Sale Proceeds from that sale (after deducting any brokerage and other selling costs and taxes) to QANTM.
- d. QANTM will then remit the proceeds it receives to the Ineligible Foreign Scheme Shareholders in accordance with their entitlement. Any fractional entitlement of a Scheme Shareholder to Scheme Consideration:
 - i. which is 0.5 or greater will be rounded up to the nearest whole number of New QANTM Shares; and
 - ii. which is less than 0.5 will be rounded down to the nearest whole number of New QANTM Shares.

12.3.6 Implementation Date

- a. On the Implementation Date:
 - i. each Scheme Shareholder will be entitled to the Scheme Consideration for the number of Scheme Shares held, calculated and payable to each Scheme Shareholder in accordance with the Scheme; and
 - ii. the Scheme Shares will be transferred to QANTM.
- b. The Implementation Date is five Business Days after the Scheme Record Date (currently anticipated to be on 24 April 2019).

12.3.7 Issue of Scheme Consideration

- a. If the Scheme becomes Effective, Xenith must procure that, in consideration for the transfer to QANTM of the Xenith Shares, QANTM issues to the Scheme Shareholder (or the Sale Agent on behalf of Ineligible Foreign Scheme Shareholders) the Scheme Consideration.

12.3.8 Fractional entitlements and rounding

- a. If the number of Xenith Shares held by a Scheme Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration comprises New QANTM Shares such that a fractional entitlement to a New QANTM Share arises:
 - i. the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of New QANTM Shares; and
 - ii. any such fractional entitlement of 0.5 or more will be rounded up to the nearest whole number of New QANTM Shares.

12. Implementation of the scheme

12.3.9 Trading in New QANTM Shares

- a. Subject to the Scheme becoming Effective, QANTM must:
 - i. allot and issue the New QANTM Shares to Scheme Shareholders in accordance with the Scheme on terms such that each New QANTM Share will rank equally in all respects with each existing QANTM Share;
 - ii. do everything reasonably necessary to ensure that the New QANTM Shares are approved for official quotation on ASX and that trading in the New QANTM Shares commences as soon as practicable after the Effective Date, initially on a deferred settlement basis and thereafter on an ordinary (T+2) settlement basis by the first Business Day after the Implementation Date; and
 - iii. ensure that on issue, each New QANTM Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- b. To facilitate the issue of the New QANTM Shares to Scheme Shareholders, Xenith must provide to QANTM, or procure the provision to QANTM of, a complete copy of the Xenith Share Register as at the Scheme Record Date (which must include the name, address and registered holding of each Scheme Shareholder as at the Scheme Record Date), within 1 Business Day after the Scheme Record Date. The details and information to be provided under this clause must be provided in such form as QANTM, its Representatives or share registry may reasonably require.

12.3.10 Delisting of Xenith

- a. After the Scheme has been Implemented, Xenith will request that the ASX removes it from the official list of the ASX. The delisting is anticipated to occur shortly following the Implementation Date.

12.3.11 Stamp duty

- a. QANTM will pay any stamp duty on the transfer of Xenith Shares under the Scheme.

13. Additional information

This Section 13 sets out additional information required pursuant to the Corporations Act and the Corporations Regulations in respect of the Scheme, as well as some other relevant information.

13.1 Marketable securities held by or on behalf of Xenith Directors

As at the date of this Scheme Booklet, the following Xenith Directors had Relevant Interests in Xenith Shares:

Name	Number of Xenith Shares	Number of Options
Sibylle Krieger	40,078 (direct) 12,185 (indirect)	nil
Craig Dower	nil	454,880 Performance Rights ²²
Stuart Smith	1,250,469 (direct) 291,668 (indirect)	nil
Robert Alexander	nil	nil
Susan Forrester	72,046	nil
Kathryn Spargo	30,000	nil

13.2 Xenith restricted shares and performance rights

By the time of Implementation, there will be no Xenith restricted shares as each restriction will have been satisfied in accordance with its terms.

Xenith currently has 593,240 Performance Rights on issue held by Craig Dower and Lesley Kennedy. As part of Implementing the Transaction, 227,440 Performance Rights held by Craig Dower will vest and the balance will lapse and 103,769 Performance Rights held by Lesley Kennedy will vest and the balance will lapse, subject to the Scheme becoming Effective.

13.3 Payments or other benefits to Directors, officers or executives of Xenith

Except as set out below or otherwise disclosed in this Scheme Booklet:

- there is no payment or other benefit that is proposed to be made or given to any Director, secretary or executive officer of Xenith (or any of its Related Bodies Corporate) as compensation for the loss of, or as consideration for or in connection with his or her retirement from, office in Xenith (or any of its Related Bodies Corporate) as a consequence of or in connection with the Scheme and no Director, secretary or executive officer of Xenith (or any of its Related Bodies Corporate) has had or is to have the amount of any payment or benefit which may have been made to them upon their loss of office or retirement from office, materially affected by the Scheme;
- Lesley Kennedy has resigned as chief financial officer of Xenith and, in addition to accrued entitlements, will receive a payment of \$86,117.14, equal in value to 3 months' salary (less tax);
- the Directors do not have any contracts or arrangements with any other person in connection with or conditional upon the outcome of the scheme;
- the Directors do not have any other interests in a contract entered into by QANTM or any member of the QANTM Group; and
- the Directors do not have a material personal interest in relation to the Scheme.

13.4 Creditors of Xenith

The Scheme, if Implemented, is not anticipated to materially prejudice Xenith's ability to pay its creditors as it involves the acquisition of securities in Xenith for consideration provided by a third party. No material new liability (other than transaction costs associated with the Transaction) is anticipated to be incurred by Xenith as a consequence of the Implementation of the Scheme. Xenith has paid and is paying all of its creditors within normal terms and is solvent and trading in an ordinary commercial manner.

13.5 International offer restrictions

No action has been taken to register or qualify the New QANTM Shares or otherwise permit a public offering of such securities in any jurisdiction outside Australia.

²² Under the terms of the Scheme Implementation Deed, as part of the Transaction 227,440 of those performance rights will vest early, and the Xenith Shares that Craig Dower is entitled to in respect of those performance rights will be acquired by QANTM for the Scheme Consideration. The balance of the performance rights will lapse.

13. Additional information

Based on the information available to Xenith as at the date of this Scheme Booklet, Xenith Shareholders whose Registered Addresses on the Scheme Record Date are in the following jurisdictions will be entitled to have New QANTM Shares issued to them pursuant to the Scheme, subject to the qualifications, if any, set out below or otherwise disclosed in this Scheme Booklet in respect of that jurisdiction:

- Australia;
- New Zealand;
- Singapore (provided they are an Institutional Shareholder); or
- the province of Ontario, Canada; and
- any other jurisdiction as may be agreed in writing by QANTM and Xenith, provided that QANTM is satisfied, acting reasonably, that it is permitted to allot and issue New QANTM Shares to that Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that QANTM in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Nominees, custodians and other Xenith Shareholders who hold Xenith Shares on behalf of a beneficial owner resident in Australia, New Zealand, Singapore (provided they are an Institutional Shareholder) or the province of Ontario, Canada may forward this Scheme Booklet (or accompanying documents) to such beneficial shareholder but may not forward this Scheme Booklet to any person in any other country without the consent of Xenith.

This Scheme Booklet does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this Scheme Booklet may not be distributed to any person, and the New QANTM Shares may not be offered or sold, in any country outside Australia except to the extent provided below.

13.5.1 New Zealand

The New QANTM Shares are not being offered to the public within New Zealand other than to existing Xenith Shareholders with Registered Addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This Scheme Booklet has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This Scheme Booklet is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

13.5.2 Singapore

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New QANTM Shares have not been and will not be registered as a prospectus with the Monetary Authority of Singapore and this offering is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liabilities in connection with the contents of prospectuses under the Securities and Futures Act, Cap. 289 (SFA) will not apply.

This Scheme Booklet and any other document or material in connection with the offer, sale or distribution, or invitation for subscription, purchase or receipt of the New QANTM Shares may not be offered, sold or distributed, or be made the subject of an invitation for subscription, purchase or receipt, whether directly or indirectly, to persons in Singapore except pursuant to exemptions in Subdivision (4) Division 1, Part XIII of the SFA, including the exemption under section 273(1)(c) of the SFA, or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Any offer is not made to you with a view to the New QANTM Shares being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Neither this document nor any copy of it may be taken or transmitted into any country where the distribution or dissemination is prohibited. This document is being furnished to you on a confidential basis and solely for your information and may not be reproduced, disclosed, or distributed to any other person.

The investments contained or referred to in this document may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

Neither Xenith nor QANTM is in the business of dealing in securities or hold itself out or purport to hold itself out to be doing so. As such, Xenith and QANTM are neither licensed nor exempted from dealing in securities or carrying out any other regulated activities under the SFA or any other applicable legislation in Singapore.

13.5.3 Canada

The New QANTM Shares will be issued by QANTM in reliance upon exemptions from the prospectus and registration requirements of the applicable Canadian securities law in each province and territory of Canada.

No securities commission in Canada has reviewed or in any way passed upon this document or the merits of the Scheme.

13.6 ASX Waivers and Confirmations

Xenith has applied for, and ASX has granted, the following waivers and confirmations in relation to certain ASX Listing Rules as they apply to Xenith:

- confirmation under ASX Listing Rule 15.1.3 that ASX does not object to the draft Scheme Booklet; and
- confirmation that the timetable for the Implementation of the Scheme is acceptable to ASX.

13.7 Implications for Xenith creditors

The Scheme, if implemented, is not expected to materially prejudice Xenith's ability to pay its creditors. No material new liability will be incurred by Xenith or its Related Bodies Corporate as a consequence of Implementation of the Scheme other than the transaction fees set out in Section 13.9. It is a condition to Implementation of the Scheme that Xenith's senior lender consents to the change of control of Xenith that will arise under the Scheme. Each member of the Xenith Group is solvent and is trading in an ordinary commercial manner."

13.8 Consents

13.8.1 Consent to be named

- a. The following persons have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - i. Grant Thornton as auditor to Xenith;
 - ii. Investec Australia Limited (Investec) as financial adviser to Xenith;
 - iii. Lonergan Edwards & Associates Limited (Lonergan Edwards) as the Independent Expert;
 - iv. Baker & McKenzie as the legal adviser to Xenith;
 - v. KPMG Transaction Services (KPMG) as the investigating accountant to Xenith; and
 - vi. Computershare Investor Services Pty Limited as the Xenith Share Registry.

13.8.2 Consent to the inclusion of statements

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- a. QANTM in respect of the QANTM Information only;
- b. Lonergan Edwards as the Independent Expert; and
- c. KPMG as the investigating accountant to Xenith.
- d. Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

13.8.3 Disclaimers of responsibility

Each person named in Sections 13.8.1 and 13.8.2:

- a. has not authorised or caused the issue of this Scheme Booklet;
- b. does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
 - i. QANTM, in respect of the QANTM Information;
 - ii. Lonergan Edwards, in relation to its Independent Expert's Report; and
 - iii. KPMG in relation to the Investigating Accountant's Report.
- c. to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in Sections 13.8.1 and 13.8.2.

13. Additional information

13.9 Transaction fees

Each of the persons named in Section 13.8.1 and 13.8.2 (other than QANTM) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging. Xenith has paid, or agreed to pay:

- Lonergan Edwards approximately \$150,000 (excluding GST);
- Investec approximately \$2,000,000 (excluding GST);
- KPMG approximately \$274,000 (excluding GST); and
- Baker & McKenzie approximately \$850,000 (excluding GST).

13.10 Status of conditions

The Transaction is subject to a number of conditions. These are described in Section 12.2.1 of the Scheme Booklet. As at the date of this Scheme Booklet none of those conditions have been satisfied, but as far as Xenith is aware, none have been breached or are not capable of being satisfied.

13.11 No other information material to the making of a decision in relation to the Scheme

Other than as set out in this Scheme Booklet, as at the date of this Scheme Booklet, there is no information material to the making of a decision in relation to the Scheme, being information which is in the knowledge of Xenith, QANTM, any director of Xenith or QANTM or any of their Related Bodies Corporate which has not been previously disclosed to Xenith Shareholders.

13.12 Supplementary information

Xenith will issue a supplementary document to this document if it becomes aware of any of the following between the date of lodgement of this document for registration by ASIC and the Scheme Meeting:

- a material statement in this document being misleading or deceptive;
- a material omission from this document;
- a significant change affecting a matter included in this document; or
- a significant new matter arising which would have been required to be included in this document.

The form which the supplementary document may take, and whether a copy will be sent to each Xenith Shareholder, will depend on the nature and timing of the new or changed circumstances. Any such supplementary document will be made available on Xenith's website at www.xenithip.com and released to the ASX (and accordingly, available from the ASX's website at www.asx.com.au).

13.13 Statements by Directors

The issue of the Scheme Booklet has been authorised by the Xenith Board. The Xenith Board has given (and not withdrawn) its consent to lodgement of this Scheme Booklet with ASIC.

13.14 Information lodged with ASIC

13.14.1 Xenith continuous disclosure

Xenith is an ASX listed public company and a 'disclosing entity' for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations. As a listed company, Xenith is also subject to the ASX Listing Rules, which require (subject to limited exceptions) continuous disclosure to the market of any information of which Xenith is aware that a reasonable person would expect to have a material effect on the price or value of its securities.

Documents lodged with ASIC about Xenith may be obtained from, or inspected at the offices of ASIC. Information publicly disclosed to ASX by Xenith is available from ASX at www.asx.com.au (ASX code: XIP).

To obtain further information, contact your broker or financial adviser.

14. Interpretation and glossary

14.1 Interpretation

In this Scheme Booklet (other than the Annexures):

- a. except as otherwise provided, all words and phrases used in this Scheme Booklet have the meanings (if any) given to them in the Corporations Act;
- b. headings are for ease of reference only and will not affect the interpretation of this Scheme Booklet;
- c. words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- d. a reference to dollars and \$ is to Australian currency;
- e. all dates and times are Sydney and Melbourne, Australia times, unless otherwise stated; and
- f. a reference to a Section or Annexure is to a Section in or Annexure to this Scheme Booklet, unless otherwise stated.

14.2 Glossary

Term	Meaning
ACCC	means the Australian Competition and Consumer Commission.
Adviser	means in relation to an entity: <ol style="list-style-type: none">a. a financier to the entity in connection with the Scheme; orb. a financial, corporate, legal, technical or other expert adviser or consultant, who provides advisory or consultancy services in a professional capacity in the ordinary course of its business and has been engaged in that capacity in connection with the Scheme by the entity.
AIFRS	means the International Financial Reporting Standards as adopted in Australia.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the same meaning as in section 12 of the Corporations Act.
Associate Charges	means revenue from recharging the cost of foreign agents that lodge applications in countries outside of those countries in which the QANTM Group acts directly before the national IP office and, additionally, fees paid to barristers and other experts.
ASX	means ASX Limited ACN 008 624 691 or, if the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.
ASX Listing Rules	means the Listing Rules of ASX and any other rules of ASX which are applicable while Xenith is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Board	means the board of Directors.
Break Fee	means the QANTM Break Fee or the Xenith Break Fee (as the context requires).
Business Day	means a day that is not a Saturday, Sunday or a public holiday or bank holiday in: <ul style="list-style-type: none">• Melbourne, Australia; or• Sydney, Australia.
CGT	means capital gains tax.
Competing Proposal	means a Xenith Competing Proposal or a QANTM Competing Proposal, as the context requires.
Competition Act	means the Competition and Consumer Act 2010 (Cth).
Conditions Precedent	means the conditions precedent in clause 3 and Schedule 2 of the Scheme Implementation Deed, a summary of which are set out in Section 12.2.1.
Control	has the meaning given under section 50AA of the Corporations Act.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	means the Corporations Regulations 2001 (Cth) .
Court	means the Federal Court of Australia or any other court of competent jurisdiction agreed between QANTM and Xenith.
Court Approval Date	means the date the Court approves the Scheme for the purposes of section 411(4)(b) of the Corporations Act.
Deed Poll	means the deed poll dated and signed by QANTM and at Annexure D.
Director	means a director of Xenith (from time to time).

14. Interpretation and glossary

Term	Meaning
Effective	means, when used about the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act, but in any event at no time before an official copy of the Court order is lodged with ASIC.
Effective Date	means the date on which the Scheme becomes Effective.
Eligible Xenith Shareholder	means a Scheme Shareholder other than an Ineligible Foreign Scheme Shareholder.
End Date	means 30 June 2019.
Excluded Shareholder	means any Xenith Shareholder who is QANTM or an Associate of the QANTM Group.
First Court Date	means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act that the Scheme Meeting be convened is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Groups	means the QANTM Group and Xenith Group before Implementation.
ICT	means Information and Communications Technology.
Implementation	means the issuing and payment (as applicable) of the Scheme Consideration to Scheme Shareholder and the transfer of all Xenith Shares to QANTM pursuant to the Scheme. A reference to Implement, Implemented, Implementing, or Implementation of the Scheme has a corresponding meaning.
Implementation Date	means the date which is five Business Days after the Scheme Record Date or such other date agreed to in writing between the parties.
Independent Expert	means the independent expert in respect of the Scheme appointed by Xenith, being Lonergan Edwards.
Independent Expert's Report	means the report of the Independent Expert about the Scheme at Annexure A.
Ineligible Foreign Scheme Shareholder	means a Scheme Shareholder whose address in the Xenith Share Register is a place outside: <ul style="list-style-type: none"> • Australia and its external territories, • New Zealand; • Singapore, provided they are an Institutional Shareholder; • the province of Ontario, Canada; or • any other jurisdiction as may be agreed in writing by QANTM and Xenith, provided that QANTM is satisfied, acting reasonably, that it is permitted to allot and issue New QANTM Shares to that Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that QANTM in its sole discretion regards as acceptable and not unduly onerous or impracticable.
Institutional Shareholder	means a shareholder as defined under the Securities and Futures Act (Singapore).
Investigating Accountant's Report	means a report prepared by KPMG Transaction Services on some or all of the financial information included in this Scheme Booklet.
IP	means intellectual property rights including patents, designs, trade marks, copyright, circuit layout rights and plant breeder's rights.
IPH	means IPH Limited ACN 169 015 838.
IPH Indicative Proposal	means IPH's indicative, conditional and non-binding proposal to combine QANTM and IPH as announced by IPH on 27 November 2018.
Merged Group	means collectively the merged corporate group comprising the QANTM Group and the Xenith Group arising from the Implementation of the Scheme.
Merged Group Board	means the board of directors of the Merged Group.
Merger	means the merger of Xenith and QANTM via the Scheme.
New QANTM Shares	means the new QANTM Shares issued as payment of the Scheme Consideration.
Notice of Scheme Meeting	means the notice of meeting for the Scheme Meeting at Annexure E.
NPATA	means statutory net profit after tax but before amortisation charge on acquired intangible assets.
PCT	means the Patent Co-operation Treaty, establishing a unified procedure for filing patent applications in each of its contracting states.
PSB	means the Trans-Tasman IP Attorneys Board.
QANTM or QIP	means QANTM Intellectual Property Limited ACN 612 441 326
QANTM Board	means the board of directors of QANTM.

Term	Meaning
QANTM Break Fee	means \$1,600,000.
QANTM Competing Proposal	<p>means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly:</p> <ol style="list-style-type: none"> acquire a relevant interest or voting power in or become the holder of more than 20% of the QANTM Shares; acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of QANTM or any member of the QANTM Group; acquire Control of QANTM; otherwise acquire or merge with QANTM or amalgamate with, or acquire a significant shareholding or economic interest in QANTM or any member of QANTM Group or 20% or more by value of the total assets or business of any member of QANTM Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchases, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for QANTM or the QANTM Group or other synthetic merger or any other transaction or arrangement; or QANTM will cease to be admitted to the official list of ASX or the QANTM Shares will cease to be officially quoted on the market operated by ASX, <p>or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction.</p>
QANTM Group	means QANTM and each of its Related Bodies Corporate (excluding, at any time, Xenith and its Subsidiaries to the extent that Xenith and its Subsidiaries are Subsidiaries of QANTM at that time).
QANTM Information	means the information in the Letter from the Chair of QANTM, the question 'Who is QANTM' in Section 4 and the information in Section 8.
QANTM Interim Dividend	means a cash dividend, to be paid by QANTM (in its absolute discretion and in accordance with its stated dividend policy, which provides for a payout ratio of 70-90% of NPATA) between the date of the Scheme Implementation Deed and the Implementation Date in respect of the half year ending 31 December 2018 and which is not franked in excess of the then available franking credits of QANTM, up to a maximum of 90% of statutory NPATA, calculated in accordance with the auditor reviewed consolidated accounts of QANTM in respect of the half year ending 31 December 2018, where "NPATA" is statutory net profit after tax but before the amortisation charge on acquired intangible assets of the QANTM Group.
QANTM Material Adverse Change	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
QANTM Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
QANTM Representation and Warranty	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
QANTM Shareholder	means a person who is registered as the holder of at least one QANTM Share.
QANTM Shares	means a fully paid ordinary share in the capital of QANTM.
QANTM Superior Proposal	<p>means a bona fide QANTM Competing Proposal which in the determination of the QANTM Board acting in good faith in order to satisfy what the QANTM Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers):</p> <ol style="list-style-type: none"> is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the QANTM Competing Proposal; and would, if completed substantially in accordance with its terms, be reasonably likely to result in a transaction more favourable to QANTM Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the QANTM Competing Proposal.

14. Interpretation and glossary

Term	Meaning
Regulatory Authority	<p>means:</p> <ul style="list-style-type: none"> the ACCC; any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity; a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or any regulatory organisation established under statute, <p>in Australia whether federal, state, territorial or local or other applicable jurisdiction.</p>
Related Bodies Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Related Entity	means, for an entity or individual, any entity or individual (as applicable) which is related to that entity within the meaning of section 9 of the Corporations Act or which is an economic entity (as defined in any accounting standard in force under section 334 of the Corporations Act) that is controlled by that entity or individual (as applicable) (as 'control' is defined in section 50AA of the Corporations Act).
Representative	<p>means in relation to QIP or XIP:</p> <ol style="list-style-type: none"> each other member of the QANTM Group or the Xenith Group (as applicable); an officer or employee of a member of the QANTM Group or the Xenith Group (as applicable); or an Adviser to a member of the QANTM Group or the Xenith Group (as applicable).
Requisite Majority	<p>means, in relation to the Scheme Resolution:</p> <ol style="list-style-type: none"> a majority in number (more than 50%) of Xenith's Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Xenith Shareholders, by corporate representative); and at least 75% of the total number of votes cast on the Scheme Resolution.
Sale Agent	means a person nominated by QANTM, in consultation with Xenith, to sell the Sale Shares.
Sale Proceeds	means the proceeds of sale of New QANTM Shares by the Sale Agent payable to each Ineligible Foreign Scheme Shareholder.
Sale Shares	means the New QANTM Shares to which Ineligible Foreign Scheme Shareholders would have been entitled under the Scheme.
Scheme	means the proposed acquisition of Xenith Shares by QANTM under the scheme of arrangement at Annexure C.
Scheme Booklet	means this scheme booklet, issued under section 412 of the Corporations Act.
Scheme Consideration	1.22 New QANTM Shares per Xenith Share held at 7:00pm on the Scheme Record Date.
Scheme Implementation Deed	means the scheme implementation deed between Xenith and QANTM dated 26 November 2018.
Scheme Meeting	means the meeting of Xenith Shareholders, ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and if thought fit approve the Scheme.
Scheme Record Date	means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between QANTM and Xenith.
Scheme Resolution	means the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme.
Scheme Share	means a Xenith Share held by a Scheme Shareholder at the Scheme Record Date.
Scheme Shareholder	means a Xenith Shareholder (other than Excluded Shareholders) at the Scheme Record Date.
Second Court Date	means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Second Court Hearing	means the hearing of an application made to the Court for an order approving the Scheme under section 411(4)(b) of the Corporations Act.
Statutory Service Charges	means professional fees generated by the QANTM Group.
Subsidiary	has the meaning given to that term in section 9 of the Corporations Act.

Term	Meaning
Superior Proposal	<p>means a bona fide Xenith Competing Proposal which in the determination of the Xenith Board acting in good faith in order to satisfy what the Xenith Board considers to be its fiduciary or statutory duties (after having taken advice from their legal and, if appropriate, financial advisers):</p> <ol style="list-style-type: none"> a. is reasonably likely to be completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transaction contemplated by the Xenith Competing Proposal; and b. would, if completed substantially in accordance with its terms, be reasonable likely to result in a transaction more favourable to Xenith Shareholders as a whole than the Transaction, taking into account all of the terms and conditions of the Xenith Competing Proposal.
Trading Day	means a day (not being a Saturday, Sunday or public holiday) on which the Australian Securities Exchange is open for trading.
Transaction	means the proposed merger of Xenith with QANTM under which QANTM will acquire all of the Xenith Shares by way of a scheme of arrangement under section 411 of the Corporations Act, the effect of which would be to make Xenith a wholly owned subsidiary of QANTM.
Xenith or XIP	means Xenith IP Group Limited ACN 607 873 209.
Xenith Board	means the board of directors of Xenith.
Xenith Break Fee	means \$1,600,000.
Xenith Competing Proposal	<p>means any offer, proposal or expression of interest, transaction or arrangement (including, by way of takeover bid or scheme of arrangement other than the Transaction) under which, if ultimately completed substantially in accordance with its terms, a person or two or more persons who are Associates would directly or indirectly:</p> <ol style="list-style-type: none"> a. acquire a relevant interest or voting power in or become the holder of more than 20% of the Xenith Shares; b. acquire, obtain a right to acquire, or otherwise obtain an economic interest in, 20% or more by value of the business or property of Xenith or any member of the Xenith Group; c. acquire Control of Xenith; d. otherwise acquire or merge with Xenith or amalgamate with, or acquire a significant shareholding or economic interest in Xenith or any member of Xenith Group or 20% or more by value of the total assets or business of any member of Xenith Group, whether by way of takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, share buy-back or repurchases, sale or purchase of assets, joint venture, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding entity for Xenith or the Xenith Group or other synthetic merger or any other transaction or arrangement; or e. Xenith will cease to be admitted to the official list of ASX or the Xenith Shares will cease to be officially quoted on the market operated by ASX, <p>or which may otherwise compete with, or be inconsistent in any material respect with the consummation of, the Transaction.</p>
Xenith Group	means Xenith and each of its Subsidiaries.
Xenith Information	means the information in this Scheme Booklet, other than the QANTM Information, the Investigating Accountant's Report and the Independent Expert's Report.
Xenith Interim Dividend	means a cash dividend to be paid by Xenith (in its absolute discretion and in accordance with its stated dividend policy, which provides for a payout ratio of 70-90% of NPATA) between the date of the Scheme Implementation Deed and the Implementation Date in respect of the half year ending 31 December 2018 and which is not franked in excess of the then available franking credits of Xenith, up to a maximum of 90% of statutory NPATA, calculated in accordance with the auditor reviewed consolidated accounts of Xenith in respect of the half year ending 31 December 2018, where "NPATA" is statutory net profit after tax but before the amortisation charge on acquired intangible assets of the Xenith Group.
Xenith Material Adverse Change	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Performance Right	means a right to take up a specified number of Xenith Shares on satisfaction of specified performance conditions.

14. Interpretation and glossary

Term	Meaning
Xenith Prescribed Occurrence	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Registry	means Computershare Investor Services Pty Limited or any replacement provider of share registry services to Xenith.
Xenith Representation and Warranties	has the meaning given to that term in clause 1.1 of the Scheme Implementation Deed.
Xenith Share	means a fully paid ordinary share in the capital of Xenith.
Xenith Share Plan	means the Xenith IP Group Limited Performance Rights Plan approved by the XIP Board in the financial year ended 30 June 2016.
Xenith Share Register	means the register of members of Xenith maintained in accordance with the Corporations Act.
Xenith Shareholder	means a person who is the registered holder of Xenith Shares.
VWAP	means volume weighted average price.

Annexure A

Independent Expert's Report

The Directors
Xenith IP Group Limited
Level 21, 60 Margaret Street
Sydney NSW 2000

13 February 2019

Subject: Proposed merger of Xenith IP Group Limited and QANTM Intellectual Property Limited

Dear Directors

Introduction

- 1 On 27 November 2018, Xenith IP Group Limited (Xenith) and QANTM Intellectual Property Limited (QANTM) announced that they had signed a Scheme Implementation Deed (SID) under which the two companies will merge via an all-scrip scheme of arrangement (the Scheme or the Merger).
- 2 If the Scheme is approved and implemented, Xenith shareholders will receive 1.22 QANTM shares for each Xenith share held (the Merger Ratio)¹. Pursuant to the terms of the SID, Xenith and QANTM are permitted to pay the following interim dividends in relation to the half year ended 31 December 2018 (1HY19), prior to the Effective Date (as defined in the SID) of the Scheme and independently of the Scheme:
 - (a) **Xenith** – a fully franked² interim dividend of not more than 90% of Xenith’s net profit after tax but before the amortisation charge on acquired intangible assets (NPATA) for 1HY19
 - (b) **QANTM** – a fully franked interim dividend of not more than 90% of QANTM’s NPATA for 1HY19.
- 3 On completion of the Merger, existing Xenith shareholders and QANTM shareholders will own approximately 45% and 55% respectively of the merged entity (Merged Group).

Purpose of report

- 4 There is no regulatory requirement for an independent expert’s report (IER) to be prepared for Xenith shareholders pursuant to the *Corporations Act 2001* (Cth) (Corporations Act) or the Australian Securities Exchange (ASX) Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.

¹ Subject to rounding for fractional entitlements. Xenith shareholders who are “Ineligible Foreign Shareholders” (as defined in the SID) will not be entitled to receive new QANTM shares and will instead receive cash proceeds from the sale, by a nominee, of the QANTM shares they would have otherwise received.

² Subject to the availability of franking credits.

- 5 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.
- 6 Accordingly, the Directors of Xenith have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Scheme is in the best interests of Xenith shareholders and the reasons for that opinion.
- 7 LEA is independent of Xenith and QANTM and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 8 In our opinion:
 - (a) the Scheme is in the best interests of Xenith shareholders, in the absence of a superior proposal; and
 - (b) the Merger terms are fair and reasonable to Xenith shareholders.
- 9 We have formed this opinion for the reasons detailed below.

Basis of assessment

- 10 The Scheme is not structured as a change of control transaction. Furthermore, ownership of the Merged Group will be shared between each group of shareholders (45% by Xenith and 55% by QANTM) as will operational control, with key executive and Board positions being sourced from both companies.
- 11 Accordingly, LEA has assessed the Scheme as a merger rather than a change of control transaction. In the circumstances, the key issues in respect of the Scheme from the perspective of the Xenith shareholders are whether:
 - (a) the Xenith shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group
 - (b) from a value perspective, Xenith shareholders are likely to be better off if the Merger proceeds
 - (c) the advantages of the Merger outweigh the disadvantages.

Relative value contribution

- 12 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value.

- 13 For the purpose of forming our view on this aspect of our overall assessment, we have primarily had regard to relative value contributions based upon our estimate of underlying value on a minority interest basis, as well as share market trading.
- 14 The contribution of value by Xenith shareholders to the Merged Group is summarised below:

Relative value contribution to the Merged Group		
	Xenith %	QANTM %
LEA assessed underlying value⁽¹⁾:		
Low	41.9	58.1
High	42.3	57.7
Listed market prices:		
3 months VWAP ⁽²⁾ to 26 November 2018 ⁽³⁾	41.3	58.7
6 months VWAP to 26 November 2018	42.2	57.8

Note:

- 1 Value assessed on a minority interest basis.
- 2 Volume weighted average price (VWAP).
- 3 Being the last day of trading prior to the announcement of the Merger.

- 15 The analysis indicates that the collective interest Xenith shareholders will acquire in the Merged Group (of some 45%) is greater than the relative value to be contributed by Xenith shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to Xenith shareholders.

Position before and after implementation of the Scheme

- 16 The Merger is estimated by Xenith and QANTM management to deliver pre-tax cost synergies of \$7.0 million on a full run rate basis by the end of year three from completion of the Merger. Identified cost synergies primarily reflect benefits of transformation through technology, the elimination of duplication in the Merged Group, and include savings in general expenses, costs relating to back-office systems as well as enhanced productivity across the Merged Group³.
- 17 These annual cost synergies are material compared to the standalone level of underlying earnings before interest, tax, depreciation and amortisation (EBITDA) generated by both companies, and represent:
- (a) 38.7% of the underlying EBITDA⁴ achieved by Xenith in the year ended 30 June 2018 (FY18); and
 - (b) 18.3% of the pro forma underlying EBITDA of the Merged Group for FY18 prior to considering synergy benefits⁵.

³ These estimated cost synergies are separate and incremental to those arising from the business transformation initiatives described in Xenith's FY18 results presentation.

⁴ Underlying EBITDA is before non-recurring items such as impairment losses, restructuring expenses, and acquisition and related integration expenses.

⁵ Being \$18.1 million for Xenith and \$20.1 million for QANTM.

- 18 Due to the level of expected synergies, in our opinion, it is reasonable to conclude that the value of the Merged Group will significantly exceed the sum of the standalone values of both Xenith and QANTM (other things being equal).
- 19 Further, as Xenith shareholders will acquire a collective interest in the Merged Group which is greater than the relative value to be contributed by Xenith shareholders to the Merged Group, in our opinion, the Merger terms provide Xenith shareholders with an appropriate share of expected synergies.
- 20 As a result, we consider that the Merger should be significantly value accretive for Xenith shareholders.
- 21 We also note that the Merger terms and VWAP of QANTM shares in the three months prior to the announcement of the Merger imply a value for Xenith shares which is significantly above the VWAP of Xenith shares in the three months prior to the announcement of the Merger, as shown below:

Comparative position of Xenith shareholders	
3 months VWAP of QANTM shares ⁽¹⁾	\$1.30
Merger Ratio ⁽²⁾	1.22
Value of Xenith shares implied by Merger terms and 3 months VWAP of QANTM shares ⁽¹⁾	\$1.59
3 months VWAP of Xenith shares ⁽¹⁾	\$1.37
Implied premium above 3 months VWAP	16.1% ⁽³⁾

Note:

- 1 Prior to announcement of the Merger.
- 2 Number of QANTM shares to be received pursuant to the Merger terms for each Xenith share.
- 3 Being \$1.59 less \$1.37, divided by \$1.37.

Advantages versus disadvantages

- 22 We summarise below the likely advantages and disadvantages for Xenith shareholders if the Scheme proceeds:

Advantages

- (a) the collective interest that Xenith shareholders will acquire in the Merged Group (of some 45%) is greater than the relative value to be contributed by Xenith shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to Xenith shareholders
- (b) the Merged Group is expected to generate significant synergy benefits due to the combination of the Xenith and QANTM businesses. In our opinion, the Merger terms provide Xenith shareholders with an appropriate share of these synergies
- (c) the Merger Ratio of 1.22 QANTM shares for every Xenith share held exceeds the ratio implied by the recent listed market prices of QANTM and Xenith shares prior to the announcement of the Merger, as shown below:

Relative share prices – Xenith / QANTM
27 November 2017 to 26 November 2018



Source: Bloomberg and LEA analysis.

This implies that the Merger terms favour Xenith shareholders based on the recent listed market prices of QANTM and Xenith shares prior to the announcement of the Merger

- (d) Xenith shareholders will acquire an interest in a much larger and market leading intellectual property (IP) services group, with enhanced earnings and related future prospects. The Merged Group will also have enhanced financial scale (relative to Xenith on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities

Disadvantages

- (e) some Xenith shareholders may not want to acquire an economic interest in the QANTM business. However, these Xenith shareholders have an opportunity to sell their Xenith shares prior to the implementation of the Scheme, or their QANTM shares (i.e. Merged Group shares) after implementation of the Scheme.

Conclusion

- 23 Based on the above, in our view, the advantages of the Merger outweigh the disadvantages as we consider that Xenith shareholders are likely to be better off if the Merger proceeds. Accordingly, we consider the Scheme to be in the best interests of Xenith shareholders, in the absence of a superior proposal.

Other matters

- 24 Xenith shareholders should note that on 27 November 2018, IPH Limited (IPH)⁶ announced that it had recently made a number of approaches to QANTM to combine the IPH and QANTM businesses, including the tabling of an indicative, conditional and non-binding proposal. Whilst no formal offer for QANTM was made, IPH stated that its indicative, conditional and non-binding proposal was equivalent to \$1.80 per QANTM share, comprising:
- (a) a cash and scrip offer with an equivalent value of \$1.75 per share; and
 - (b) a dividend payable to QANTM shareholders capped at 5 cents per QANTM share for 1HY19.
- 25 The IPH indicative, conditional and non-binding proposal for QANTM was rejected by the QANTM Board in favour of the Merger.
- 26 Subsequently, on 13 February 2019 IPH announced that it had acquired a 19.9% interest in Xenith at a price of \$1.85 per Xenith share. IPH also stated that:
- (a) IPH does not support the merger of Xenith and QANTM, and *“does not intend to vote in favour of it”*
 - (b) IPH believes an alternative transaction involving a strategic combination of either Xenith or QANTM with IPH *“has the potential to create significant value”*
 - (c) as with the proposed Merger, *“any potential transaction involving IPH would be subject to ACCC approval”*.
- 27 The price paid by IPH of \$1.85 per Xenith share for its 19.9% interest represents a premium of 22.1% above the mid-point of our valuation range for Xenith shares on a minority interest basis (which excludes a premium for control). In our view, IPH has paid a strategic premium to block the proposed Merger. Accordingly, we do not believe this transaction impacts our view on the minority interest value of Xenith shares in the absence of such corporate activity.

General

- 28 In preparing this report we have considered the interests of Xenith shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 29 The impact of approving the Scheme on the tax position of Xenith shareholders depends on the individual circumstances of each investor. Xenith shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.

⁶ IPH is an ASX listed IP services firm offering a range of services for the protection, commercialisation, enforcement and management of IP. It employs a skilled multidisciplinary team of approximately 600 people in Australia, New Zealand, Singapore, Malaysia, China, Indonesia, Thailand and Hong Kong.

- 30 The ultimate decision whether to approve the Scheme should be based on each Xenith shareholder's assessment of their own circumstances. If Xenith shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.
- 31 For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Xenith shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 32 On 27 November 2018, Xenith IP Group Limited (Xenith) and QANTM Intellectual Property Limited (QANTM) announced that they had signed a Scheme Implementation Deed (SID) under which the two companies will merge via an all-scrip scheme of arrangement (the Scheme or the Merger).
- 33 If the Scheme is approved and implemented, Xenith shareholders will receive 1.22 QANTM shares for each Xenith share held (the Merger Ratio)⁷. Pursuant to the terms of the SID, Xenith and QANTM are permitted to pay the following interim dividends in relation to 1HY19, prior to the Effective Date (as defined in the SID) of the Scheme and independently of the Scheme:
- (a) **Xenith** – a fully franked⁸ interim dividend of not more than 90% of Xenith’s NPATA for 1HY19
 - (b) **QANTM** – a fully franked⁸ interim dividend of not more than 90% of QANTM’s NPATA for 1HY19.
- 34 On completion of the Merger, existing Xenith shareholders and QANTM shareholders will own approximately 45% and 55% respectively of the Merged Group.

Conditions

- 35 The SID and the Scheme are subject to usual conditions precedent for a scrip merger, including:
- (a) no regulatory intervention;
 - (b) an independent expert concluding that the Scheme is in the best interests of Xenith shareholders
 - (c) Xenith shareholder and Court approval; and
 - (d) other customary conditions as regards the underlying financial performance and position of both Xenith and QANTM.
- 36 Further information on the conditions precedent is set out in the Scheme Booklet.

Exclusivity

- 37 In addition, during the “Exclusivity Period” (as defined in the SID), each of Xenith and QANTM has agreed that they will not:
- (a) solicit, invite, encourage or initiate any “Competing Proposal” (as defined in the SID)

⁷ Subject to rounding for fractional entitlements. Xenith shareholders who are “Ineligible Foreign Shareholders” (as defined in the SID) will not be entitled to receive new QANTM shares and will instead receive cash proceeds from the sale, by a nominee, of the QANTM shares they would have otherwise received.

⁸ Subject to the availability of franking credits.

- (b) participate in any discussions or negotiations which may reasonably be expected to lead to a Competing Proposal
- (c) negotiate, accept or enter into any agreement, arrangement or understanding in relation to a Competing Proposal
- (d) provide any non-public information to a third party with a view to obtaining, or which would reasonably be expected to encourage, or lead to receipt of a Competing Proposal
- (e) communicate to any person an intention to do anything referred to in the preceding paragraphs.

38 The “no-talk” exclusivity obligations set out in paragraphs 37(b), (c) and (d) above are subject to a fiduciary carve-out in circumstances where in the opinion of the Xenith Board or QANTM Board (as applicable), formed in good faith after receiving advice from their respective external legal advisers, compliance with the no-talk obligations constitutes or would be likely to constitute a breach of any of the fiduciary or statutory duties of the directors of Xenith or QANTM (as applicable), provided that the Competing Proposal was not directly or indirectly brought about or facilitated by a breach of the “no-shop” obligation summarised in 37(a) above.

39 In addition, during the Exclusivity Period, each of Xenith and QANTM must promptly notify the other party if it becomes aware of:

- (a) any approach, inquiry or proposal made to initiate any negotiations or discussions in relation to a Competing Proposal; or
- (b) the provision of any non-public information to a third party about the business or affairs of Xenith or QANTM (as applicable) in connection with a Competing Proposal.

40 If a party receives a Competing Proposal that is a “Superior Proposal” (as defined in the SID), it must notify the other party as soon as practicable as to all of the material terms of the Competing Proposal (including the identity of the person making the Competing Proposal, subject to the person having consented to disclosure of their identity).

41 A party may not enter into or agree to enter into any legally binding agreement with a third party to give effect to a Superior Proposal or to publicly recommend a Superior Proposal unless that party has given the other party at least three business days to provide a matching or superior proposal.

Reimbursement Fee

42 A “Reimbursement Fee” of \$1.6 million (excluding goods and services tax (GST)) is payable either by Xenith to QANTM or by QANTM to Xenith in certain circumstances as specified in the SID. For example, a Reimbursement Fee is payable by Xenith to QANTM if a Competing Proposal is announced for Xenith by a third party during the Exclusivity Period and within 12 months of that announcement, that third party or its associate acquires control of, or acquires or merges with, Xenith or a material subsidiary of Xenith, or acquires an interest in all or a substantial part of Xenith’s business or assets.

Resolution

- 43 Xenith shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the Notice of Meeting accompanying the Scheme Booklet.
- 44 If the resolution is passed by the requisite majorities and the relevant conditions precedent are satisfied or waived, Xenith must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with the Australian Securities & Investments Commission (ASIC) and do all things necessary to give effect to the Scheme. Once the Scheme becomes effective, it will become binding on all Xenith shareholders who hold Xenith shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 45 The Scheme is to be effected pursuant to Part 5.1 of the Corporations Act, which governs schemes of arrangement. Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 46 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER that states whether the proposed scheme is in the best interests of shareholders and the reasons for that opinion.
- 47 QANTM has no current shareholding in Xenith and has no representation on the Xenith Board. Accordingly, there is no regulatory requirement for Xenith to obtain an IER under either the Corporations Act or the ASX Listing Rules. However, the Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.
- 48 In addition, the Directors' recommendation of the Scheme is provided on the basis that there is no superior proposal and subject to an independent expert concluding that the Scheme is in the best interests of Xenith shareholders.
- 49 Accordingly, the Directors of Xenith have requested LEA to prepare an IER stating whether, in our opinion, the Scheme is in the best interests of Xenith shareholders and the reasons for that opinion.
- 50 This report has been prepared by LEA for the benefit of Xenith shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Xenith shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is in the best interests of Xenith shareholders.
- 51 The ultimate decision whether to approve the Scheme should be based on each Xenith shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

RG 111

- 52 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC, including in particular ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111), which outlines the approaches which should be used in IERs when opining on public company transactions (such as the Scheme).

53 Under RG 111, the fairness of a control transaction (such as a takeover offer) is required to be assessed by comparing the value of the consideration offered with the full underlying value of the target company assuming 100% ownership (inclusive of a control premium). Where the consideration comprises scrip in the offeror (i.e. bidder), the value of that consideration must be assessed on a minority interest (or portfolio) basis, reflecting the minority interest nature of the shares to be issued as consideration.

Mergers

- 54 However, having regard to the commercial considerations below, in our opinion the Scheme should be evaluated as a merger rather than a change of control transaction. This is because:
- (a) QANTM shareholders will, in aggregate, own approximately 55% of the Merged Group and Xenith shareholders will, in aggregate, own the remaining 45% (and share in the expected synergy benefits in these proportions)
 - (b) the consideration under the Scheme comprises scrip only
 - (c) no single shareholder will own more than 20% of the shares in the Merged Group
 - (d) the Board of the Merged Group will comprise three members from the current Xenith Board and three members from the current QANTM Board
 - (e) the key executive positions are being sourced from both companies⁹.
- 55 In a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value.
- 56 This is consistent with RG 111, which states that where there is a “*merger of entities of equivalent value when control of the merged entity will be shared between the ‘bidder’ and ‘target’ ... the expert may be justified in using an equivalent approach to valuing the securities of the ‘bidder’ and the ‘target’.*”

Assessment criteria

- 57 In assessing the Scheme we have therefore considered:
- (a) the relative value of Xenith and QANTM shares in comparison with the merger terms. For this purpose we have primarily had regard to relative value contributions based upon our estimate of underlying value on a minority interest basis, as well as share market trading

⁹ The proposed Chairman of the Merged Group is the current Chairman of QANTM and the proposed Managing Director of the Merged Group is the current Managing Director of Xenith. The proposed Deputy Chair of the Merged Group is the current Chairman of Xenith, and the current Managing Director of QANTM will be an executive director of the Merged Group.

- (b) a comparison of the position of Xenith shareholders before and after implementation of the Scheme taking into account the value of operational cost savings and other synergies that are expected to be generated should the Scheme proceed
- (c) other advantages and disadvantages of the Scheme from the perspective of Xenith shareholders, including (inter-alia):
 - (i) the impact of the Scheme on earnings per share (EPS)
 - (ii) the likely market price of Xenith shares if the proposed Scheme is not approved
 - (iii) the potential for a market re-rating of the shares in the Merged Group
 - (iv) the impact of the Scheme on the control of Xenith, including the proposed Board composition and key management positions of the Merged Group
 - (v) the likelihood of Xenith's shareholders receiving a superior proposal prior to the Scheme meeting or in the short-term; and
 - (vi) other qualitative and strategic issues associated with the Scheme.

In the best interests

- 58 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a scheme may be “*in the best interests of the members of the company*” if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.
- 59 Consistent with the requirements of RG 111, we consider that the Scheme is in the best interests of Xenith shareholders if the advantages of the Scheme outweigh the disadvantages from the perspective of Xenith shareholders.

Limitations and reliance on information

- 60 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 61 Our report is also based upon financial and other information provided by Xenith, QANTM and their advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 62 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion as to whether the Scheme is in the best interests of Xenith shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

- 63 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 64 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 65 We in no way guarantee the achievability of any budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 66 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in this report.

III Profile of Xenith

Overview

67 Xenith is the holding company for a group of entities providing a broad range of IP services and related innovation advisory services. Xenith's core business is to provide a range of IP services, including identification, registration, management, commercialisation and enforcement of IP rights (primarily patents, trade marks and designs) for clients in Australia, New Zealand and the rest of the world. Xenith's operating brands include Shelston IP, Griffith Hack, Watermark and Glasshouse Advisory.

History

68 Shelston IP is the oldest IP firm in Australia with a history dating back to its inception as Edward Waters & Sons in Melbourne in 1859. The expansion of industry and commerce in the developing Australian nation required a corresponding expansion in IP services. This resulted in the establishment of a Shelston IP Sydney branch in 1882. Ownership of the Sydney practice was transferred to the then Sydney partners in 1972, at which point the name was changed to Shelston Waters. The practice continued to expand both organically and through a number of acquisitions, including the acquisitions of the practices of Sturt Griffith in 1977 and Starfield & Taylor in 1983.

69 An IP legal practice was established in 1999 to specialise in IP commercialisation and litigation, enabling the company to provide a comprehensive range of integrated IP services and advice. In 2004 the business was renamed Shelston IP. To support continued expansion, an affiliated office was established in Auckland, New Zealand, in 2012.

70 Xenith was incorporated in August 2015 and acquired Shelston IP shortly thereafter. The company listed on the ASX in November 2015. It was the second specialist IP firm to list on the ASX¹⁰. During the year ended 30 June 2017 (FY17) Xenith acquired Watermark Group (Watermark) and Griffith Hack, details of which are as follows:

- (a) on 23 August 2016, Xenith announced the acquisition of the businesses and brands of Watermark for total estimated consideration of \$19.5 million. On 2 November 2016, Xenith revised the transaction structure to include total upfront consideration of \$15.5 million and earn-out consideration of up to a maximum payment of \$5.6 million¹¹. Concurrent with this announcement, Xenith reiterated that it was confident the Watermark business would achieve maintainable annualised EBITDA of \$2.5 million in FY17 (post-completion) and that the acquisition would be FY17 EPS accretive (before synergies)
- (b) on 25 November 2016, Xenith announced the acquisition of Griffith Hack¹² for total upfront consideration of \$152 million with earn-out payments of up to \$20 million potentially payable based on a multiple of annualised earn-out EBITDA that exceeded \$14.5 million for FY17 (up to a maximum capped annualised earn-out EBITDA of \$16.4 million). The acquisition completed on 2 February 2017 and the actual consideration was reported at \$137 million in the FY17 financial statements. The

¹⁰ IPH listed on the ASX in 2014.

¹¹ Based on a formula of 8.0x each dollar of annualised EBITDA earned above \$2.0 million.

¹² Prior to acquisition, Griffith Hack was one of Australia's largest privately owned IP firms with a history dating back over 110 years.

further \$20 million potential earn-out consideration was not paid given actual annualised earn-out EBITDA for the relevant period was \$14.2 million. At the time of acquisition, cost synergies of between \$4 million and \$6 million were expected to be achieved by the end of year three (post-acquisition).

Current operations

- 71 Xenith employs 392 staff, including approximately 156 IP professionals (patent attorneys, trade mark attorneys and IP lawyers, along with experts in specialist IP advisory services with expertise in the accounting, legal and finance disciplines) in Sydney, Melbourne, Brisbane and Perth. Xenith operates under the Griffith Hack, Shelston IP, Watermark and Glasshouse Advisory brands. Each of these businesses has access to the full breadth and depth of professional skills and resources available across the group. In addition, Xenith IP Services Pty Ltd provides shared services across the group including human resources, finance, information technology, professional support and marketing.

Xenith – operations



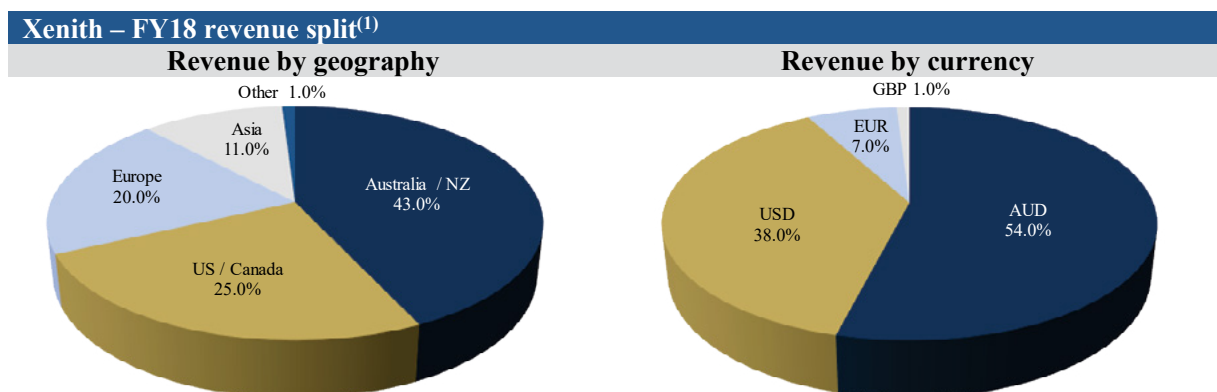
- 72 Details of Xenith’s client facing businesses are as follows:
- (a) **Griffith Hack** – a multi-award winning IP firm with a heritage dating back more than 100 years. The business has offices in Sydney, Melbourne and Perth. Griffith Hack is one of Australia’s largest filers of patents and trade marks and provides a comprehensive range of domestic and international services relating to protection, management, commercialisation and enforcement of IP rights
 - (b) **Shelston IP** – one of the oldest and most respected specialist IP firms in Australia. The firm’s trade mark attorneys, patent attorneys and IP lawyers provide services and advice relating to the protection, management, commercialisation and enforcement of IP, both locally and internationally
 - (c) **Watermark** – provides expert advice on intellectual asset management, with the primary aim of extracting greater value from intellectual assets. The firm was founded by Edward Waters, widely acknowledged as the “father” of the IP profession in Australia, and has offices in Melbourne, Sydney and Perth. Its lawyers and attorneys align the IP needs of clients with their business objectives to drive profit and growth

- (d) **Glasshouse Advisory¹³** – a specialist intellectual asset advisory firm providing a unique combination of complementary services to help businesses identify and leverage the commercial potential of their intangible assets. It is focused on enhancing the value of clients’ IP through a range of avenues including valuation services, patent analytics, research and development (R&D) tax rebates and export market development grants.

73 Xenith’s locations across its client facing brands are shown below:



74 Xenith has an extensive client base made up of large multinational companies, universities and research groups, start-up firms and independent inventors. These clients are primarily located in Australia and New Zealand, however a large number are located in the United States of America (US), Canada, Europe and Asia. As a result of its clients’ locations, Xenith bills some 46% of its revenue in overseas currencies (predominantly in US dollars (US\$)).



Note:

1 Based on FY18 service fee revenue exclusive of recoverable disbursements.

¹³ This business was originally named Griffith Hack Consulting and was a part of the Griffith Hack business acquired by Xenith. It was then consolidated with the Watermark consulting business, rebranded and launched as Glasshouse Advisory in May 2017.

Services provided

- 75 Xenith’s businesses provide a comprehensive suite of specialist IP and ancillary services to its clients that serve to capture and maximise the value of their innovations, IP and other intangible assets. These services include the identification, registration, management, valuation, commercialisation and enforcement of IP rights for a broad spectrum of clients from around the world.
- 76 Xenith’s client facing businesses generally file, process and manage portfolios of patents, trade marks and designs for their clients at all stages of the respective IP lifecycles. Given the nature of IP lifecycles, this generally translates into a relatively consistent and transparent recurring revenue streams, for example:
- (a) registered designs revenue generation can continue for up to 10 years
 - (b) standard patents revenue generation can continue for up to 20 years (25 years for certain pharmaceutical patents eligible for extension of term)
 - (c) trade mark revenue generation can continue indefinitely.
- 77 The majority of Xenith’s revenue derived from patents, trade marks and designs is generated during the pre-filing, filing and examination or “prosecution” stages, reflecting the relative concentration of IP services required during these stages. The post-grant management, maintenance and advisory stages of the IP lifecycle typically generate ongoing revenues at lower intensity throughout the life of the IP rights. Once the IP rights have been established, clients typically seek to commercialise and, if necessary, defend their IP rights through the use of specialised IP legal services.

Strategy

- 78 From Xenith’s inception in 2015, its vision has been to create the pre-eminent provider of specialist IP and innovation advisory services in the Asia Pacific region, through a combination of organic growth and the targeted strategic acquisition of the region’s best IP services firms and their personnel. This strategy has resulted in the acquisitions of the Watermark and Griffith Hack businesses during FY17 and the related ongoing integration and consolidation of these businesses.
- 79 Xenith has also commenced implementing a comprehensive business transformation program that focuses on six key areas (governance, people, clients, digital, growth and shareholders), with completion expected in FY21. The transformation program is designed to reduce back office costs, optimise operational efficiencies across the group and position the business strategically for the future. It includes a proposed significant investment in new technology (cloud based) platforms¹⁴ over the next two to three years to replace the existing, disparate systems used by each of the businesses. The project aims to increase annual EBITDA by between \$6 million to \$8 million¹⁵ within three years of commencement at a one-off cost of between \$4 million and \$6 million.

¹⁴ For example, management intend to standardise the enterprise resource planning (ERP) system and case management platform across all businesses in the Xenith Group.

¹⁵ This estimate includes the cost savings referred to in paragraph 70(b), but excludes one-off implementation costs which management has estimated at between \$4 million and \$6 million.

Financial performance

80 The financial performance of Xenith for the three years to FY18 is set out below:

Xenith – statement of financial performance⁽¹⁾			
	FY16	FY17	FY18
	Pro forma⁽³⁾	Actual⁽⁴⁾	Actual
	\$m	\$m	\$m
Service fees	32.0	60.6	88.6
Recoverable disbursements	4.3	24.3	37.8
Other income	0.6	0.0	0.1
Total revenue	36.9	84.9	126.4
Employee benefit expenses	(13.3)	(33.8)	(52.4)
Disbursement expenses	(9.3)	(24.4)	(37.6)
Occupancy expenses	(1.5)	(4.7)	(7.5)
Other expenses	(3.6)	(6.5)	(10.8)
Operating expenses	(27.7)	(69.4)	(108.3)
EBITDA (before significant items)	9.2	15.5	18.1
Depreciation expense	(0.4)	(1.1)	(2.1)
EBITA (before significant items)	8.8	14.4	16.0
Amortisation of acquisition intangibles	-	(2.0)	(4.4)
EBIT (before significant items)	8.8	12.4	11.6
Significant (non-recurring) items ⁽²⁾	(1.8)	(5.6)	(22.4)
Net interest expense	(0.1)	(0.4)	(1.2)
Profit / (loss) before tax	6.8	6.4	(12.0)
Income tax expense	(0.3)	(2.4)	(2.7)
Profit / (loss) after tax	6.5	4.0	(14.7)
<i>EBITDA margin (EBITDA / Service fees)</i>	<i>28.8%</i>	<i>25.6%</i>	<i>20.4%</i>

Note:

- 1 Rounding differences exist.
- 2 Significant (non-recurring) items are as follows:

Restructure, IPO costs and other adjustments	(1.5)	(1.8)	(1.7)
Acquisition related expenses	(0.3)	(2.4)	-
Fair value adjustment to contingent consideration	-	(1.4)	-
Impairment losses	-	-	(20.7)
	(1.8)	(5.6)	(22.4)

- 3 Pro forma accounts restated assuming the business was operated as an ASX listed entity for the full year (including paying the principals a salary from 1 July 2015).
- 4 Includes five and eight month's respective contributions from the Griffith Hack and Watermark businesses.

Results up to 30 June 2017 (FY17)

81 Xenith listed on the ASX on 19 November 2015 and completed the acquisitions of the Watermark business in November 2016 and the significantly larger Griffith Hack business in February 2017. As a result, the historical results prior to FY18 do not incorporate a full year contribution from the businesses that currently comprise the group.

- 82 Xenith's service revenue and underlying EBITDA for FY16 outperformed the forecasts provided in its initial public offering (IPO) prospectus by some 7.7% and 22.7% respectively. This reflected growth in revenue and core business activities due to, inter alia, the bring forward of revenue provided from the Raising the Bar legislation in Australia and the America Invents Act in the US.
- 83 Services revenue and EBITDA grew significantly in FY17 due to the addition of the Watermark and Griffith Hack businesses (from 2 November 2016 and 2 February 2017, respectively). Excluding these acquisitions and the investment in corporate team development, EBITDA from Xenith's pre-acquisition businesses declined by \$0.5 million to \$8.7 million, due to employee and other cost increases as well as the impact of foreign exchange (FX) headwinds.

Year ended 30 June 2018 (FY18)

- 84 FY18 reflects the first full year contribution from the Griffith Hack and Watermark businesses. As a result of these acquisitions, Xenith's service revenue and underlying EBITDA for FY18 increased by 46.2% and 16.8%, respectively. Excluding contributions from acquisitions, group service revenue reduced by \$1.2 million, reflecting a reduction in revenue of \$0.7 million for the Shelston IP business (attributed to softness in patent prosecution revenue) as well as foreign exchange headwinds of \$0.5 million.
- 85 The FY18 result was negatively impacted by a slowdown in activity in the Australian patents market (industry wide patent filing volumes declined 2.2% in the first half relative to the previous comparable period, but increased 1.7% in the second half relative to the previous comparable period), excess capacity and the suboptimal utilisation of professional staff. In the second half of FY18 steps were taken to reduce excess capacity and to refocus attention on clients, business development and efficient service delivery. This resulted in a significantly improved performance compared to the first half.
- 86 Xenith's costs increased by \$2.5 million in FY18 due to annual salary increases in the Shelston IP business (\$0.6 million), as well as the higher expenses associated with the group executive team (\$1.9 million) to appropriately manage the transformation of the business post the acquisitions of Griffith Hack and Watermark. The costs of the business transformation program included, inter alia, the appointment of a Chief Transformation Officer.
- 87 Whilst the acquired Griffith Hack and Watermark businesses contributed additional EBITDA of \$6.3 million in FY18 (over FY17), after allowance for the revenue reduction and cost increases detailed above, underlying EBITDA for Xenith increased by only \$2.6 million.

Guidance for the year to 30 June 2019 (FY19)

- 88 Xenith has not provided detailed guidance with respect to revenue and earnings for FY19. However, on 29 August 2018 (in the FY18 results presentation) management stated that:
- (a) the result in the second half of FY18 was the "new base" for the business; and
 - (b) they "*expect to see modest growth in earnings in FY19 as we execute our transformation plan*".
- 89 Similar comments were made at the subsequent annual general meeting (AGM) on 28 November 2018.

Financial position

90 The financial position of Xenith as at 30 June 2017 and 2018 is set out below:

Xenith – statement of financial position⁽¹⁾		
	30 Jun 17	30 Jun 18
	\$m	\$m
Debtors and prepayments	30.6	30.6
Work in progress	2.2	4.1
Creditors, accruals and provisions	(14.7)	(16.1)
Net working capital	18.1	18.7
Property, plant and equipment	6.6	6.0
Intangible assets	162.7	137.4
Other assets / (liabilities)	(13.4) ⁽²⁾	(7.1)
Income tax receivable / (payable)	(2.6)	0.3
Provisions (non-current)	(2.0)	(1.5)
Deferred tax liabilities (non-current)	(15.4)	(14.8)
Total funds employed	154.0	138.9
Cash and cash equivalents	3.6	2.8
Interest bearing liabilities	(14.9)	(15.8)
Derivative financial instruments (net)	0.1	(0.4)
Net cash / (borrowings)	(11.2)	(13.4)
Net assets attributable to Xenith shareholders	142.8	125.5

Note:

- 1 Rounding differences exist.
- 2 Includes contingent consideration liability of \$5.2 million in relation to the Watermark acquisition (which was subsequently paid through a combination of cash and shares).

Intangible assets

91 The composition of Xenith's intangible assets is shown below:

Xenith – intangible assets		
	30 Jun 17	30 Jun 18
	\$m	\$m
Goodwill	81.2	60.1
Customer relationships	68.8	65.0
Brand names	9.1	9.1
Computer software	3.6	3.2
Total	162.7	137.4

92 The majority of Xenith's intangible assets including goodwill, customer relationships, brand names and computer software relate to acquisitions, noting that:

- (a) goodwill is tested annually for impairment using the value in use method. As at 30 June 2018, a pre-tax discount rate of 14.5% was adopted for impairment testing purposes
- (b) customer relationships are reported based on the assessed value of the acquired entities' customer relationships. In valuing the customer relationships, Xenith has regard to the

existing customer revenue stream, growth rates, profitability, and attrition rates of customers at the time of acquisition

- (c) brand names are reported based on the assessed value at acquisition date of the acquired entities' brand names, including trade marks, using the royalty relief method
- (d) software assets are reported based on the assessed fair value determined by their replacement cost at the acquisition date. Internally generated software is recognised at cost, from the point that asset recognition criteria are satisfied.

- 93 During the second half of FY18, a comprehensive analysis of the IP industry was conducted by Xenith that resulted in a downward revision to the forecast cash flows used for impairment testing. The analysis highlighted that the impact of legislative changes that had occurred in prior years was more prolonged than initially anticipated (refer Section V for more detail). While Xenith considers the transient impacts of these legislative changes to have largely washed through the Australian patent process, current industry volumes support a (downward) rebasing of the Griffith Hack earnings, which emerged as part of the FY19 budgeting process. Additionally, Xenith has applied more modest longer-term revenue growth assumptions in the valuation of the Griffith Hack cash-generating unit (CGU). This resulted in an impairment of goodwill for the Griffith Hack CGU of \$20.3 million during FY18.
- 94 The forecast cash flows for the Glasshouse Advisory CGU were also adjusted down in the second half of FY18 due to lower than expected performance post its relaunch in May 2017. As a result, Xenith expects lower growth for this business over the next few years than previously expected. Impairment testing, taking into account these developments, resulted in a goodwill impairment adjustment of \$0.2 million during FY18.

Net debt

- 95 As at 30 June 2018, Xenith had bank loans outstanding of \$16.0 million¹⁶ drawn from total available loan facilities of \$50.0 million. The bank loan facilities had an effective interest rate of 5.7% (inclusive of a 1.0% per annum line fee payable on the facility limit of \$50.0 million). After inclusion of Xenith's cash and net derivative position, net debt for the group was \$13.4 million as at 30 June 2018.

Share capital and performance

- 96 As at 25 January 2019, Xenith had 88.7 million fully paid ordinary shares on issue, including 21.6 million shares subject to voluntary escrow arrangements. In addition, Xenith had 0.6 million performance rights on issue¹⁷.

Significant shareholders

- 97 Prior to the announcement dated 13 February 2019 by IPH stating that it had acquired a 19.9% interest in Xenith there were three substantial shareholders in Xenith that held a total of 25.1% of the ordinary shares on issue, as detailed below:

¹⁶ Net of capitalised borrowing costs of \$0.2 million.

¹⁷ Some 0.3 million of these performance rights will vest under the Scheme.

Xenith – substantial shareholders⁽¹⁾

Shareholder	Shares held	
	million	% interest
Perpetual Limited	8.9	10.0
Commonwealth Bank of Australia	7.8	8.8
Adam Smith Asset Management	5.5	6.2
Total	22.2	25.1

Note:

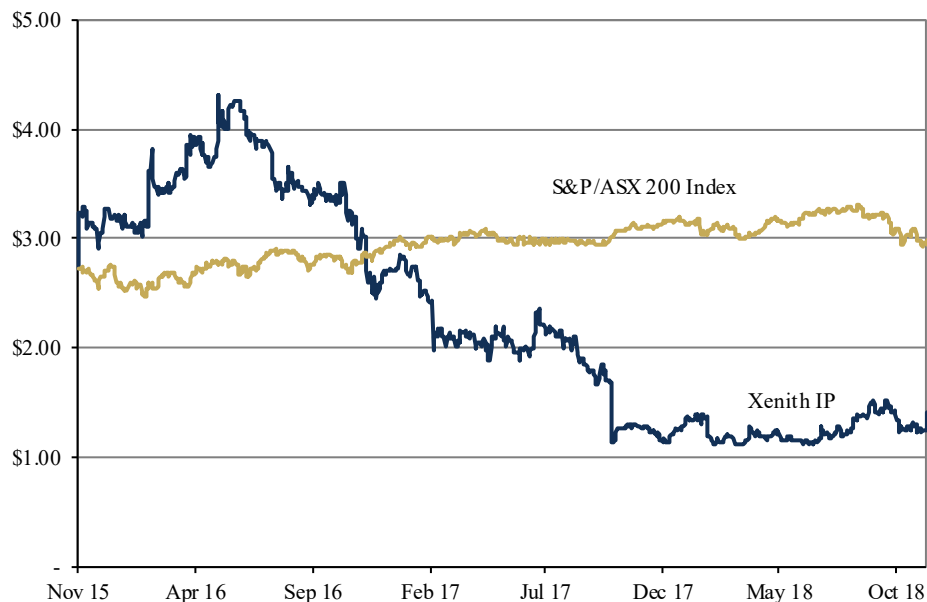
1 Rounding differences exist.

Share price performance

98 The following chart illustrates the movement in the share price of Xenith and the S&P/ASX 200 Index from 19 November 2015 (i.e. the date Xenith listed on the ASX) to 26 November 2018¹⁸:

Xenith – share price history⁽¹⁾

19 November 2015 to 26 November 2018



Note:

1 Based on closing prices. The S&P/ASX200 Index has been rebased to the Xenith IPO price of \$2.72.

Source: Bloomberg.

99 Since listing on the ASX at a price of \$2.72, the Xenith share price spiked to over \$4.00 for a short period during mid-2016 and then reduced significantly over the subsequent year and a half. In our opinion, this has been attributable to:

- (a) Xenith reporting earnings that have failed to meet expectations, which was partially attributable to softer industry conditions post the spike in work associated with the changes to Australian IP legislation (refer Section V)

¹⁸ Being the last trading day prior to the announcement of the Scheme.

- (b) the financial performance of the Griffith Hack business falling short of expectations
- (c) an industry-wide de-rating for the listed IP companies as the level of available work has reduced and the implied earnings multiples have contracted.

Liquidity in Xenith shares

100 The liquidity in Xenith shares based on trading on the ASX over the 12 month period to 26 November 2018¹⁹ is set out below:

Xenith – liquidity in shares						
Period	Start date	End date	No. of shares traded 000	WANOS⁽¹⁾ outstanding 000	Implied level of liquidity Period⁽²⁾ %	Annual⁽³⁾ %
1 month	27 Oct 18	26 Nov 18	1,240	88,718	1.4	16.8
3 months	27 Aug 18	26 Nov 18	6,253	88,718	7.0	28.2
6 months	27 May 18	26 Nov 18	8,208	88,718	9.3	18.5
1 year	27 Nov 17	26 Nov 18	19,891	88,718	22.4	22.4

Note:

- 1 Weighted average number of shares outstanding (WANOS) during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

101 As indicated in the table above, over the last 12 months the implied level of liquidity in Xenith shares on an annualised basis has been relatively low.

¹⁹ Being the last trading day prior to the announcement of the Scheme.

IV Profile of QANTM

Overview

102 QANTM is the owner of the professional IP services firms operating under the names of Davies Collison Cave (DCC), FPA Patent Attorneys (FPA) and Advanz Fidelis IP Sdn Bhd (Advanz). These companies provide services associated with the creation, protection, commercialisation, enforcement and management of IP rights. The services cover all aspects of both patent or design procurement and trade mark procurement (for clients seeking protection). QANTM's operations are predominantly based in Australia with an expanding Asian practice.

History

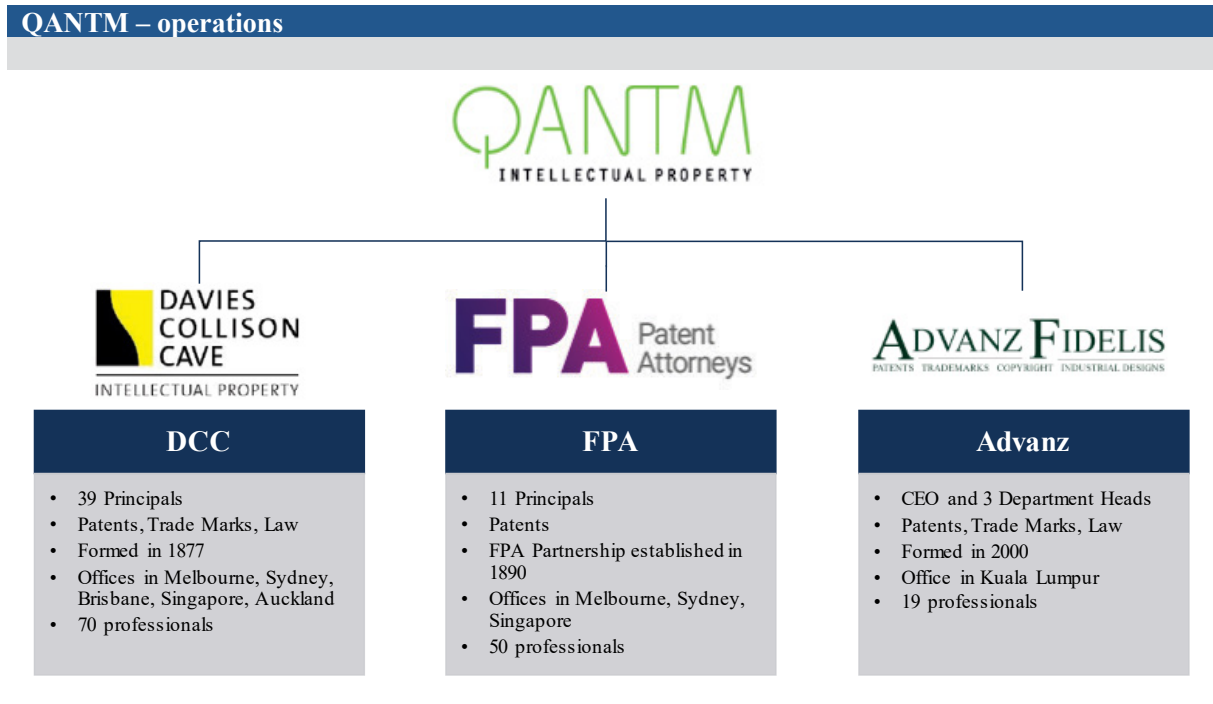
- 103 DCC's history dates back to the establishment of Collison & Co in 1877 (originally named Conigrave & Collison). The Melbourne business of Collison & Co was acquired by Mr Les Davies in 1929 to form Davies & Collison. In 1991, Davies & Collison acquired the Sydney company Arthur S Cave and became known as Davies Collison Cave.
- 104 In 1988, the patent attorney practice, which was to become FPA, was formed within Freehill Hollingdale & Page and by 1991 FPA had begun practicing as a separate business unit within that company. In 2000, following a period of organic growth, FPA merged with the patent attorney firm Carter Smith & Beadle (which traces its origins back to 1890). In 2012, FPA adopted a separate management structure and entered into a formal relationship agreement with the Freehills partnership.
- 105 In July 2015, DCC opened an office in Singapore to take advantage of the opportunities presented by the industrialisation and expected growth in Asian economies and the corresponding related growth in R&D investment (which requires comprehensive IP services).
- 106 QANTM was incorporated on 17 May 2016 and listed on the ASX on 31 August 2016 as the third Australian specialist IP firm²⁰. Since both DCC and FPA had historically operated as partnerships the businesses were restructured²¹ prior to listing, which resulted in the two companies retaining their brand names and operating as separate businesses, wholly owned by QANTM.
- 107 QANTM acquired the Malaysian IP company, Advanz, on 2 July 2018. This acquisition increased the company's exposure to South East Asia and followed the opening of the Singapore office in 2015. The acquisition involved an upfront payment of \$3.05 million with further payments subject to agreed earn-out arrangements over an 18 month period (representing 6.5x normalised EBITDA).

²⁰ The other ASX listed IP firms are IPH, which listed on the ASX in 2014, and Xenith, which listed on the ASX in 2015.

²¹ The restructure required the partners of each firm to transfer their interest in the partnership assets to a newly incorporated proprietary limited entity in exchange for a certain number of shares in the new company.

Current operations

108 QANTM's workforce of around 330 includes approximately 150 fee-generating professional IP personnel, as well as some 180 professional, administrative and support staff. The company operates offices located in Sydney, Melbourne, Brisbane, Auckland, Singapore and Kuala Lumpur. A summary of the operations, locations and professional workforce for each of QANTM's client facing businesses is provided in the diagram below:



109 Details of QANTM's client facing businesses are as follows:

- DCC** – one of Australia's largest patent and trade mark attorney firms with three major service areas being patents, trade marks and legal services. Legal services are provided under the Davies Collison Cave Law brand, an IP focused commercial law and litigation practice that is separate from the patent and trade mark practice. DCC also generates income through a strategic alliance with CPA Global Limited (CPA)²², whereby DCC receives a commission based on the fees for services provided to CPA clients by DCC
- FPA** – a specialist patent attorney practice that provides services across all stages of the patent and design lifecycles, comprising pre-filing, filing, prosecution and renewal. FPA's clients include multi-national companies and listed companies, as well as Australia's leading universities, research organisations and start-ups
- Advanz** – a leading Malaysian specialist IP company that provides services from idea conception through to the commercialisation stage. The company services clients in Malaysia, other parts of Asia, Europe and the US.

²² CPA specialises in the provision of patent, design and trade mark maintenance services.

Services provided

- 110 QANTM's constituent firms generate revenue by providing services associated with the creation, protection, commercialisation, enforcement and management of IP rights. The majority of fees²³ are generated through IP protection during the initial filing and prosecution phase of the patent or trade mark process. In addition, QANTM derives revenue from services outside the IP application process, including:
- (a) searching for patents in a particular field of technology and identifying opportunities for potential patent protection
 - (b) providing litigation and other services in relation to all forms of IP including patents, design, trade marks and copyright
 - (c) providing advice regarding compliance with the ASX and the Corporations Act, taxation, mergers and acquisitions and capital raisings, and business and estate succession planning; and
 - (d) making trade mark due diligence enquiries and providing advice in relation to trade mark infringements.

Strategy

- 111 QANTM's strategic focus since its 2016 listing has been to grow revenue and retain its client base by:
- (a) offering consistently superior patent and trade mark application and renewal, prosecution and litigation, and strategic advisory services
 - (b) delivering synergies and operating efficiency savings amongst its group entities through implementation of an information communications technology (ICT) platform, back office rationalisation and investment in innovative technical systems; and
 - (c) maintaining and enhancing internal organisational capabilities by minimising staff turnover, supporting career advancement and professional training opportunities, and rewarding professional personnel through share based incentive arrangements aligned with shareholder interests.
- 112 The company plans to expand its business and build on its existing South East Asian presence, (including its Singapore offices and the Advanz business) and to better service its clients in Australia, the US and in the rest of the world. The company also aims to expand by evaluating potential acquisition opportunities to increase the scale and interlinkage of its Asian presence.

²³ Fees are charged on an hourly rate basis, a fixed price basis, or a combination of the two.

Financial performance

113 QANTM's pro forma financial performance for the two years ended FY17²⁴ and its financial performance for FY18 is set out below:

QANTM – statement of financial performance⁽¹⁾			
	FY16	FY17	FY18
	Pro forma	Pro forma	Audited
	\$m	\$m	\$m
Service charges	81.5	80.4	76.5
Associated charges ⁽²⁾	25.5	22.8	25.2
Other income (including FX movements)	5.1	2.9	2.9
Total revenue	112.1	106.1	104.6
Employee benefits expenses	(42.3)	(44.2)	(43.9)
Recoverable expenses	(23.2)	(19.9)	(23.4)
Occupancy expenses	(5.9)	(6.7)	(6.5)
Other expenses	(14.1)	(10.8)	(10.7)
Operating expenses	(85.5)	(81.6)	(84.5)
EBITDA (before significant items)⁽³⁾	26.6	24.5	20.1
Depreciation expense			(1.2)
EBITA (before significant items)			19.0
Amortisation of acquisition intangibles			(1.0)
EBIT (before significant items)			18.0
Significant (non-recurring) items			(3.2) ⁽⁴⁾
Net interest expense			(0.8)
Profit before tax			14.0
Income tax expense			(4.5)
Profit after tax			9.5
<i>EBITDA margin (EBITDA / Service fees)</i>	<i>32.6%</i>	<i>30.5%</i>	<i>26.3%</i>

Note:

- 1 Rounding differences exist.
- 2 Associated charges refer to the on-charging invoices from foreign associates for patent and trade mark work undertaken on behalf of QANTM.
- 3 QANTM sets out the underlying EBITDA both before and after the impact of FX movements on receivables (and other assets and liabilities). That is, the EBITDA after FX includes the impact of the change in FX rate between invoicing and collection. For the purposes of this table FX has been included as an ordinary expense.
- 4 Significant items include restructuring and business acquisition expenses of \$2.3 million, one-off employee incentive payments of \$0.8 million and share based payments of \$0.1 million.

Year to 30 June 2017 (FY17)

114 QANTM's pro forma service charge revenue declined by 1.3% to \$80.4 million in FY17, reflecting inter alia a modest decline in patent filing, advisory and prosecution revenue, higher trade mark revenues and modest growth in both Singaporean patent applications and originating Patent Cooperation Treaty (PCT) applications.

²⁴ QANTM listed on the ASX on 31 August 2016 and hence FY18 is the only full year of actual results for the company. Results for FY16 and FY17 are therefore presented on an underlying pro forma basis reflecting the adjusted consolidated statutory income statements for DCC and FPA.

- 115 Operating expenses in FY17 (pro forma) were approximately 2% below FY16 levels, offsetting the slight decline in service revenues. This reflected, inter-alia, savings from back office rationalisation and the migration to a single ICT platform (which was completed during FY17).
- 116 Pro forma EBITDA before significant items (underlying EBITDA) was \$24.5 million, a \$2.1 million reduction in comparison to the previous year. However, excluding the impact of FX, underlying EBITDA showed modest growth (of \$0.1 million) to \$23.6 million.
- 117 QANTM's FY17 pro forma results were below the pro forma forecasts set out in its IPO prospectus dated 9 August 2016 (service revenue and underlying EBITDA were forecast to be \$86.0 million and \$27.5 million respectively in the IPO). QANTM management consider that this was principally due to the Australian industry experiencing a flat year in patent application filings, whilst the IPO forecast assumed market growth rates in line with historical experience. Patent prosecution revenues were also below IPO expectations.

Year to 30 June 2018 (FY18)

- 118 In FY18 service revenues fell 4.9%, mainly due to a 6.2% decline in Australian patent applications and a 9.3% decline in Asian patent applications. However, trade mark filings grew approximately 3% and legal / litigation revenues increased 7.9%. The lower overall revenues adversely impacted underlying EBITDA margins.
- 119 Underlying EBITDA was \$20.1 million in FY18, a decline of \$4.4 million or 18% in comparison to the previous year. Excluding the impact of FX, underlying EBITDA reduced by \$4.3 million to \$19.3 million. Consistent with Xenith, QANTM also reported an improved result in the second half of FY18, with underlying EBITDA after FX increasing to \$10.7 million from \$9.4 million in the first half of FY18.

Guidance for the year to 30 June 2019 (FY19)

- 120 On 2 July 2018, QANTM completed the acquisition of Advanz for an upfront cost of \$3.05 million²⁵. This business was acquired on a normalised trailing EBITDA multiple of 6.5 times, implying EBITDA of \$0.5 million.
- 121 QANTM has not provided detailed guidance with respect to revenue and earnings for FY19. However, on 29 November 2018 in its Chairman and Managing Director's Address to QANTM shareholders, management stated the following with respect to the FY19 year-to-date financial performance:

"2019 Year-to-Date Business and Financial Conditions

- *QANTM's total new patent cases secured in the four months to 31 October 2018 increased by well over double the growth in the Australian market.*
- *In terms of market position, both DCC and FPA have performed competitively, a trend evident in the second half of 2018 where the QANTM group grew at above the market rate for patent applications.*

²⁵ Additional payments representing 6.5x normalised EBITDA are payable, subject to earn-out over 18 months.

- *Trade Marks has continued its strong trend evident in the second half of 2018 into the first four months of the 2019 financial year, with a higher revenue and EBITDA contribution than pcp.*
- *The strong performance of our legal and litigation business in 2018 has likewise continued into the first four months of 2019.*
- *Overall QANTM's service revenue trend is positive. In total, service revenue on a like-for-like basis is showing around a 10 per cent increase relative to the same period in FY 2018.*
- *EBITDA after FX to the end of October, displaying an increase, on a like-for-like basis, of around 30 per cent, relative to pcp."*

Financial position

122 The financial position of QANTM as at 30 June 2017 and 2018 is set out below:

QANTM – statement of financial position⁽¹⁾		
	30 Jun 17	30 Jun 18
	\$m	\$m
Debtors and prepayments	30.8	32.8
Creditors, accruals and provisions	(14.5)	(15.9)
Net working capital	16.3	17.0
Plant and equipment	2.3	2.7
Intangible assets / goodwill	67.1	66.3
Provisions (non-current)	(2.7)	(2.8)
Income tax assets / (liabilities)	(3.5)	(3.2)
Deferred tax assets / (liabilities)	(1.5)	(1.8)
Total funds employed	77.9	78.2
Cash and cash equivalents	8.3	3.1
Interest bearing liabilities	(15.7)	(11.5)
Derivative financial instruments (net)	0.3	(0.1)
Net cash / (borrowings)	(7.1)	(8.5)
Net assets attributable to QANTM shareholders	70.9	69.7

Note:

1 Rounding differences exist.

Intangible assets

123 The composition of QANTM's intangible assets is shown below:

QANTM – intangible assets		
	30 Jun 17	30 Jun 18
	\$m	\$m
Goodwill	45.8	45.8
Client relationships	18.5	17.5
Brand names	2.7	2.7
Computer software	0.1	0.3
Total	67.1	66.3

- 124 The majority of QANTM’s intangible assets including goodwill and customer relationships relate to the acquisition of the FPA CGU, noting that:
- (a) goodwill is tested annually for impairment using the value in use method. As at 30 June 2018, a pre-tax discount rate of 16.4% was adopted for impairment testing purposes
 - (b) customer relationships are the assessed value reported at the date of acquisition. In valuing customer relationships, QANTM gives consideration to historical customer retention and churn statistics, projected future cash flows and appropriate capital charges. Customer relationships are amortised over a period of 20 years.

Share capital and performance

125 As at 25 January 2019, QANTM had 133.1 million fully paid ordinary shares on issue.

Significant shareholders

126 As at 25 January 2019 (based on disclosures in the FY18 annual report and substantial shareholder notices released to the ASX up to that date), there were three substantial shareholders in QANTM that held a total of 23.0% of the ordinary shares on issue as detailed below:

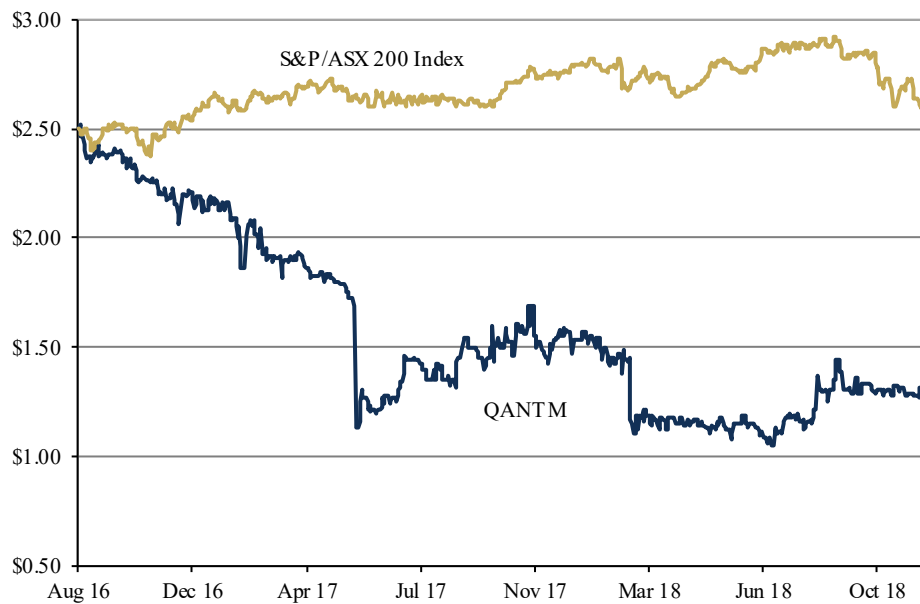
QANTM – substantial shareholders		
Shareholder	Shares held	
	million	% interest
Perpetual Limited & Subsidiaries	12.2	9.2
Investors Mutual	10.0	7.5
Renaissance Smaller Companies Pty Ltd	8.4	6.3
Total	30.6	23.0

Share price performance

127 The following chart illustrates the movement in the share price of QANTM and the S&P/ASX 200 Index from 31 August 2016 (i.e. the date the company listed on the ASX) to 26 November 2018²⁶:

²⁶ Being the last trading day prior to the announcement of the Scheme.

QANTM – share price history⁽¹⁾
30 August 2016 to 26 November 2018



Note:

¹ Based on closing prices. The S&P/ASX 200 Index has been rebased to QANTM's last traded price on 31 August 2016, being \$2.50.

Source: Bloomberg.

128 Since listing on the ASX at a price of \$2.50²⁷ on 31 August 2016, the QANTM share price has materially underperformed the S&P/ASX 200 Index. In our opinion, this has been attributable to (inter-alia):

- (a) QANTM reporting earnings for FY17 that failed to meet IPO expectations, which was partially attributable to softer industry conditions following the spike in work associated with the changes to Australian IP legislation (refer Section V)
- (b) the underlying FY18 EBITDA for QANTM being materially below the FY17 pro forma underlying EBITDA; and
- (c) an industry-wide de-rating for the listed IP companies, as the level of available work has reduced and the implied earnings multiples have contracted.

Liquidity in QANTM shares

129 The liquidity in QANTM shares based on trading on the ASX over the 12 month period prior to 26 November 2018²⁸ is set out below:

²⁷ Based on the closing price for QANTM shares on 31 August 2016.

²⁸ Being the last trading day prior to the announcement of the Scheme.

QANTM – liquidity in shares						
Period	Start date	End date	No. of shares traded 000	WANOS⁽¹⁾ outstanding 000	Implied level of liquidity Period⁽²⁾ %	Implied level of liquidity Annual⁽³⁾ %
1 month	27 Oct 18	26 Nov 18	367	133,051	0.3	3.3
3 months	27 Aug 18	26 Nov 18	5,104	133,044	3.8	15.3
6 months	27 May 18	26 Nov 18	12,281	132,975	9.2	18.5
1 year	27 Nov 17	26 Nov 18	18,483	132,941	13.9	13.9

Note:

- 1 WANOS during relevant period.
- 2 Number of shares traded during the period divided by WANOS.
- 3 Implied annualised figure based upon implied level of liquidity for the period.

130 As indicated in the table above, over the last 12 months the implied level of liquidity in QANTM shares on an annualised basis has been relatively low.

V Industry overview

Introduction

- 131 IP is generally considered to be the product of intellectual creativity and ingenuity. Such creativity finds expression in many forms including inventions, designs, brands and artistic works. IP rights similarly take a variety of forms including patents, trade marks, industrial designs, copyrights, plant breeder's rights, circuit layouts and trade secrets. IP rights allow inventors and entrepreneurs to have exclusive commercial control over their work. A number of these IP rights, including patents, trade marks, plant breeder's rights and industrial designs are subject to formal registration regimes, giving rise to limited term monopoly protection under the relevant statutes. Registered trade marks can however be renewed indefinitely.
- 132 IP is protected internationally by a network of country specific laws, international conventions, treaties and administrative bodies. In most cases, in order for IP rights to be effectively protected and enforced, they must be registered with the relevant government bodies, typically national IP offices, in accordance with specific statutory processes, on a country by country basis.

Types of IP

- 133 Some IP rights require registration with the applicable authority, such as patents, trade marks, plant breeder's rights and industrial designs. These rights must be registered with the prescribed IP authority in order for the owner to have the benefit of protection offered under the applicable IP legislation. There are also IP rights that do not require registration. The most common forms of non-registrable IP rights include copyright and circuit layouts, whereby rights are deemed to exist at the creation of the underlying IP, and trade secrets and confidential information, which are protected by contractual arrangements or common law²⁹. The most common forms of IP rights are summarised as follows:
- (a) **patents** – provide monopoly protection to safeguard technological innovation and grants the owner a legally enforceable right to exclude others from use of the invention³⁰. The scope of patentable subject matter includes machines and devices, products and processes, formulations and compositions, medical diagnostics and methods of treatment, computer implemented inventions, pharmaceuticals and biological materials. The subject matter capable of patent protection may vary from country to country. In Australia, there are currently two types of patents, being standard patents and innovation patents³¹
 - (b) **trade marks** – a sign or other device used to indicate and distinguish the trade origin of goods or services that grants the owner a legally enforceable right that restrains others from use of the trade mark on specified goods or services. Trade marks may take a variety of forms including brand names, stylised letters or words, logos, aspects of packaging, sounds, scents, colours and shapes. In Australia, the initial protection period

²⁹ Both Xenith and QANTM derive the majority of their revenue by providing services in relation to registrable IP rights.

³⁰ As defined in the patent claims within the relevant jurisdiction.

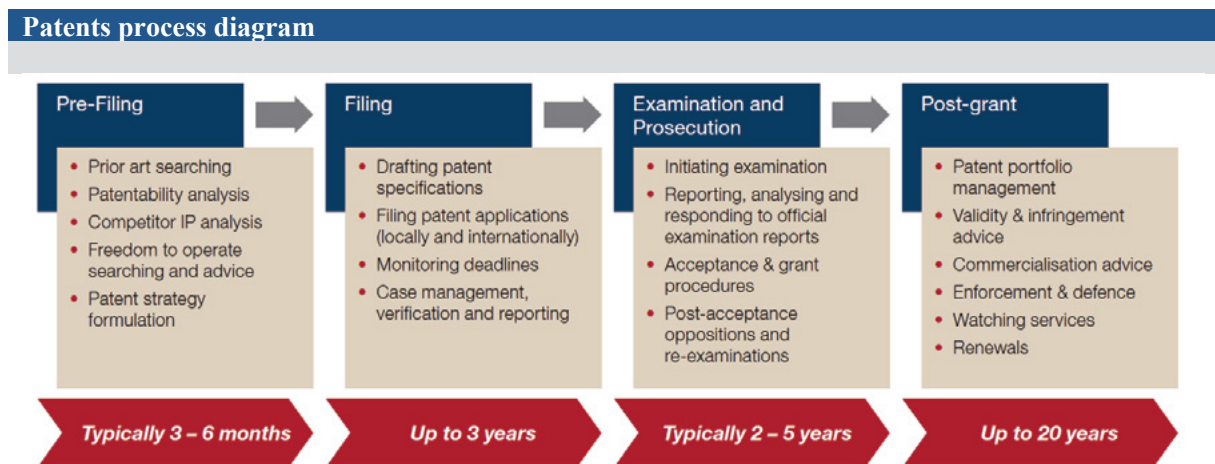
³¹ Standard patents are used to protect most inventions for a period of up to 20 years (or 25 years for certain pharmaceutical inventions). Innovation patents are less common and have a maximum term of eight years and are typically used for inventions with a lower innovative threshold or shorter commercial life (or for strategic purposes in litigation).

for trade marks is 10 years, however unlike patents, the initial protection period can be renewed indefinitely, subject to continued use

- (c) **designs** – protect product appearance by conferring a monopoly right in the shape and configuration, or surface pattern and ornamentation, applied to a product. The scope of registrable subject matter covers virtually any manufactured product or component part with some physical characteristic that is new and visually distinctive. In Australia, the protection period for registered designs is 10 years, subject to renewal after an initial registration period of five years.

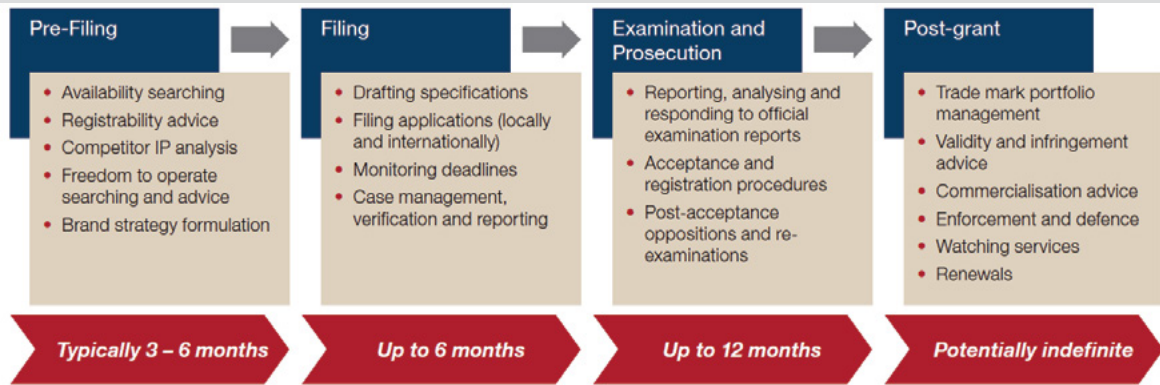
The role of IP lawyers and attorneys

- 134 With spending on global R&D continuing to grow in both absolute terms and as a percentage of gross domestic product, businesses are increasingly seeking specialist advice to maximise returns on their investments in R&D, innovation and intellectual assets. Industry participants employ a range of highly specialised professional staff including patent attorneys, trade mark attorneys and IP lawyers with appropriate technical, legal and IP specific qualifications.
- 135 There are many steps in the patent and trade mark registration process in which IP professionals provide expertise including drafting and filing, examination or prosecution, acceptance and grant, and patent and trade mark renewal. IP lawyers and attorneys also provide services after IP has been established by assisting with the structuring and documentation of commercialisation arrangements, enforcement of IP rights against infringers, and advice and defence in response to IP infringement allegations.
- 136 The process from application, through substantive examination, to acceptance and grant extends over a number of years for patents, as indicated in the figure below:



- 137 The process for trade marks is much shorter, and typically takes around 12 months from preparation and application, to acceptance and registration in Australia. This period can extend significantly if the application encounters objections from IP Australia or opposition by third parties.

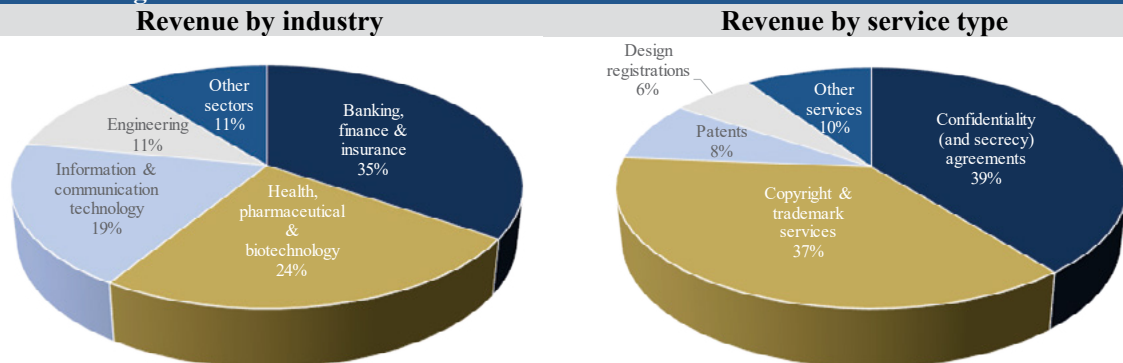
Trade marks process diagram



The Australian market

138 IP lawyers and attorneys service a range of industries across Australia, generating total revenue of around \$970 million in FY18³². Demand for services tends to be stronger in specific industries, for example, the banking, finance, and insurance industries require additional services in relation to confidentiality agreements, whilst the health, pharmaceutical and biotechnology sectors require more comprehensive patent services.

IP revenue segmentation in Australia



Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

Patent applications

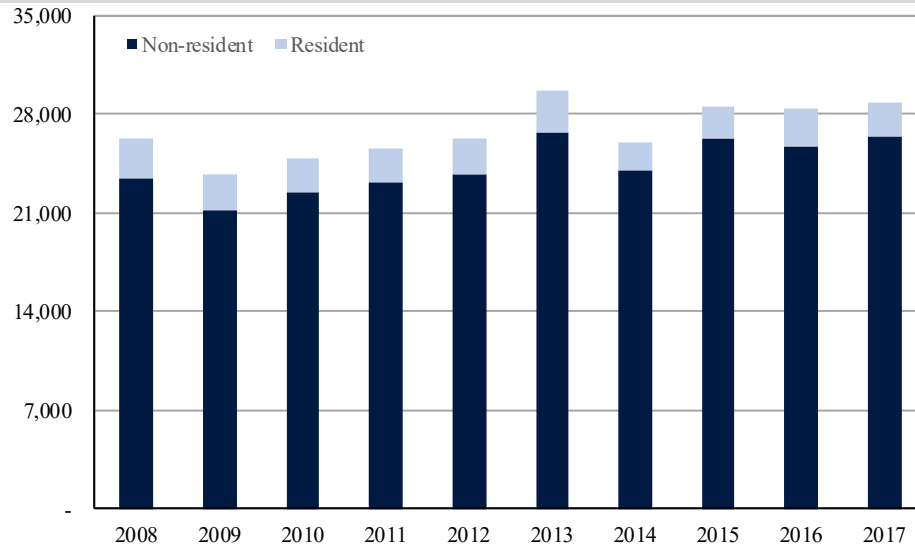
139 Approximately 29,000 patent applications were filed in Australia in 2017, bringing the total number of patents in force as at 31 December 2017 to approximately 145,000³³. A summary of the number of patent applications in Australia over the 10 years to 2017 is as follows:

³² Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

³³ Source: World Intellectual Property Organization (WIPO) statistics database (last updated December 2018).

Patent applications filed in Australia

Year ended 31 Dec



Source: WIPO statistics database.

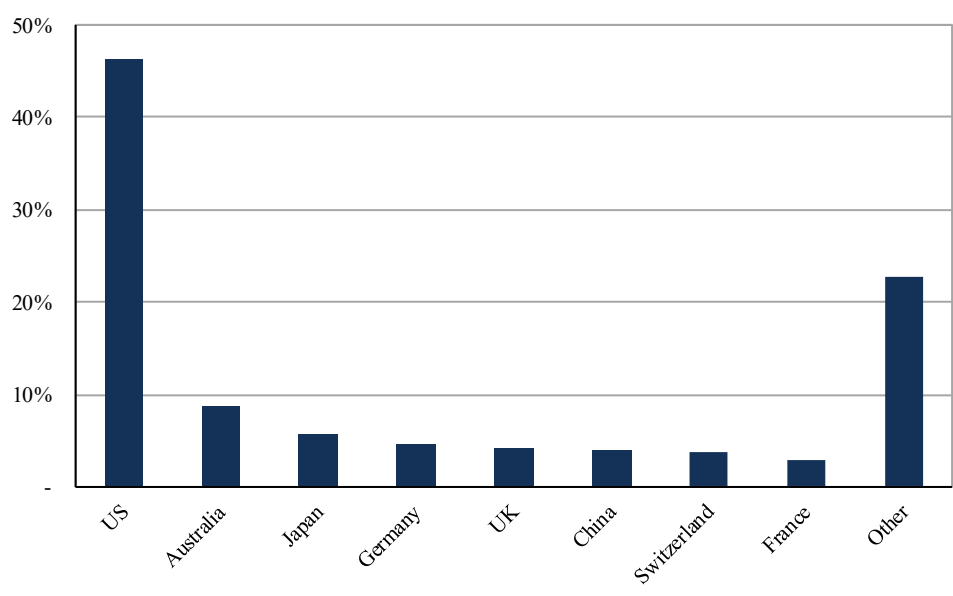
- 140 A change to IP laws in Australia, culminating in the implementation of the Raising the Bar Amendments³⁴, came into effect on 15 April 2013. This resulted in a significant number of Australian patent applications being brought forward to 2013 that would otherwise have been filed in 2014³⁵. The spike in application requests created a significant backlog in processing by IP Australia, which took longer than initially expected to clear, with the prolonged effect favourably impacting revenues for industry participants during this period. The transient impacts of the legislative changes are now believed to have largely washed through the Australian patent process and industry volumes have returned to a normal level. However, resident patent applications have experienced a brief downturn in the first half of FY18, with negative growth of 2.2% recorded for HY17 (representing an annual decline of 6.2%).
- 141 The majority of patent applications (some 91.3%) in Australia are filed by non-resident³⁶ applicants. The US is by far the largest source of patent filings, representing 46.3% of the total Australian filings in 2017. The next largest sources of Australian patent filings in Australia in 2017 were Japan, with 5.6% of Australian patent filings, Germany (with 4.6%) and the United Kingdom (with 4.3%).

³⁴ The *Intellectual Property Laws Amendment (Raising the Bar) Act 2012 (Cth)* imposed changes on the key legislation governing patents, trade marks and registered designs in Australia. One of the key changes was to raise the standard and quality of patents to more closely align Australian legislation with international standards, effectively raising the requirements of ‘inventiveness’ and level of support for the invention required to be set out in the patent application.

³⁵ The annual increase in applications filed in 2013 was approximately 14%, whereas the corresponding decrease in applications for 2014 was approximately 13%.

³⁶ Non-resident applications refer to applications filed with a patent office within Australia by an applicant residing overseas.

**Application country of origin for patent filings in Australia
12 months to 31 December 2017**

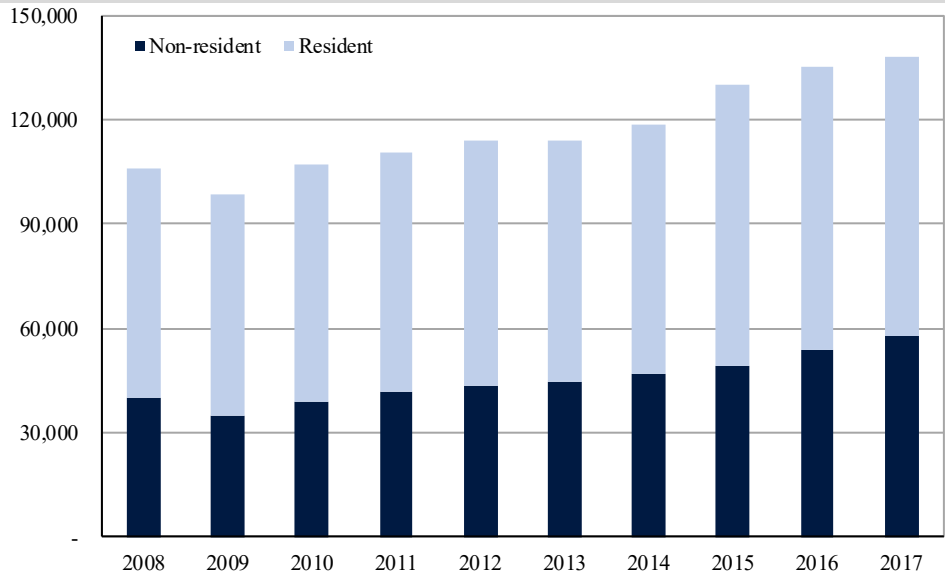


Source: WIPO statistics database.

Trade mark applications

142 Approximately 138,000 trade mark applications were filed in Australia in 2017, bringing the total number of registered trade marks in force as at 31 December 2018 to approximately 635,000³⁷. A summary of the number of trade mark applications in Australia over the 10 years to 2017 is as follows:

**Trade mark applications filed in Australia
Year ended 31 December**



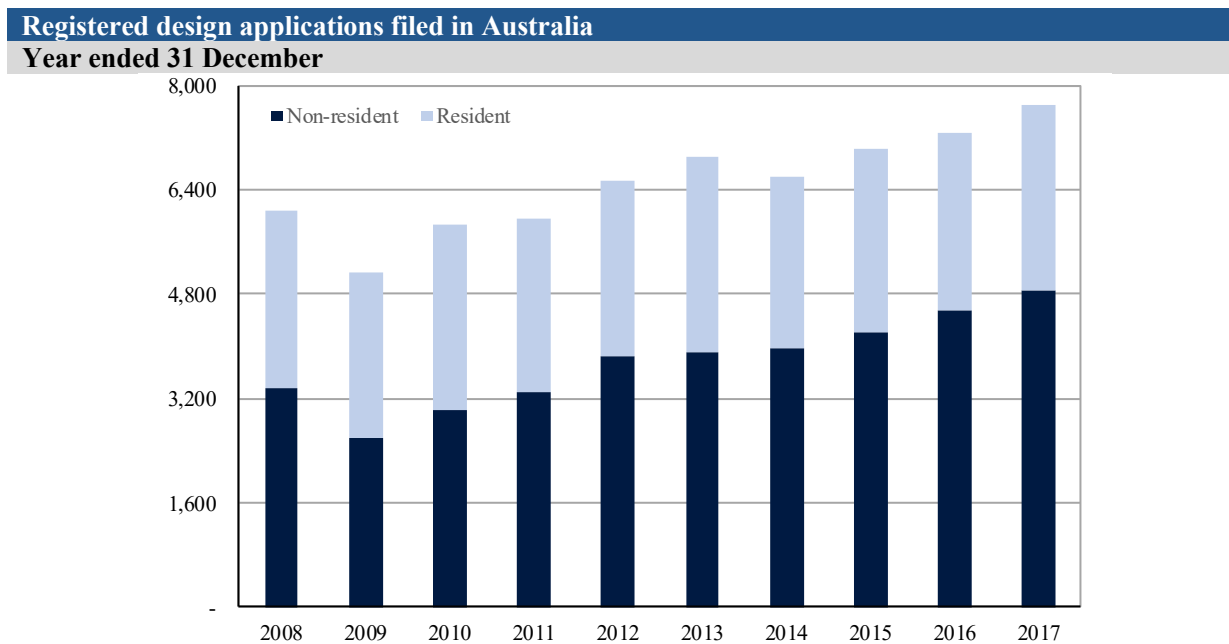
Source: WIPO statistics database.

³⁷ Source: WIPO statistics database (last updated December 2018).

143 In the five years to 2017, resident and non-resident trade mark applications increased at compound annual growth rates (CAGRs) of 2.6% and 5.9%, respectively. During this period resident applications showed positive growth in three of the five years, whilst non-resident applications showed growth in each of the five years. Accordingly, over this five year period, the level of non-resident trade mark applications exhibited both higher growth and less volatility than resident applications.

Registered design applications

144 The total number of registered design applications filed In Australia in 2017 was approximately 7,700. A summary of the number of registered design applications in Australia over the 10 years to 2017 is as follows:



Source: WIPO statistics database.

145 The number of registered design applications has grown at a CAGR of 5.2% since 2009³⁸. Over this period, the share of non-resident applications has increased from around 55% in 2008 to 63% in 2017. This is primarily due to an overall upward trend in industrial design applications globally, which have grown at annual rate of 8% over the past 10 years³⁹.

146 In 2017, IP Australia undertook an economic analysis to explore the cost and benefits to Australia of joining the Hague Agreement, an international system that allows designers to file in 70 territories through a single application. The economic analysis report concluded that the net benefits to Australian applicants were outweighed by net costs to Australian consumers and IP service providers⁴⁰.

³⁸ The 2009 year was negatively impacted by the global financial crisis.

³⁹ Source: IP Australia (2018) *Australian Intellectual Property 2018*.

⁴⁰ Source: IP Australia (March 2018) *The Hague Agreement Concerning the International Registration of Industrial Designs: A cost-benefit analysis for Australia report*.

Growth drivers

147 IP revenue is influenced by macroeconomic factors that affect trends in capital expenditure (such as changes in business confidence), changes in R&D expenditure (increases in R&D expenditure typically result in higher expenditure on patents to protect new ideas etc.) and growth in downstream demand (for example, rising investment in financial technology projects in Australia has recently increased demand for trade mark and patent lawyers and attorneys).

Competitive environment

148 The major participants in the IP rights sector based on Australian patent filings in Australia include IPH with an estimated market share of 13.7% for FY18, Xenith (with a 10.5% market share) and QANTM (with a 9.7% market share)⁴¹. The industry is characterised by a high level of sector fragmentation, with numerous firms of various sizes active all over Australia. Industry participants seek to gain a competitive advantage by keeping up-to-date with government policies and their implications, maintaining good client relationships and employing highly skilled and knowledgeable staff to produce high quality work for the benefit of clients.

Regulatory environment

149 IP Australia is the independent government agency that administers the grants of patents, registered designs, trade marks and plant breeder's rights in Australia. The Commonwealth Constitution sets out the Federal Government's legislative power in relation to IP, including a number of Acts that govern how IP can be protected in Australia. These Acts include provisions for:

- (a) the criteria and process for establishing and maintaining patents, trade marks, registered designs, plant breeder's rights, circuit layouts and copyright
- (b) the respective periods of exclusivity granted to the holders of IP rights
- (c) prescribing the means to undertake infringement proceedings to protect and enforce IP rights
- (d) outlining the exceptions and limitations to the exclusivity granted by IP rights.

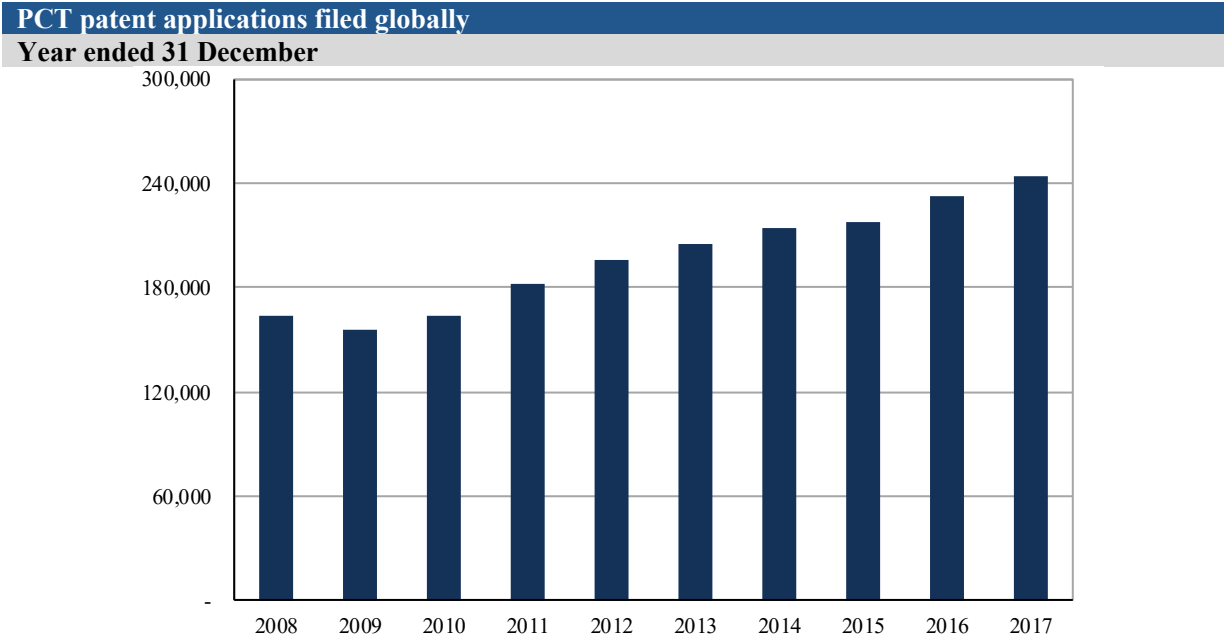
International PCT applications

150 A PCT application is a single international patent application administered by WIPO. A PCT application has initial effect in over 150 countries (i.e. those countries which are signatories to the treaty), for a period of up to 31 months from the earliest filing date. At the conclusion of the international phase, the applicant for the PCT application is required to enter the national phase in each jurisdiction in which national or regional patent protection is sought⁴². While only a proportion of PCT applications proceed to national phase entry in Australia, PCT filing statistics nonetheless provide an indication of potential future non-resident patent applications in Australia.

⁴¹ Source: IBISWorld (June 2018) *Trademark and Patent Lawyers and Attorneys in Australia*.

⁴² Thereafter, the national or regional patent applications proceed independently and patent protection effectively lapses in any jurisdiction in which protection has not been pursued.

151 A summary of the number of PCT applications globally over the 10 years to 2017 is as follows:



Source: WIPO statistics database.

152 Global PCT applications increased at a CAGR of 4.5% over the five years to 2017, which is broadly reflective of global growth in R&D, technological innovation and IP protection over this period.

VI Valuation methodology

Valuation approaches

- 153 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buybacks, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 154 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 155 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 156 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.
- 157 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the

proceeds is proposed. Using this methodology, the value of the net assets of the company is adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 158 As the proposed transaction is a merger we have assessed the standalone value of both companies on a minority interest (or portfolio) basis.
- 159 The market value of Xenith and QANTM (on a standalone basis) has been assessed using the following methodologies:

Valuation methods used	
Method	Reason
Capitalisation of EBITDA	<ul style="list-style-type: none"> • Demonstrated history of profits and expectation of ongoing profitability • Listed company EBITDA multiples for 'comparable' companies are readily observable • Transaction evidence is often expressed in terms of EBITDA multiples • The Xenith and QANTM businesses are not capital intensive
Listed market price	<ul style="list-style-type: none"> • Relative stability of share trading in both companies (notwithstanding that share trading in both companies has been relatively illiquid)

VII Valuation of Xenith

Overview

- 160 As stated in Section VI, we have adopted the capitalisation of EBITDA as our primary valuation method to assess the standalone equity value of Xenith (on a minority interest basis). Under this method, the value of the business is represented by its underlying EBITDA capitalised at a rate (or EBITDA multiple) reflecting the growth and risk inherent in those earnings.
- 161 The value of the equity in Xenith is then derived by deducting net interest bearing debt. The resulting values have been cross-checked for reasonableness by reference to the share prices prevailing prior to the announcement of the Merger.

Assessment of underlying EBITDA

- 162 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and discussed the financial performance, operating environment and prospects of the business with Xenith management.
- 163 The underlying results of Xenith for the three years ended 30 June 2018 are shown below. These results are before significant items (including impairment losses, restructuring expenses, integration costs, acquisition expenses and IPO related expenses).

Xenith – summary of underlying financial performance			
	FY16	FY17	FY18
	Pro forma⁽¹⁾	Actual⁽²⁾	Actual
	\$m	\$m	\$m
Service fees	32.0	60.6	88.6
Underlying EBITDA	9.2	15.5	18.1
<i>Underlying EBITDA margin</i>	28.8%	25.6%	20.4%

Note:

- 1 Pro forma accounts restated assuming the business was operated as an ASX listed entity for the full year (including paying the principals a salary from 1 July 2015).
- 2 Includes five and eight month's respective contributions from the Griffith Hack and Watermark businesses.

Historical results

- 164 Xenith made two significant acquisitions during FY17:
- (a) Watermark Group – acquired 2 November 2016; and
 - (b) Griffith Hack – acquired 2 February 2017.
- 165 As shown below these acquisitions significantly increased the scale of the Xenith business, accounting for some 67% of underlying EBITDA (before incremental corporate costs) in FY18:

Xenith – EBITDA contribution by business			
	FY16	FY17	FY18
	\$m	\$m	\$m
Base business pre-acquisitions	9.2	8.7	7.0
Watermark Group / Griffith Hack	-	8.2	14.4
Incremental corporate costs ⁽¹⁾	-	(1.4)	(3.3)
Total EBITDA	9.2	15.5	18.1

Note:

1 Compared to the level of corporate costs incurred in FY16.

166 In relation to the above we note that:

- (a) the business prior to the FY17 acquisitions principally reflected Shelston IP and Shelston IP Lawyers. The EBITDA contribution from these businesses has declined over the period principally due to:
 - (i) employee cost increases
 - (ii) relatively flat professional service revenues over the period, which fell 2.5% in FY18 on a constant currency basis, primarily due to lower patent prosecution revenues
 - (iii) the impact of FX headwinds, as approximately 38% of revenue is denominated in US dollars
- (b) FY18 reflects the first full year contribution from Watermark and Griffith Hack. However, the FY18 result was negatively impacted by a slowdown in activity in the Australian patents market (industry wide patent filing volumes declined 2.2% in the first half, but increased 1.7% in the second half), excess capacity and the suboptimal utilisation of professional staff
- (c) in the second half of FY18 steps were taken to reduce excess capacity and to refocus attention on clients, business development and efficient service delivery. This resulted in a significantly improved performance compared to the first half, as shown below:

Xenith – summary of underlying financial performance			
	1HY18	2HY18	FY18
	\$m	\$m	\$m
Service fees	44.5	44.1	88.6
Underlying EBITDA	7.8	10.3	18.1
<i>Underlying EBITDA margin</i>	<i>17.5%</i>	<i>23.4%</i>	<i>20.4%</i>

- (d) at the date of acquisition the Watermark and Griffith Hack businesses were expected to generate EBITDA on a pro forma basis of around \$17 million (prior to expected synergy benefits). The actual EBITDA contribution from these businesses subsequent to acquisition has therefore been below expectations. Xenith also recognised a goodwill impairment charge of \$20.3 million in FY18 in relation to the Griffith Hack business (which is not shown in the table above)

- (e) since the acquisition of the Watermark and Griffith Hack businesses, additional corporate costs⁴³ of \$3.3 million have been incurred. These higher corporate costs have been necessary due to the increased scale and diversity of the business, and have been incurred in advance of the realisation of costs savings / synergies. In this regard we understand that the Griffith Hack business was restructured during FY18, resulting in a 20% reduction in headcount at Griffith Hack.

Transformation projects

- 167 Prior to the announcement of the Merger, Xenith management publicly announced a number of business transformation projects to reduce back office costs and improve operating efficiency. These include a proposed significant investment in new technology (cloud based) platforms⁴⁴ over the next two years to replace the existing, disparate systems used by each of the businesses.
- 168 Management have estimated that these transformation projects will boost EBITDA within three years by between \$6 million and \$8 million per annum compared to the level of EBITDA achieved in FY18. This estimate includes the cost savings referred to in paragraph 166(e), but excludes one-off implementation costs which management has estimated at between \$4 million and \$6 million.
- 169 However, as these transformation projects are at a very early stage (and have been placed on hold due to the proposed Merger), in our view, it is premature to incorporate the benefits expected to accrue from their implementation into the level of earnings adopted for valuation purposes. Accordingly, the incremental value that would arise on achievement of the potential cost savings from these transformation projects (which would be in addition to those already achieved as discussed in paragraph 166(e)) has been reflected in our EBITDA multiple.

FY19 earnings guidance

- 170 No specific earnings guidance for FY19 has been provided by Xenith. However, on 29 August 2018 (in the FY18 results presentation) management stated that:
- (a) the result in the second half of FY18 was the “new base” for the business; and
 - (b) they “*expect to see modest growth in earnings in FY19 as we execute our transformation plan*”.

- 171 Similar comments were made at the subsequent AGM on 28 November 2018.

EBITDA adopted for valuation purposes

- 172 Based on the above we have adopted EBITDA for valuation purposes of \$20.0 million. This recognises the impact of cost savings made to date, and is consistent with the annualised level of underlying EBITDA achieved in 2HY18.

⁴³ Compared to the level of corporate costs incurred in FY16.

⁴⁴ For example, management intend to standardise the ERP system and case management platform across all businesses in the Xenith Group.

173 In our opinion, it is appropriate to annualise the underlying EBITDA performance in 2HY18 rather than adopt the level of EBITDA achieved in FY18 due to the steps taken by management in 2HY18 to improve profitability. This is also consistent with management’s statements that the result in 2HY18 was the “new base” for the business.

EBITDA multiple

174 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- The stability and quality of earnings
- The quality of the management and the likely continuity of management
- The nature and size of the business
- The spread and financial standing of customers
- The financial structure of the company and gearing level
- The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors
- The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors
- The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc.
- The cyclical nature of the industry
- Expected changes in interest rates
- The asset backing of the underlying business of the company and the quality of the assets
- The extent to which a premium for control is appropriate
- Whether the assessment is consistent with historical and prospective earnings

175 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Xenith.

Listed company multiples

176 The following table summarises the EBITDA multiples implied from share market trading in the shares of ASX listed companies which provide IP services:

Listed company EBITDA multiples ⁽¹⁾				
	Enterprise value \$m	EBITDA multiple FY18 x	EBITDA multiple FY19 x	EBITDA margins ⁽²⁾ %
IPH Limited	1,080	14.6	12.6	46.3
QANTM	186	9.6	8.5	26.3
Xenith	124	6.8	5.8	20.4

Note:

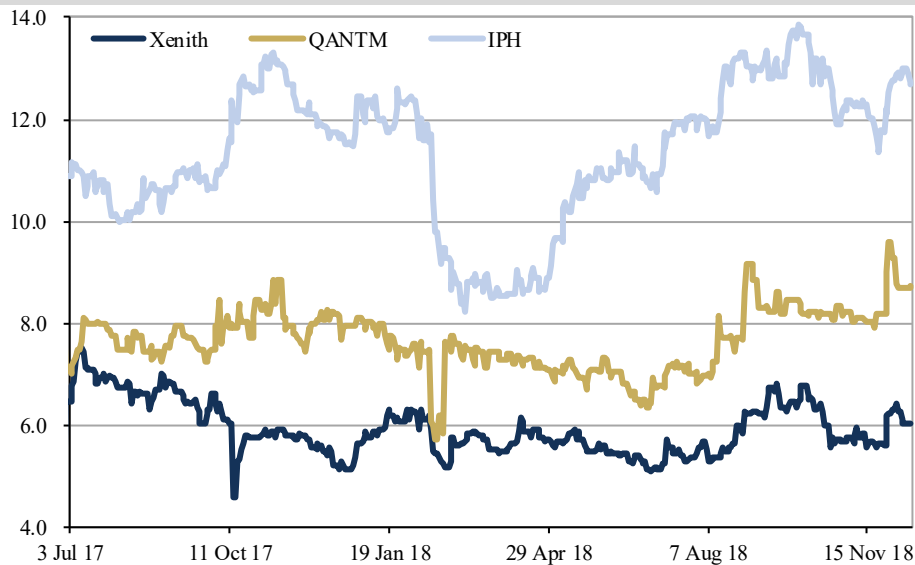
- 1 Enterprise value (EV) and EBITDA multiples calculated as at 26 November 2018 (being the day prior to the announcement of the proposed Merger).
- 2 Underlying EBITDA as a percentage of service fees (i.e. excluding recoverable client expenses).
- 3 FY19 forecast earnings are based on Bloomberg broker average forecasts (excluding outliers and outdated forecasts).

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

177 As the level of EBITDA adopted for valuation purposes exceeds the level of underlying EBITDA achieved in FY18, in our opinion more regard should be placed on the listed company EBITDA multiples for FY19.

178 As indicated above, as at 26 November 2018, IPH was trading on substantially higher implied EBITDA multiples than QANTM, which in turn was trading on substantially higher implied EBITDA multiples than Xenith. As set out below, these EBITDA multiple differences have persisted for some time:

EV / EBITDA – Australian IP firms



179 Based on discussions with Xenith management and our review of market commentary (including broker research) it appears that:

- (a) the higher implied EBITDA multiples at which IPH trades compared to QANTM and Xenith is likely to be due to (inter-alia):
 - (i) IPH’s greater exposure to the growth markets of Asia (IPH’s Asian businesses generated approximately 34% of IPH’s external sales in FY18)
 - (ii) IPH’s much larger size, consistent financial performance and superior EBITDA margins (shown above)⁴⁵
- (b) the lower implied EBITDA multiple at which Xenith trades compared to QANTM is likely to be due to:
 - (i) the integration risks associated with Xenith’s recently acquired businesses (the related business transformation process has yet to reach the implementation phase); and
 - (ii) the recent underperformance of Xenith’s acquired businesses since acquisition, which lead to an impairment write down (predominantly in relation to Griffith Hack) of \$20.5 million in FY18.

⁴⁵ IPH is also considered less comparable to Xenith and QANTM due to its greater focus on patent filing services.

IPO multiple

180 A summary of the EBITDA multiples implied by the IPOs of IPH, Xenith and QANTM is shown below:

Acquisition multiples – IPOs			
Prospectus date	Company	Enterprise value \$m	EBITDA multiple x
9 Oct 14	IPH	350.9	10.6 F
28 Oct 15	Xenith	92.1	12.3 F
9 Aug 16	QANTM	309.7	11.3 F

Note:

F= forecast (i.e. the EBITDA multiple is based on forecast EBITDA).

181 We note that as at 26 November 2018, IPH was trading on a higher forecast implied EBITDA multiple than at its IPO. However, at that date the implied EBITDA multiples for Xenith and QANTM had fallen since their respective IPOs. Further:

- (a) the listed market price of QANTM shares on 26 November 2018 of \$1.31 was 41.0% below its IPO price of \$2.22 per share; and
- (b) the listed market price of Xenith shares on 26 November 2018 of \$1.245 was 54.2% below its IPO price of \$2.72 per share.

182 Based on discussions with Xenith management and our review of market commentary (including broker research), the poor share price performance of QANTM and Xenith shares since their respective IPOs is likely to reflect a combination of (inter-alia):

- (a) the slowdown in the Australian patents market in FY18⁴⁶
- (b) reductions in earnings growth expectations generally, due to (inter-alia) (a) above and the lack of significant expansion to date by Xenith and QANTM into the Asian market⁴⁷
- (c) challenges associated with the transition of some of the businesses from private professional services partnerships to listed company structures
- (d) in the case of Xenith, the performance of Griffith Hack which has underperformed expectations at the time of the acquisition.

183 Given the subsequent market related factors above, in our view, no significant reliance should be placed on the above IPO multiples when assessing the current value of Xenith (or QANTM).

⁴⁶ On 13 October 2017, Xenith informed the market that due to this slowdown and other factors the financial performance of the Group would fall materially below analyst consensus estimates (which resulted in the listed market price of Xenith shares falling some 32% on that date).

⁴⁷ We note that on 14 June 2018, QANTM announced that it had acquired a small IP company (Advanz) in Malaysia for an upfront cash payment of A\$3.05 million.

Transaction evidence

184 IPH, Xenith and QANTM have also made a number of acquisitions since their respective IPOs. The implied EBITDA multiples based on these transactions are summarised below:

Acquisition multiples			
Date ⁽¹⁾	Target	Enterprise value \$m	EBITDA multiple x
Xenith acquisitions			
25 Nov 16	Griffith Hack ⁽²⁾⁽³⁾	137.0	9.4 F
23 Aug 16	Watermark	18.7	7.5 F
QANTM acquisitions			
14 Jun 18	Advanz ⁽³⁾	3.1	6.5 H
IPH acquisitions			
11 Oct 17	AJ Park	60.9	7.5 H
26 Oct 16	Ella Cheong	27.0	6.8 H
30 May 16	Cullens Patent and Trademark Attorneys ⁽³⁾	35.6	7.9 H
18 Sep 15	Pizzeys Patent and Trade Mark Attorneys ⁽⁴⁾	86.9	7.9 F

Note:

1 Date of announcement.

2 At the announcement date of the acquisition, the total upfront consideration was stated to be \$152 million, which represented an EV / EBITDA multiple of 10.5 times the “*annualised pro forma EBITDA from Completion to 30 June 2017 of \$14.5 million (pre synergies)*”. However, in the subsequent financial statements the actual consideration was stated to be \$137 million (on an EV basis). A further \$20 million in earn-out consideration was also potentially payable, and was to equal 10.5 times the extent to which annualised EBITDA in the period from Completion to 30 June 2017 exceeded \$14.5 million. This earn-out consideration was ultimately not paid as actual annualised EBITDA for that period was \$14.2 million. In addition, following a downward revision to the forecast cash flows, a \$20.3 million goodwill impairment charge was taken in FY18 in relation to Griffith Hack. Cost synergies of between \$4 million and \$6 million were expected to be achieved by the end of Year 3. Including the benefit of expected cost synergies would reduce the implied EBITDA multiple to 7.0.

3 Upfront consideration only.

4 Expected consideration at date of announcement, including earn-out (which was payable at 7.9 times the extent to which FY16 normalised EBITDA exceeded FY15 normalised EBITDA).

H = EBITDA multiple based on historical EBITDA. F = EBITDA multiple based on forecast EBITDA.

185 In relation to the transaction evidence it should be noted that the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a (takeover) premium for control. The applicable portfolio or minority interest EBITDA multiples (i.e. excluding a premium for control) are likely to be 15% to 20% lower than the EBITDA multiples implied from the above transactions.

186 With the exception of Griffith Hack, the transactions are also in respect of businesses / entities significantly smaller than Xenith.

Conclusion on appropriate EBITDA multiples

- 187 As set out in Section VI we have assessed the value of both Xenith and QANTM on a minority interest (or listed market) basis, which excludes a premium for control.
- 188 Whilst Xenith has consistently traded on lower implied EBITDA multiples than QANTM over the last 12 months, in our view, the size of this discount is unwarranted, particularly given the potential benefits to be derived under Xenith's transformation projects.
- 189 Having regard to the above, in our opinion, an EBITDA multiple range of 7.0x to 8.0x is appropriate for Xenith (on a minority interest basis) when applied to the EBITDA adopted for valuation purposes.

Enterprise value

- 190 Given the above, we have assessed the value of Xenith's business (before net debt) as follows:

Xenith – value of business			
	Paragraph	Low \$m	High \$m
EBITDA	172	20.0	20.0
EBITDA multiple (x)	189	7.0	8.0
Enterprise value		140.0	160.0

Net debt

- 191 As at 30 June 2018 Xenith had net debt of \$13.4 million. Having regard to the more recent net debt position we have adopted net debt of \$15.0 million for valuation purposes.

Share capital

- 192 Xenith has 88.7 million shares and 0.6 million performance rights on issue. We understand that only 0.3 million of the performance rights will vest under the Scheme.
- 193 Consequently, for valuation purposes we have adopted 89.0 million fully diluted shares on issue.

Valuation summary

- 194 Given the above, we have assessed the market value of Xenith shares on a minority interest basis as follows:

Valuation of Xenith (minority interest value)			
	Paragraph	Low \$m	High \$m
Enterprise value	190	140.0	160.0
Less net debt	191	(15.0)	(15.0)
Equity value		125.0	145.0
Fully diluted shares on issue (million)	193	89.0	89.0
Portfolio value per share		\$1.40	\$1.63

Comparison with listed market price

195 We have cross-checked our assessed value of the equity in Xenith against the listed market price of Xenith shares in the three month period up to 26 November 2018 (being the last trading day prior to the announcement of the Merger). This trading is summarised below:

Xenith – share price trading range					
	High	Low	VWAP	Value \$000	Volume 000
3 months to 26 Nov 18	\$1.53	\$1.20	\$1.37	8,549	6,253

196 Our assessed underlying valuation range (as determined on a minority interest basis) is higher than the observed listed market prices. We consider this premium is reasonable given the significant implied discount (measured in terms of trading multiples) at which Xenith shares have traded compared to QANTM and IPH (which, in our opinion, is unwarranted).

Comparison with price paid by IPH

197 On 13 February 2019 IPH announced that it had acquired a 19.9% interest in Xenith at a price of \$1.85 per Xenith share. IPH also stated that:

- (a) IPH does not support the merger of Xenith and QANTM, and “*does not intend to vote in favour of it*”
- (b) IPH believes an alternative transaction involving a strategic combination of either Xenith or QANTM with IPH “*has the potential to create significant value*”
- (c) as with the proposed Merger, “*any potential transaction involving IPH would be subject to ACCC approval*”.

198 The price paid by IPH of \$1.85 per Xenith share for its 19.9% interest represents a premium of 22.1% above the mid-point of our valuation range for Xenith shares on a minority interest basis (which excludes a premium for control).

We note that the cost of IPH’s 19.9% interest in Xenith was only \$33 million, which is relatively modest compared with IPH’s market capitalisation of approximately \$1.2 billion on 12 February 2019. In our view, IPH has therefore paid a strategic premium to block the proposed Merger. Accordingly, we do not believe this transaction impacts our view on the minority interest value of Xenith shares in the absence of such corporate activity.

VIII Valuation of QANTM

Overview

- 199 As stated in Section VI, we have also adopted the capitalisation of EBITDA as our primary valuation method to assess the standalone equity value of QANTM (on a minority interest basis). Under this method, the value of the business is represented by its underlying EBITDA capitalised at a rate (or EBITDA multiple) reflecting the growth and risk inherent in those earnings.
- 200 The value of the equity in QANTM is then derived by deducting net interest bearing debt.
- 201 The resulting values have been cross-checked for reasonableness by reference to the share prices prevailing prior to the announcement of the Merger.

Assessment of underlying EBITDA

- 202 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and discussed the financial performance, operating environment and prospects of the business with QANTM management.
- 203 The underlying results (before significant items) of QANTM for the three years ended 30 June 2018 are summarised below. Due to the business acquisitions / restructuring associated with the IPO (QANTM listed on the ASX on 31 August 2016), the FY16 and FY17 results shown below reflect the pro forma results. These pro forma results reflect the underlying performance of the businesses before IPO costs and other one-off expenses associated with the related reorganisation of the businesses.

QANTM – summary of underlying financial performance			
	FY16	FY17	FY18
	Pro forma	Pro forma	Actual
	\$m	\$m	\$m
Patents and design revenues	58.6	57.7	52.6
Trade mark revenues	13.3	13.8	14.3
Legal / litigation revenues	9.6	8.9	9.6
Total service fees	81.5	80.4	76.5
Operating expenses	(58.0)	(56.8)	(57.2)
Underlying EBITDA before FX ⁽¹⁾⁽²⁾	23.5	23.6	19.3
Underlying EBITDA after FX ⁽¹⁾⁽²⁾	26.6	24.5	20.1
<i>Underlying EBITDA margin pre FX</i>	28.8%	29.4%	25.2%
<i>Underlying EBITDA margin after FX</i>	32.6%	30.5%	26.3%

Note:

- 1 Before significant items such as restructuring and business acquisition costs.
- 2 QANTM sets out the underlying EBITDA both before and after the impact of FX movements on receivables (and other assets and liabilities). That is, the EBITDA after FX includes the impact of the change in FX rate between invoicing and collection. Xenith's EBITDA (set out in Section VII) also includes the impact of FX movements.

- 204 A substantial proportion of service fees (some 55% to 60%) are generated in US dollars. The “underlying EBITDA before FX” figures shown in the table above are before taking into account foreign currency gains and losses, which primarily arise from:
- (a) the difference in the Australian dollar value of receivables due to exchange rate movements between invoicing and collection
 - (b) foreign exchange gains and losses on foreign denominated assets and liabilities (e.g. US dollar cash balances).

Historical results

- 205 QANTM’s FY17 pro forma results were below the pro forma forecasts set out in its IPO prospectus dated 9 August 2016 (service revenue and underlying EBITDA were forecast to be \$86.0 million and \$27.5 million respectively in the IPO). QANTM management consider that this was principally due to the Australian industry experiencing a flat year in patent applications, whilst the IPO forecast assumed market growth rates in line with historical experience. Patent prosecution revenues were also below IPO expectations.
- 206 Operating expenses in FY17 (pro forma) were approximately 2% below FY16 levels, offsetting the slight decline in service revenues. This reflected, inter-alia, savings from back office rationalisation and the migration to a single ICT platform (which was completed during FY17).
- 207 In FY18 service revenues fell 4.9%, mainly due to a 6.2% decline in Australian patent applications and a 9.3% decline in Asian patent applications. However, trade mark filings grew approximately 3% and legal / litigation revenues increased 7.9%. The lower overall revenues adversely impacted underlying EBITDA margins.
- 208 Consistent with Xenith, QANTM also reported an improved result in the second half of FY18:

QANTM – summary of underlying financial performance			
	1HY18	2HY18	FY18
	\$m	\$m	\$m
Total service fees	38.0	38.5	76.5
Underlying EBITDA before FX ⁽¹⁾	9.4	9.9	19.3
Underlying EBITDA after FX ⁽¹⁾	9.4	10.7	20.1
<i>Underlying EBITDA margin pre FX</i>	24.7%	25.7%	25.2%
<i>Underlying EBITDA margin after FX</i>	24.7%	27.8%	26.3%

Note:

1 Before significant items such as restructuring and business acquisition costs.

Year to date results / FY19 earnings guidance

- 209 No specific earnings guidance for FY19 has been provided by QANTM. However, at the AGM on 29 November 2018 the Managing Director of QANTM made the following comments regarding the performance of the business in the four months to 31 October 2018:

“QANTM’s total new patent cases secured in the four months to 31 October 2018 increased by well over double the growth in the Australian market”

“in terms of market position, both DCC and FPA have performed competitively, a trend evident in the second half of 2018 where the QANTM group grew at above the market rate for patent applications”

“in terms of Trade Marks, this part of the business has continued its strong trend evident in the second half of 2018 into the first four months of the 2019 financial year, also with a higher revenue and EBITDA contribution than the prior corresponding period”

“Legal and Litigation services, grew by 7.5 per cent in 2018. The strong performance of our legal and litigation business in 2018 has likewise continued into the first four months of 2019.”

“Overall QANTM’s service revenue trend is positive, certainly up on the prior corresponding four months of FY 2018 – but again I point out, this was a weak start to the year. In total, service revenue on a like-for-like basis is showing around a 10 per cent increase relative to the same period in FY 2018.”

“If I consider where we stand in terms of EBITDA after FX to the end of October, the trend has been favourable, displaying an increase, on a like-for-like basis, of around 30 per cent, relative to the prior corresponding period.”

“I have to point out that it would be wrong to extrapolate four month’s results as the nature of the business environment in the last two years has been that we have encountered unexpected softness in market conditions.”

- 210 The performance of the business in the five month period to 30 November 2018 (as reflected in QANTM’s management accounts) was broadly consistent with the above commentary, with EBITDA increasing significantly compared to the prior corresponding period.

Acquisition of Advanz

- 211 On 2 July 2018, QANTM completed the acquisition of Advanz for an upfront cost of \$3.05 million⁴⁸. Advanz is a patent, trade mark and IP consulting company based in Malaysia. The business was acquired on a normalised trailing EBITDA multiple of 6.5, implying EBITDA of \$0.5 million.

EBITDA adopted for valuation purposes

- 212 Having regard to the above, we have adopted underlying EBITDA for valuation purposes of \$25.0 million. This figure reflects in particular the level of pro-forma underlying EBITDA (after FX) achieved in FY16 (\$26.6 million) and FY17 (\$24.5 million), together with the YTD performance for FY19 discussed above⁴⁹.

⁴⁸ Additional payments representing 6.5x normalised EBITDA are payable, subject to earn-out over 18 months.

⁴⁹ In contrast, the EBITDA result in FY18 was negatively impacted by a 6.2% decline in Australian patent applications and a 9.3% decline in Asian patent applications (which have since recovered).

EBITDA multiple

- 213 As set out in Section VI we have assessed the value of both Xenith and QANTM on a minority interest (i.e. listed market) basis, which excludes a premium for control.
- 214 In assessing the appropriate EBITDA multiple for QANTM we have considered the comparable listed company and transaction evidence set out and discussed in Section VII. In particular, we note the following:
- (a) QANTM has generally traded (between 1 July 2017 and 26 November 2018) on implied EBITDA multiples ranging from 7.0x to 8.5x forward earnings (shown in paragraph 178)
 - (b) QANTM has consistently traded on higher implied EBITDA multiples than Xenith. We have attributed this premium to the factors set out in paragraph 179(b).
- 215 Having regard to the above, in our opinion, an EBITDA multiple range of 7.5x to 8.5x is appropriate for QANTM (on a minority interest basis) when applied to the EBITDA adopted for valuation purposes.

Value of QANTM business

- 216 Given the above, we have assessed the value of the QANTM business (before net debt) as follows:

QANTM – value of business			
	Paragraph	Low \$m	High \$m
EBITDA	212	25.0	25.0
EBITDA multiple (x)	215	7.5	8.5
Enterprise value		187.5	212.5

Net debt

- 217 As at 30 June 2018 QANTM had net debt of \$8.5 million. Having regard to the more recent net debt position (which incorporates the impact of the Advanz acquisition in July 2018), we have adopted net debt for valuation purposes of \$14.0 million.

Share capital

- 218 QANTM has 133,050,724 shares on issue and no other outstanding securities. Consequently, for valuation purposes we have adopted 133.1 million fully diluted shares on issue.

Valuation summary

- 219 Given the above, we have assessed the underlying value of QANTM shares on a minority interest (i.e. portfolio) basis as follows:

Valuation of QANTM (minority interest value)			
	Paragraph	Low \$m	High \$m
Enterprise value	216	187.5	212.5
Less net debt	217	(14.0)	(14.0)
Equity value		173.5	198.5
Fully diluted shares on issue (million)	218	133.1	133.1
Portfolio value per share		\$1.30	\$1.49

Comparison with listed market price

220 We have cross-checked our assessed value of the equity in QANTM against the listed market price of QANTM shares in the three months prior to 26 November 2018, being the last trading day prior to the announcement of the Merger.

QANTM – share price trading range					
	High \$	Low \$	VWAP \$	Value traded \$m	Volume traded 000s
3 months to 26 Nov 18	1.46	1.20	1.30	6,633	5,104

221 We note that our assessed valuation range on a minority interest basis is broadly consistent with the recent share trading (prior to the announcement of the Merger).

Comparison with indicative, non-binding proposal from IPH

222 On 27 November 2018, IPH announced that it had recently made a number of approaches to QANTM to combine the IPH and QANTM businesses, including the tabling of an indicative, conditional and non-binding proposal for 100% of the shares in QANTM based on a scrip and cash offer equivalent to \$1.75 per share⁵⁰. In the circumstances we consider this to be an appropriate valuation reference point when considering the value of QANTM.

223 We note that the QANTM Board stated in an ASX release dated 29 November 2018 that the indicative, conditional and non-binding proposal from IPH “*did not meet the Board’s expectation on price ... as it undervalues the Company and does not recognise the significant progress that has been made in the second half of 2018, which has continued into the current financial year as detailed in the Chief Executive Officer’s address to QANTM’s Annual General Meeting today*”. The mid-point of our valuation range adjusted for a control premium is consistent with this view.

⁵⁰ The proposed split of the consideration was 60% IPH scrip and 40% cash. QANTM shareholders were also to be entitled to a (maximum) interim dividend for 1HY19 of 5 cents per share.

IX Evaluation of the Scheme

224 In our opinion, the Scheme is in the best interests of Xenith shareholders, in the absence of a superior proposal. We have formed this opinion for the reasons detailed below.

Assessment of the Scheme

225 As discussed in Section II, the Scheme should be evaluated as a merger rather than a change of control transaction. In such circumstances, the key issues regarding the proposed Merger from the perspective of the Xenith shareholders are whether:

- (a) the Xenith shareholders obtain a collective ownership interest in the Merged Group that is consistent with (or greater than) the relative value they contribute to the Merged Group
- (b) from a value perspective, Xenith shareholders are likely to be better off if the Merger proceeds
- (c) the advantages of the Merger outweigh the disadvantages.

226 We consider each of these factors in the following sections.

Relative value contribution

227 As stated above, in assessing a merger, a key consideration is whether the value contributed by each of the merger partners is consistent with the merger terms (i.e. whether the value contributed to the merged entity is consistent with the respective collective ownership interests each group of shareholders will hold in the merged entity). Consequently, when assessing mergers it is important that a consistent basis of valuation be used. That is, when assessing the relative value contribution both companies should be valued either with or without a premium for control. This reflects the fact that it is the relative value of each company which is relevant rather than each company's absolute value. This is consistent with RG 111, which states that where there is a "*merger of entities of equivalent value when control of the merged entity will be shared between the 'bidder' and 'target' ... the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.*"

228 Given the above, LEA has compared Xenith shareholders' aggregate interest in the Merged Group (i.e. approximately 45%) with the relative value contributed to the Merged Group by Xenith shareholders, as measured by reference to:

- (a) LEA's assessments of the underlying minority interest value of each company, and
- (b) the listed market prices of both QANTM and Xenith.

Relative value contribution – underlying value

229 LEA has assessed the underlying value of 100% of Xenith and QANTM on a minority interest basis in Sections VII and VIII of this report.

230 We note that our valuations are prepared on a cum-interim 1HY19 dividend basis. Pursuant to the terms of the SID, Xenith and QANTM are permitted to pay interim dividends in relation to 1HY19 prior to the implementation of the Scheme, subject to specific maximum

limits. As the Merger is occurring on an ex-interim dividend basis, we have made corresponding adjustments to our valuations of each entity on a standalone basis to reflect the assumed payment of these interim dividends. Whilst these interim dividends have not yet been determined, for the purposes of our report we have adopted interim dividends of 3.5 cents per share for both companies having regard to the level of interim dividends paid in 2018 and the financial performance of both companies to 30 November 2018. On this basis the adjustment for Xenith and QANTM is \$3.1 million⁵¹ and \$4.7 million⁵² respectively.

231 Our analysis of the relative value contribution by each entity is as follows:

Relative value contribution – LEA’s assessment of underlying value (ex dividend)			
	Paragraph	Low \$m	High \$m
Xenith equity value – minority interest basis (cum dividend)	194	125.0	145.0
Deduct interim 1HY19 dividend		(3.1)	(3.1)
Xenith equity value – minority interest basis (ex dividend)		121.9	141.9
QANTM equity value – minority interest basis (cum dividend)	219	173.5	198.5
Deduct interim 1HY19 dividend		(4.7)	(4.7)
QANTM equity value – minority interest basis (ex dividend)		168.8	193.8
Relative value contribution – Xenith (ex dividend)		41.9	42.3
Relative value contribution – QANTM (ex dividend)		58.1	57.7

232 Based upon the above underlying valuation analysis, Xenith shareholders will have a collective interest in the Merged Group (approximately 45%) that is greater than their assessed relative contribution to underlying value.

233 Notwithstanding that our analysis is based upon, amongst other things, detailed company financial information and discussions with the respective management teams about the financial performance, operating environment and prospects of each company, it should be noted that the valuation of companies is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of judgement. Accordingly, we are also of the view that our underlying values should not be considered as the sole determinate of the relative value contributions to the Merged Group.

Relative value contribution – listed market prices

234 As indicated in Sections III and IV respectively, share market trading in respect of both Xenith and QANTM has been relatively illiquid. Notwithstanding however, the VWAP for both companies during selected periods over the last 12 months⁵³ has been relatively stable. Accordingly, we consider that these listed market prices provide an objective measure of the relative (minority interest) value contributions made by each group of shareholders to the Merged Group.

⁵¹ Being the number of Xenith shares expected to be eligible for the 1HY19 final dividend of 89.0 million, multiplied by the assumed interim dividend of 3.5 cents per share.

⁵² Being the number of QANTM shares expected to be eligible for the 1HY19 interim dividend of 133.1 million, multiplied by the assumed interim dividend of 3.5 cents per share.

⁵³ Being periods of one month, three months, six months and 12 months respectively.

- 235 For the purposes of our analysis, we consider it more appropriate to have greater regard to the more recent trading prices of each company (rather than longer term prices). This is because these prices reflect (at least in theory) the market's consensus view on the most recent significant company specific events, as well as the current economic (including debt and equity market) environment.
- 236 The more recent listed market prices of Xenith and QANTM shares prior to the announcement of the Scheme (on 27 November 2018) are shown below⁵⁴:

Relative value contribution – based on listed market prices						
Period	VWAP \$	Xenith market cap ⁽¹⁾ \$m	Contribution %	VWAP \$	QANTM market cap ⁽¹⁾ \$m	Contribution %
3 months to 26 Nov 18	1.37	121.9	41.3	1.30	173.0	58.7
6 months to 26 Nov 18	1.33	118.4	42.2	1.22	162.3	57.8

Note:

1 Market capitalisation based on VWAP.

Source: Bloomberg and LEA analysis.

- 237 Based upon the above share market trading, we note that Xenith's collective contribution to the Merged Group is lower than the collective interest Xenith shareholders will receive in the Merged Group.

Conclusion

- 238 The contribution of value by Xenith shareholders to the Merged Group is summarised below:

Relative value contribution to the Merged Group		
	Xenith %	QANTM %
LEA assessed underlying value⁽¹⁾:		
Low	41.9	58.1
High	42.3	57.7
Listed market prices:		
3 months VWAP to 26 November 2018 ⁽²⁾	41.3	58.7
6 months VWAP to 26 November 2018	42.2	57.8

Note:

1 Value assessed on a minority interest basis.

2 Being the last day of trading prior to the announcement of the Merger.

- 239 The analysis indicates that the collective interest Xenith shareholders will acquire in the Merged Group (of some 45%) is greater than the relative value to be contributed by Xenith shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to Xenith shareholders.

⁵⁴ Due to the relatively illiquid nature of trading we have selected periods longer than one month.

Position before and after implementation of the Scheme

- 240 The Merger is estimated by Xenith and QANTM management to deliver pre-tax cost synergies of \$7.0 million on a full run rate basis by the end of year three from completion of the Merger. Identified cost synergies primarily reflect benefits of transformation through technology, the elimination of duplication in the Merged Group, and include savings in general expenses, costs relating to back-office systems as well as enhanced productivity across the Merged Group⁵⁵.
- 241 These annual cost synergies are material compared to the standalone level of underlying EBITDA generated by both companies, and represent:
- (a) 38.7% of the underlying EBITDA⁵⁶ achieved by Xenith in FY18; and
 - (b) 18.3% of the pro forma underlying EBITDA of the Merged Group for FY18 prior to considering synergy benefits⁵⁷.
- 242 Due to the level of expected synergies, in our opinion, it is reasonable to conclude that the value of the Merged Group will significantly exceed the sum of the standalone values of both Xenith and QANTM (other things being equal).
- 243 Further, as we consider that Xenith shareholders will acquire a collective interest in the Merged Group which is greater than the relative value to be contributed by Xenith shareholders to the Merged Group, in our opinion, the Merger terms provide Xenith shareholders with an appropriate share of expected synergies.
- 244 As a result, we consider that the Merger should be significantly value accretive for Xenith shareholders.
- 245 We also note that the Merger terms and VWAP of QANTM shares in the three months prior to the announcement of the Merger imply a value for Xenith shares which is significantly above the VWAP of Xenith shares in the three months prior to the announcement of the Merger, as shown below:

Comparative position of Xenith shareholders

3 months VWAP of QANTM shares ⁽¹⁾	\$1.30
Merger Ratio ⁽²⁾	1.22
Value of Xenith shares implied by Merger terms and 3 months VWAP of QANTM shares ⁽¹⁾	\$1.59
3 months VWAP of Xenith shares ⁽¹⁾	\$1.37
Implied premium above 3 months VWAP	16.1% ⁽³⁾

Note:

- 1 Prior to announcement of the Merger.
- 2 Number of QANTM shares to be received pursuant to the Merger terms for each Xenith share.
- 3 Being \$1.59 less \$1.37, divided by \$1.37.

⁵⁵ These estimated cost synergies are separate and incremental to those arising from the business transformation initiatives described in Xenith's FY18 Results Presentation.

⁵⁶ Underlying EBITDA is before non-recurring items such as impairment losses, restructuring expenses, and acquisition and related integration expenses.

⁵⁷ Being \$18.1 million for Xenith and \$20.1 million for QANTM.

246 In summary therefore, from a value perspective, we consider that Xenith shareholders are likely to be better off (as compared to their existing position) if the Merger proceeds.

247 However, Xenith shareholders should note that the listed market price of QANTM shares is subject to daily fluctuation. The price at which QANTM shares may be sold subsequent to the implementation of the Merger (i.e. shares in the Merged Group), may therefore be greater or less than our assessed value range. Xenith shareholders should also note that any decision to hold QANTM shares (i.e. Merged Group shares) beyond the short-term is a separate investment decision. As it is not possible to accurately predict future share price movements, any decision to hold QANTM shares (i.e. Merged Group shares) should be made by shareholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. Xenith shareholders should therefore seek independent professional advice specific to their individual circumstances if required.

Other factors

248 We have also considered the following factors when assessing whether the Scheme is in the best interests of Xenith shareholders:

- (a) the impact of the Scheme on EPS
- (b) the potential for a market re-rating of the shares in the Merged Group
- (c) share market trading in both Xenith and QANTM subsequent to the announcement of the Merger
- (d) the impact of the Scheme on the control of Xenith, including the proposed Board composition and key management positions of the Merged Group
- (e) the likelihood of Xenith's shareholders receiving a superior proposal prior to the Scheme meeting or in the short term; and
- (f) other qualitative and strategic issues associated with the Scheme.

249 These issues are discussed in detail below.

Impact of the Merger on EPS

250 As noted above, Xenith and QANTM management have stated that they expect to achieve pre-tax cost synergies of \$7.0 million per annum⁵⁸ on a full run-rate basis by the end of year three from completion of the transaction (excluding one-off transaction and implementation costs). In addition, management consider that the Merger will provide the potential for revenue benefits due to (inter-alia):

- (a) the scale of the merged entity being able to capture filing and prosecution revenue in Singapore and Malaysia; and
- (b) in-source renewals and cross-sell advisory services.

⁵⁸ These estimated cost synergies are separate and incremental to those disclosed by Xenith as projected to arise from the business transformation process being undertaken by Xenith.

251 The realisation of the identified cost synergies and potential additional revenue opportunities should reasonably lead to an improvement in EPS in the medium to long term.

Interest in a larger entity

252 If the Scheme is approved and implemented, Xenith shareholders will hold shares in a much larger and market leading IP services group. This may attract greater analyst coverage and enhance its profile, particularly with institutional investors, and provide for a more widely dispersed share register, increased liquidity and greater trading depth than that currently experienced by Xenith shareholders⁵⁹.

253 The enhanced financial scale of the Merged Group may also provide for improved access to debt and equity capital and possibly on more attractive terms, compared with those currently available to Xenith (on a standalone basis). This may allow the Merged Group to pursue growth opportunities that are not currently available to Xenith.

Impact on the control of Xenith

254 Whilst Xenith shareholders' aggregate economic interest in Xenith will be diluted (to 45%) if the Scheme is approved and implemented, Xenith shareholders should note that:

- (a) Xenith shareholders will acquire a corresponding interest in the operations of QANTM and the synergy benefits that are expected to arise as a result of the Merger
- (b) the Merged Group's share register is expected to be widely distributed, with no single shareholder owning more than 10%⁶⁰
- (c) the Board of the Merged Group will comprise three members from both Xenith and QANTM
- (d) the key executive and Board positions are being sourced from both companies.

Likelihood of a superior proposal

255 As noted in Section VII, on 13 February 2019 IPH announced that it had acquired a 19.9% interest in Xenith at a price of \$1.85 per Xenith share. IPH also stated that:

- (a) IPH does not support the merger of Xenith and QANTM, and "*does not intend to vote in favour of it*"
- (b) IPH believes an alternative transaction involving a strategic combination of either Xenith or QANTM with IPH "*has the potential to create significant value*"
- (c) as with the proposed Merger, "*any potential transaction involving IPH would be subject to ACCC approval*".

256 At the date of this report, we have been advised by the Directors of Xenith that IPH has not yet communicated its intentions regarding Xenith to the Xenith Board.

⁵⁹ The Merger is expected to enhance the potential for the Merged Group (QANTM) to be included in the S&P/ASX300 Index.

⁶⁰ Estimated pro forma position based upon the respective company share registers as at or around 25 January 2019.

Other qualitative and strategic issues

257 Other qualitative and strategic issues associated with the Scheme include:

- (a) **future control premium** – Xenith shareholders retain the opportunity to realise a control premium through a change of control transaction involving the Merged Group (i.e. QANTM on a post transaction basis) at some time in the future. However there can be no assurance that this opportunity will arise
- (b) **integration risks** – the benefits of the Merger relate largely to the synergies and broader strategic benefits expected to be realised through the integration of the businesses. There is a risk that implementation may not result in the full realisation of the estimated cost savings due to various factors including unexpected delays, challenges, liabilities and costs in relation, but not limited to, integrating operating and management systems such as IT, information or accounting systems and the loss of key personnel of the Merged Group
- (c) **interest in QANTM** – some Xenith shareholders may not want to acquire an economic interest in the QANTM businesses. However, these Xenith shareholders have an opportunity to sell their shares either prior to or post the implementation of the Scheme.

Summary of opinion on the Scheme

258 We summarise below the likely advantages and disadvantages for Xenith shareholders if the Scheme proceeds:

Advantages

- (a) the collective interest that Xenith shareholders will acquire in the Merged Group (of some 45%) is greater than the relative value to be contributed by Xenith shareholders to the Merged Group. Accordingly, in our view, the terms of the Merger are fair to Xenith shareholders
- (b) the Merged Group is expected to generate significant synergy benefits due to the combination of the Xenith and QANTM businesses. In our opinion, the Merger terms provide Xenith shareholders with an appropriate share of these synergies
- (c) the Merger Ratio of 1.22 QANTM shares for every Xenith share held exceeds the ratio implied by the recent listed market prices of QANTM and Xenith shares prior to the announcement of the Merger, as shown below:

Relative share prices – Xenith / QANTM
27 November 2017 to 26 November 2018



Source: Bloomberg and LEA analysis.

This implies that the Merger terms favour Xenith shareholders based on the recent listed market prices of QANTM and Xenith shares prior to the announcement of the Merger

- (d) Xenith shareholders will acquire an interest in a much larger and market leading IP services group, with enhanced earnings and related future prospects. The Merged Group will also have enhanced financial scale (relative to Xenith on a standalone basis) which may lead to improved access to equity and debt markets and an improved ability to pursue further growth opportunities

Disadvantages

- (e) some Xenith shareholders may not want to acquire an economic interest in the QANTM business. However, these Xenith shareholders have an opportunity to sell their Xenith shares prior to the implementation of the Scheme, or their QANTM shares (i.e. Merged Group shares) after implementation of the Scheme.

Conclusion

259 Based on the above, in our view, the advantages of the Merger outweigh the disadvantages as we consider that Xenith shareholders are likely to be better off if the Merger proceeds. Accordingly, we consider the Scheme to be in the best interests of Xenith shareholders, in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001* (Cth) (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Xenith shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$150,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 24 years and 32 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Xenith to accompany the Scheme Booklet to be sent to Xenith shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Merger is in the best interests of Xenith shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Xenith agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Xenith which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Glossary

Term	Meaning
1HY18	Six months ended 31 December 2017
1HY19	Six months ended 31 December 2018
2HY18	Six months ended 30 June 2018
A\$	Australian dollar
Advanz	Advanz Fidelis IP Sdn Bhd
AFCA	Australian Financial Complaints Authority
AGM	Annual general meeting
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
CGU	Cash generating unit
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
Corporations Regulations	<i>Corporations Regulations 2001</i>
CPA	CPA Global Limited
DCC	Davies Collison Cave
DCF	Discounted cash flow
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
EPS	Earnings per share
EV	Enterprise value
FPA	FPA Patent Attorneys
FSG	Financial Services Guide
FX	Foreign exchange
FY	Financial year ended 30 June
GST	Goods and services tax
ICT	Information communications technology
IER	Independent expert's report
IP	Intellectual property
IPH	IPH Limited
IPO	Initial public offering
LEA	LonerGAN Edwards & Associates Limited
Merged Group	QANTM post Merger (which will include Xenith)
Merger	The proposed merger of Xenith and QANTM
Merger Ratio	1.22 QANTM shares for each Xenith share
NPATA	Net profit after tax but before the amortisation charge on acquired intangible assets
NPV	Net present value
PCT	Patent Cooperation Treaty
QANTM	QANTM Intellectual Property Limited
R&D	Research and development
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	The Scheme to implement the proposed merger of Xenith and QANTM
SID	Scheme Implementation Deed
US	United States of America
US\$	United States dollar
VWAP	Volume weighted average price
WANOS	Weighted average number of shares outstanding
Watermark	Watermark Group
WIPO	World Intellectual Property Organization
Xenith	Xenith IP Group Limited

Annexure B

Investigating Accountant's Report



KPMG Transaction Services

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square 1213
Australia

ABN: 43 007 363 215
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

The Directors
Xenith IP Group Limited
Level 21, 60 Margaret St
SYDNEY NSW 2000

19 February 2019

Dear Directors

Limited Assurance Investigating Accountant's Report and Financial Services Guide

Investigating Accountant's Report

Introduction

KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Transaction Services is a division) ("KPMG Transaction Services") has been engaged by QANTM Intellectual Property Limited ("QIP") and Xenith IP Group Limited ("XIP") to prepare this report for inclusion in the scheme booklet to be dated 19 February 2019 ("Scheme Booklet"), and to be issued by XIP, in respect of the proposed merger of QIP and XIP (together, the "Merged Group") (the "Transaction").

Expressions defined in the Scheme Booklet have the same meaning in this report.

This Investigating Accountant's Report should be read in conjunction with the KPMG Transaction Services Financial Services Guide included in the Scheme Booklet.

Scope

You have requested KPMG Transaction Services to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Scheme Booklet.

The Merged Group pro forma historical financial information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Merged Group Pro Forma Historical Financial Information

You have requested KPMG Transaction Services to perform limited assurance procedures in relation to the Merged Group pro forma historical financial information of QIP and XIP (the responsible parties) included in the Scheme Booklet.

The Merged Group pro forma historical financial information has been derived from the historical financial information of QIP and XIP, after adjusting for the effects of pro forma adjustments described in sections 9.3.3, 9.3.5 and 9.3.7 of the Scheme Booklet. The Merged Group pro forma historical financial information consists of:

- the Merged Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018;
- the Merged Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018; and
- the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 shown with pro forma adjustments to show the effect of events and transactions related to the Transaction;

together, the “Merged Group Pro Forma Historical Financial Information”.

The Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2018 consists of the QIP historical consolidated statement of financial position as at 30 June 2018, the XIP historical consolidated statement of financial position as at 30 June 2018 and certain pro forma adjustments as described in section 9.3.5 of the Scheme Booklet.

The Merged Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018 consists of the aggregation of the QIP historical consolidated statement of profit or loss for the year ended 30 June 2018 and the XIP historical consolidated statement of profit or loss for the year ended 30 June 2018.

The Merged Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018 consists of the aggregation of the QIP historical consolidated statement of cash flows for the year ended 30 June 2018 and the XIP historical consolidated statement of cash flows for the year ended 30 June 2018.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 9.3.3, 9.3.5 and 9.3.7 of the Scheme Booklet. Due to its nature, the Merged Group Pro Forma Historical Financial Information does not represent QIP's or XIP's actual or prospective financial position, financial performance, and/or cash flows.

The Merged Group Pro Forma Historical Financial Information has been compiled by XIP to illustrate the impact of the Transaction on QIP's and XIP's financial position as at 30 June 2018 and QIP's and XIP's financial performance and cash flows for the year ended 30 June 2018. As part of this process, information about QIP's and XIP's financial position, financial performance and cash flows has been extracted by QIP and XIP from their respective financial statements for the year ended 30 June 2018.

The financial statements of QIP for the year ended 30 June 2018 were audited by QIP's external auditor in accordance with Australian Auditing Standards. The audit opinions issued to the members of QIP relating to those financial statements were unqualified. The financial statements of XIP for the year ended 30 June 2018 were audited by XIP's external auditor in accordance with Australian Auditing Standards. The audit opinions issued to the members of XIP relating to those financial statements were unqualified.

For the purposes of preparing this report we have performed limited assurance procedures in relation to Merged Group Pro Forma Historical Financial Information in order to state whether, on the basis of the procedures described, anything comes to our attention that would cause us to believe that the Merged Group Pro Forma Historical Financial Information is not prepared or presented fairly, in all material respects, by the directors in accordance with the stated basis of preparation as set out in section 9.3.1 of the Scheme Booklet.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, an audit. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed an audit. Accordingly, we do not express an audit opinion about whether the Merged Group Pro Forma Historical Financial Information is prepared, in all material respects, by the directors in accordance with the stated basis of preparation.

Directors' responsibilities

The directors of XIP are responsible for the preparation of the Merged Group Pro Forma Historical Financial Information, including the selection and determination of the pro forma transactions and/or adjustments made to the historical financial information and included in the Merged Group Pro Forma Historical Information (save to the extent it relates to the QIP historical consolidated statement of profit or loss and the QIP historical consolidated statement of cash flows for the year ended 30 June 2018, or the QIP historical consolidated statement of financial position as at 30 June 2018).

The directors of QIP are responsible for the QIP historical consolidated statement of profit or loss and historical consolidated statement of cash flows for the year ended 30 June 2018 and the QIP historical consolidated statement of financial position as at 30 June 2018 (the "QIP Historical Financial Information"), and for properly compiling the Merged Group Pro Forma Historical Financial Information (to the extent it relates to QIP Historical Financial Information).

The directors' responsibility includes establishing and maintaining such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Conclusions

Review statement on the Merged Group Pro Forma Historical Financial Information

Based on our procedures, which are not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in section 9 of the Scheme Booklet, comprising:

- the Merged Group Pro Forma Historical Statement of Profit or Loss for the year ended 30 June 2018;
- the Merged Group Pro Forma Historical Statement of Cash Flows for the year ended 30 June 2018; and
- the Merged Group Pro Forma Historical Statement of Financial Position as at 30 June 2018;

is not prepared or presented fairly, in all material respects, on the basis of the pro forma transactions and/or adjustments described in section 9 of the Scheme Booklet, and in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, and XIP's accounting policies.

Independence

KPMG Transaction Services does not have any interest in the outcome of the Transaction, other than in connection with the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

General advice warning

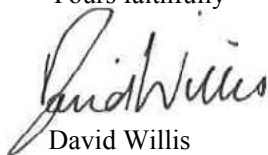
This report has been prepared, and included in the Scheme Booklet, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Restriction on use

Without modifying our conclusions, we draw attention to section 9 of the Scheme Booklet, which describes the purpose of the financial information, being for inclusion in the Scheme Booklet. As a result, the financial information may not be suitable for use for another purpose. We disclaim any assumption of responsibility for any reliance on this report, or on the financial information to which it relates, for any purpose other than that for which it was prepared.

KPMG Transaction Services has consented to the inclusion of this Investigating Accountant's Report in the Scheme Booklet in the form and context in which it is so included, but has not authorised the issue of the Scheme Booklet. Accordingly, KPMG Transaction Services makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Scheme Booklet.

Yours faithfully



David Willis
Authorised Representative

Dated 19 February 2019

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Transaction Services is a division) (**'KPMG Transaction Services'**), and David Willis as an authorised representative of KPMG Transaction Services, authorised representative number 404265 (**Authorised Representative**).

This FSG includes information about:

- KPMG Transaction Services and its Authorised Representative and how they can be contacted
- the services KPMG Transaction Services and its Authorised Representative are authorised to provide
- how KPMG Transaction Services and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Transaction Services and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that KPMG Transaction Services has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Transaction Services. This FSG forms part of an Investigating Accountant's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Transaction Services and the Authorised Representative are authorised to provide

KPMG Transaction Services holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investments schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;

- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Transaction Services to provide financial product advice on KPMG Transaction Services' behalf.

KPMG Transaction Services and the Authorised Representative's responsibility to you

KPMG Transaction Services has been engaged by Xenith IP Group Limited ("XIP") and QANTM Intellectual Property Limited ("QIP") to provide general financial product advice in the form of a Report to be included in scheme booklet (**Scheme Booklet**) prepared by XIP in relation to proposed merger between QIP and XIP (**Transaction**).

You have not engaged KPMG Transaction Services or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Transaction Services nor the Authorised Representative are acting for any person other than the Client.

KPMG Transaction Services and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Transaction Services has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Transaction Services may receive and remuneration or other benefits received by our representatives

KPMG Transaction Services charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Transaction Services in the range of \$215,000 to \$300,000 for preparing the Report and related services. KPMG Transaction Services and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Transaction Services officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Transaction Services' representatives

(including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Transaction Services nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Transaction Services is controlled by and operates as part of the KPMG Partnership. KPMG Transaction Services' directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Transaction Services and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Transaction Services, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Transaction Services or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your

complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Transaction Services or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Transaction Services has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Transaction Services or the Authorised Representative using the contact details:

KPMG Transaction Services
A division of KPMG Financial Advisory
Services (Australia) Pty Ltd
Level 38, Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

David Willis
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Annexure C

Scheme of Arrangement



Execution version

Scheme of Arrangement

Xenith IP Group Limited ABN 88 607 873 209

Scheme Shareholders

Scheme of Arrangement

Xenith IP Group Limited ABN 88 607 873 209

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Details

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth).

Between the parties

Xenith IP Group Limited ABN 88 607 873 209 Level 21, 60 Margaret Street, Sydney NSW 2000 (**XIP**)

and

Each Scheme Shareholder

Agreed terms

1. Defined terms & interpretation

1.1 Definitions

In this Scheme:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Scheme and XIP or QIP (as the context requires) was the designated body.

ASX means ASX Limited ACN 008 624 691, or as the context requires or permits, the financial market known as the Australian Securities Exchange operated by it.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in:

- (a) Melbourne, Australia; or
- (b) Sydney, Australia..

CHESS means the clearing house electronic subregister system of share transfers operated by ASX Settlement Pty Limited ABN 49 008 504 532.

CHESS Holdings has the meaning given in the Settlement Rules.

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

Court means the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act agreed in writing between XIP and QIP.

Deed Poll means the deed poll executed by QIP under which QIP covenants in favour of the Scheme Shareholders to perform the actions attributed to it under this Scheme.

Delivery Time means, in relation to the Second Court Date, 8am before the commencement of the hearing or, if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the Court to approve this Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect under section 411(10) of the Corporations Act of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means:

- (a) 30 June 2019; or
- (b) such other date and time agreed in writing between QIP and XIP.

Excluded Shareholder means

any XIP Shareholder who is QIP or an Associate of the QIP Group.

Foreign Scheme Shareholder means a Scheme Shareholder whose address in the Share Register as at the Record Date is a place outside:

- (a) Australia or its external territories.
- (b) New Zealand;
- (c) Singapore, provided they are an Institutional Shareholder; or
- (d) any other jurisdiction as may be agreed in writing by QIP and XIP, provided that QIP is satisfied, acting reasonably, that it is permitted to allot and issue New QIP Shares to that

Scheme Shareholder under the Scheme by the laws of that place either unconditionally or after compliance with conditions that QIP in its sole discretion regards as acceptable and not unduly onerous or impracticable.

Implementation Date means the fifth Business Day after the Record Date or such other date after the Record Date agreed to in writing between XIP and QIP.

Issuer Sponsored Holdings has the meaning given in the Settlement Rules.

Listing Rules means the official listing rules of ASX as amended from time to time.

Market Integrity Rules means any rules made by ASIC under section 798G of the Corporations Act that apply to ASX or any other prescribed financial market on which shares are quoted.

New QIP Shares means the new QIP Shares to be issued under the terms of the Scheme as the Scheme Consideration.

Performance Right means a performance right granted by XIP to acquire by way of issue one or more Shares on satisfaction of particular performance conditions.

QIP means QANTM Intellectual Property Limited ACN 612 441 326.

QIP Group means QIP and each of its Related Bodies Corporate (excluding, at any time, XIP and its Subsidiaries to the extent that XIP and its Subsidiaries are subsidiaries of QIP at that time). A reference to a **member of the QIP Group** or a **QIP Group Member** is a reference to QIP or any of its Related Bodies Corporate.

QIP Share means a fully paid ordinary share in the capital of QIP.

Record Date means 7.00pm on the fifth Business Day after the Effective Date or such other time and date agreed to in writing between XIP and QIP.

Registered Address means, in relation to a XIP Shareholder, the address shown in the Share Register as at the Record Date.

Regulatory Authority means:

- (a) any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, tribunal, agency or entity;
 - (b) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; or
 - (c) any regulatory organisation established under statute,
- in Australia whether federal, state, territorial or local.

Sale Agent means a person appointed by QIP, in consultation with XIP, to sell the Sale Shares under clause 5.2(b).

Sale Proceeds means the gross proceeds of sale of the Sale Shares under clause 5.2(b), less any applicable taxes and charges incurred by QIP or the Sale Agent in connection with the sale.

Sale Shares means the QIP Shares to which Foreign Scheme Shareholders would have been entitled under this Scheme but for the operation of clause 5.2.

Scheme means this scheme of arrangement under Part 5.1 of the Corporations Act between XIP and the Scheme Shareholders, subject to any alterations or conditions agreed or any alterations or conditions that are:

- (a) agreed to in writing by XIP and QIP, and approved by the Court; or
- (b) made or required by the Court under section 411(6) of the Corporations Act and agreed to by XIP and QIP.

Scheme Consideration means 1.22 New QIP Shares per Scheme Share, subject in the case of Foreign Scheme Shareholders to the operation of clauses 5.2 and 5.3.

Scheme Implementation Deed means the Scheme Implementation Deed dated 26 November 2018 between XIP and QIP.

Scheme Meeting means the meeting of XIP Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Share means a Share on issue as at the Record Date other than any Share then held by an Excluded Shareholder.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Settlement Rules means the ASX Settlement Operating Rules.

Share means an issued fully paid ordinary share in the capital of XIP.

Share Register means the register of members of XIP maintained in accordance with the Corporations Act.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Trust Account means an Australian dollar denominated trust account operated by XIP as trustee for the benefit of Scheme Shareholders.

XIP Registry means Link Market Services Limited ACN 083 214 537 or any replacement provider of share registry services to XIP.

XIP Shareholder means a person who is registered in the register maintained by XIP under section 168(1) of the Corporations Act as a holder of one or more Shares.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause or schedule is a reference to a clause of or schedule to this Scheme.
- (f) A reference to an **agreement** or **document** (including a reference to this Scheme) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this Scheme or that other agreement or document, and includes, except to the extent this Scheme expressly provides otherwise the recitals, schedules and annexures to that agreement or document.
- (g) A reference to a party to this Scheme or an agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).

- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.
- (k) A reference to **dollars** and **\$** is to Australian currency.
- (l) All references to time are to Melbourne, Australia time.
- (m) Mentioning anything after *includes, including, for example*, or similar expressions, does not limit what else might be included.
- (n) Unless otherwise defined, a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act.

1.3 Business Day

Where the day on or by which any act, matter or thing under this Scheme is to be done is not a Business Day, that act, matter or thing must be done on or by the next Business Day.

1.4 Listing requirements included as law

A listing rule or operating rule of a financial market and a Market Integrity Rule will be regarded as a law, and a reference to such a rule is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.

2. Preliminary

2.1 XIP

- (a) XIP is a public company limited by shares, registered in New South Wales and admitted to the official list of ASX.
- (b) The Shares are officially quoted on ASX. As at the date of the Scheme Implementation Deed:
 - (i) 88,717,931 Shares were on issue which are officially quoted on ASX; and
 - (ii) 309,655 Performance Rights were on issue which are not quoted on any financial market.

2.2 QIP

QIP is a publicly listed company limited by shares registered in Victoria, Australia.

2.3 General

- (a) XIP and QIP have agreed by executing the Scheme Implementation Deed to implement this Scheme.
- (b) This Scheme attributes actions to QIP but does not itself impose an obligation on it to perform those actions, as QIP is not a party to this Scheme. QIP has agreed, by executing the Deed Poll, to perform the actions attributed to QIP under this Scheme, including the provision of the Scheme Consideration to the Scheme Shareholders.

2.4 Consequence of this Scheme becoming Effective

If this Scheme becomes Effective:

- (a) QIP will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with this Scheme; and
- (b) all the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares, will be transferred to QIP, and XIP will enter QIP in the Share Register as the holder of the Scheme Shares with the result that XIP will become a wholly-owned subsidiary of QIP.

3. Conditions

- (a) This Scheme is conditional on, and will have no force or effect until, the satisfaction of each of the following conditions precedent:
 - (i) all the conditions precedent in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(f) of the Scheme Implementation Deed (Court approval)) having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed by no later than the Delivery Time on the Second Court Date;
 - (ii) neither the Scheme Implementation Deed nor the Deed Poll having been terminated in accordance with their terms by no later than the Delivery Time on the Second Court Date;
 - (iii) approval of this Scheme by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are agreed to in writing by XIP and QIP;
 - (iv) such other conditions imposed by the Court under section 411(6) of the Corporations Act, as are acceptable to the parties, having been satisfied; and
 - (v) the orders of the Court made under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving the Scheme coming into effect, pursuant to section 411(10) of the Corporations Act, on or before the End Date (or any later date XIP and QIP agree in writing).
- (b) The satisfaction of the conditions referred to in clause 3(a) of this document is a condition precedent to the operation of clauses 4 and 5.

4. Implementation

4.1 Lodgement of Court orders

XIP must lodge with ASIC office copies of any Court orders under section 411(4)(b) (and if applicable section 411(6)) of the Corporations Act approving this Scheme as soon as reasonably practicable after the Court approves this Scheme and in any event no later than by 5.00pm on the first Business Day after the Court approves this Scheme.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the issue by QIP of the Scheme Consideration in the manner contemplated by clause 5.3, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to QIP, without the need for any further act by any Scheme Shareholder (other than acts performed by XIP or its officers as agent and attorney of the Scheme Shareholders under clause 8.6 or otherwise), by:

- (i) XIP delivering to QIP a duly completed and executed share transfer form to transfer all the Scheme Shares to QIP, executed on behalf of the Scheme Shareholders by XIP; and
 - (ii) QIP duly executing such transfer form and delivering it to XIP for registration; and
- (b) immediately after receipt of the transfer form in accordance with clause 4.2(a)(ii), XIP must enter, or procure the entry of, the name of QIP in the Share Register in respect of the Scheme Shares transferred to QIP in accordance with this Scheme.

5. Scheme Consideration

5.1 Amount of Scheme Consideration

Each Scheme Shareholder is entitled to receive the Scheme Consideration.

5.2 Foreign Scheme Shareholders

- (a) QIP will be under no obligation to issue, and must not issue, any QIP Shares under the Scheme to Foreign Scheme Shareholders.
- (b) Instead, QIP must procure that:
 - (i) the Sale Shares are issued by QIP to the Sale Agent on the Implementation Date (rounded down, if necessary, to the nearest whole number);
 - (ii) as soon as practicable and, in any event, not more than 15 Business Days after the Implementation Date, the Sale Agent sells the Sale Shares in such manner, at such price or prices and on such other terms as the Sale Agent determines in good faith; and
 - (iii) promptly after the last sale of Sale Shares in accordance with clause 5.2(b)(ii), the Sale Agent pays the Sale Proceeds into the Trust Account (for payment by XIP to the Foreign Scheme Shareholders in accordance with clauses 5.3(c) to 5.3(f) (inclusive) of this Scheme).
- (c) None of QIP, XIP or the Sale Agent gives any assurance as to the price that will be achieved for the sale of Sale Shares by the Sale Agent. The sale of Sale Share by the Sale Agent will be at the risk of the Foreign Scheme Shareholders.
- (d) Each Foreign Scheme Shareholder appoints XIP as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Foreign Scheme Shareholders under the Corporations Act.

5.3 Provision of Scheme Consideration

- (a) QIP must before 5.00pm on the Implementation Date:
 - (i) procure that the name of each Scheme Shareholder entitled to receive QIP Shares under this Scheme is entered in the QIP's register of members as the holder of those QIP Shares (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares, and in CHESS Holdings if the relevant Scheme Shares were held in the CHESS Holdings and in Issuer Sponsored Holdings if the relevant Scheme Shares were held in Issuer Sponsored Holdings); and
 - (ii) procure that the name of the Sale Agent is entered in QIP's register of members as the holder of the Sale Shares (with such holding details as the Sale Agent notifies).
- (b) On or before the date that is 5 Business Days after the Implementation Date, QIP must send or procure the sending of an allotment advice or holding statement (or equivalent document) to each Scheme Shareholder entitled to receive QIP Shares under this Scheme, reflecting the issue of such QIP Shares in accordance with clause 5.3.
- (c) As soon as practicable following payment into the Trust Account of the Sale Proceeds, XIP must pay from the Trust Account to each Foreign Scheme Shareholder such amount of cash as is due to that Scheme Shareholder as Scheme Consideration in respect of their

Scheme Shares, being in the case of each such person the amount they would have received had they:

- (i) received the QIP Shares to which they would have been entitled under this Scheme but for the operation of clause 5.5; and
 - (ii) sold them for an amount per QIP Share equal to that part of the Sale Proceeds which is attributable to the sale of QIP Shares divided by the total number of QIP Shares included in the Sale Shares, provided that for the purposes of the foregoing the total cash amount payable to a Foreign Scheme Shareholder in respect of its parcel of Scheme Shares shall be rounded down to the nearest whole cent.
- (d) The amount referred to in clause 5.3(c) must be paid by XIP doing any of the following at its election:
- (i) sending (or procuring the XIP Registry to send) it to the Scheme Shareholder's Registered Address by cheque in Australian currency drawn out of the Trust Account; or
 - (ii) depositing (or procuring the XIP Registry to deposit) it into an account with any Australian ADI (as defined in the Corporations Act) notified to XIP (or the XIP Registry) by an appropriate authority by the Scheme Shareholder.
- (e) If there is any surplus in the amount held by XIP in the Trust Account, that surplus must be paid by XIP to QIP following the satisfaction of XIP's obligations under this clause. Any interest on the amounts deposited in the Trust Account (less bank fees and other charges) will be to QIP's account.
- (f) If any amount is required under any Australian law or by any Australian Regulatory Authority to be:
- (i) withheld from an amount payable under clauses 5.3(c) or 5.3(e) and paid to that entity or authority; or
 - (ii) retained by XIP out of an amount payable under clauses 5.3(c) or 5.3(e),
- its payment or retention by XIP (or the XIP Registry) will constitute the full discharge of XIP's obligations under this clause with respect to the amount so paid or retained until, in the case of 5.3(f)(ii), it is no longer required to be retained.

5.4 Foreign resident capital gains withholding

- (a) If QIP determines that it must pay an amount to the Commissioner of Taxation (**Commissioner**) under Subdivision 14-D of Schedule 1 to the *Taxation Administration Act 1953* (Cth) (**TAA**) with respect to the acquisition of the Scheme Shares from a Scheme Shareholder, QIP will, for any such Scheme Shareholder:
- (i) determine the amount to be paid to the Commissioner (**Payment Amount**);
 - (ii) remit the Payment Amount to the Commissioner within the time required under the TAA; and
 - (iii) reduce the amount of Scheme Consideration payable to that Scheme Shareholder by the Payment Amount for the purposes of the Deed Poll, this Scheme and the Scheme Implementation Deed.
- (b) QIP will, for the purposes of the Deed Poll, this Scheme and the Scheme Implementation Deed, be deemed to have satisfied its obligations to pay the Scheme Consideration to a Scheme Shareholder if the amount paid to the Scheme Shareholder is the amount of the Scheme Consideration that would have otherwise been payable to the Scheme Shareholder pursuant to the Scheme, less the Payment Amount for that Scheme Shareholder.

5.5 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent at the sole discretion of XIP, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded, at the sole discretion of XIP, either to the holder whose name appears first in the Share Register as at the Record Date or to the joint holders.

5.6 Fractional entitlements

Where the calculation of the Scheme Consideration to be provided to a Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

5.7 Unclaimed monies

- (a) XIP may cancel a cheque sent under this clause 5 if the cheque:
 - (i) is returned to XIP; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 11 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to XIP (or XIP Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), XIP must reissue a cheque that was previously cancelled under clause 5.7(a).
- (c) The *Unclaimed Moneys Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes “unclaimed money” (as defined in section 3 of the *Unclaimed Moneys Act 2008* (Vic)).
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of QIP.

5.8 Order of a court or Regulatory Authority

If:

- (a) written notice is given to XIP (or XIP Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder by XIP in accordance with this clause 5, then XIP may procure that payment is made in accordance with that order or direction; or
- (b) written notice is given to XIP (or XIP Registry) of an order or direction made by a court of competent jurisdiction or by another Regulatory Authority that prevents XIP from making a payment to any particular Scheme Shareholder in accordance with clause 5.3(c), or such payment is otherwise prohibited by applicable law, XIP may retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law,

and the payment or retention by XIP (or XIP Registry) will constitute the full discharge of XIP's obligations under clause 5.3(c) with respect of the amount so paid or retained until, in the case of clause 5.8(b), it is no longer required to be retained.

5.9 Definition of 'sending'

For the purposes of clause 5, the expression **sending** means, in relation to each Scheme Shareholder:

- (a) sending by ordinary pre-paid post or courier to the Registered Address of that Scheme Shareholder as at the Record Date; or
- (b) delivery to the Registered Address of that Scheme Shareholder as at the Record Date by any other means at no cost to the recipient.

6. Dealings in Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Shares on or before 7.00pm on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the place where the Share Register is kept, on or before 5.00pm on the Record Date,

and XIP will not accept for registration, nor recognise for any purpose (except a transfer to QIP under this Scheme and any subsequent transfer by QIP or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

6.2 Register

- (a) **(Registration of transfers)** XIP must register registrable transmission applications or transfers of the kind referred to in clause 6.1(b) by or as soon as reasonably practicable after the Record Date (provided that for the avoidance of doubt nothing in this clause 6.2 requires XIP to register a transfer that would result in a XIP Shareholder holding a parcel of Shares that is less than a 'marketable parcel' (as defined in the Settlement Rules).
- (b) **(No registration after Record Date)** XIP will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Shares received after 5.00pm on the day on which the Record Date occurs, other than to QIP in accordance with this Scheme and any subsequent transfer by QIP or its successors in title.
- (c) **(Maintenance of Share Register)** For the purpose of determining entitlements to the Scheme Consideration, XIP must maintain the Share Register in accordance with the provisions of this clause until the Scheme Consideration has been delivered to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) **(No disposal after Record Date)** From the Record Date until registration of QIP in respect of all Scheme Shares under clause 4, no XIP Shareholder may dispose or otherwise deal with Shares (or purport to do so) in any way except as set out in this Scheme and any attempt to do so will have no effect and XIP shall be entitled to disregard any such disposal or dealing.
- (e) **(Statements of holding from Record Date)** All statements of holding for Shares will cease to have effect from the Record Date as documents of title in respect of those shares (other than statements of holding in favour of any Excluded Shareholders). As from the

Record Date, each entry current at that date on the Share Register (other than entries in respect of any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

- (f) **(Provision of Scheme Shareholder details)** As soon as practicable after the Record Date and in any event within one Business Day after the Record Date, XIP will ensure that details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder are available to QIP in the form QIP reasonably requires.

7. Quotation of Shares

- (a) XIP will apply to ASX to suspend trading on the ASX in Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by QIP, and only after the transfer of the Scheme Shares has been registered in accordance with clause 4.2(b), XIP will apply:
- (i) for termination of the official quotation of Shares on ASX; and
 - (ii) to have itself removed from the official list of ASX.

8. General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) XIP may, by its counsel or solicitors, consent on behalf of all persons concerned to those alterations or conditions to which QIP has consented in writing; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for XIP has consented.

8.2 Binding effect of Scheme

This Scheme binds XIP and all Scheme Shareholders (including those who did not attend the Scheme Meeting, those who did not vote at that meeting, or voted against this Scheme at that meeting) and, to the extent of any inconsistency, overrides the constitution of XIP.

8.3 Scheme Shareholders' agreements and acknowledgment

Each Scheme Shareholder:

- (a) agrees to the transfer of their Shares together with all rights and entitlements attaching to those Shares in accordance with this Scheme;
- (b) agrees to any variation, cancellation or modification of the rights attached to their Shares constituted by or resulting from this Scheme;
- (c) agrees to, on the direction of QIP, destroy any share certificates relating to their Shares;
- (d) agrees to become a shareholder of QIP and to be bound by its constitution; and
- (e) acknowledges and agrees that this Scheme binds XIP and all Scheme Shareholders (including those who did not attend the Scheme Meeting or did not vote at that meeting or voted against this Scheme at that Scheme Meeting).

8.4 Warranties by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to XIP, in its own right and for the benefit of QIP, that as at the Implementation Date:
- (i) all of its Shares which are transferred to QIP under this Scheme, including any rights and entitlements attaching to those Shares, will, at the time of transfer, be

free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any “security interests” within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

- (ii) all of its Shares which are transferred to QIP under this Scheme will, on the date on which they are transferred to QIP, be fully paid;
 - (iii) it has full power and capacity to transfer its Shares to QIP together with any rights attaching to those Shares; and
 - (iv) it has no existing right to be issued any Shares, options exercisable into XIP shares, options, convertible notes or any other securities, other than, in the case of any Scheme Shareholder who is also the holder of Performance Rights, the right to be issued Shares on the exercise of those Performance Rights before the Record Date in accordance with their terms.
- (b) XIP undertakes that it will provide the warranties in clause 8.4(a) to QIP as agent and attorney of each Scheme Shareholder.

8.5 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attached to Scheme Shares) transferred under this Scheme will be transferred free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any “security interests” within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.
- (b) On and from the Implementation Date, immediately after QIP satisfies its obligations in clause 5.3(a), QIP will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by XIP of QIP in the Share Register as the holder of the Scheme Shares.

8.6 Authority given to XIP

- (a) Scheme Shareholders will be deemed to have authorised XIP to do and execute all acts, matters, things and documents on the part of each Scheme Shareholder necessary for or incidental to the implementation of this Scheme, including executing and delivering, as agent and attorney of each Scheme Shareholder a share transfer or transfers in relation to Scheme Shares as contemplated by clause 4.2.
- (b) Each Scheme Shareholder, without the need for any further act, irrevocably appoints XIP and all of its directors, secretaries and officers (jointly and severally) as its attorney and agent for the purpose of:
- (i) enforcing the Deed Poll against QIP, and XIP undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against QIP on behalf of and as agent and attorney for each Scheme Shareholder; and
 - (ii) executing any document necessary to give effect to this Scheme including, a proper instrument of transfer of its Scheme Shares for the purposes of section 1071B of the Corporations Act which may be a master transfer of all the Scheme Shares,

and XIP accepts each such appointment.

8.7 Appointment of sole proxy

Immediately after QIP satisfies its obligations in clause 5.3(a) until XIP registers QIP as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have irrevocably appointed QIP as its attorney and agent (and directed QIP in such capacity) to appoint an officer or agent nominated by QIP as its sole proxy and,

where applicable, corporate representative to attend shareholders' meetings of XIP, exercise the votes attaching to the Scheme Shares registered in its name and sign any Shareholders' resolution;

- (b) undertakes not to otherwise attend Shareholders' meetings, exercise the votes attaching to Scheme Shares registered in their names or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to clause 8.7(a);
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as QIP reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.7(a), QIP and any officer or agent nominated by QIP under clause 8.7(a) may act in the best interests of QIP as the intended registered holder of the Scheme Shares.

8.8 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Regulatory Authority), all instructions, notifications or elections by a Scheme Shareholder to XIP binding or deemed binding between the Scheme Shareholder and XIP relating to XIP or Shares (including any email addresses, instructions relating to communications from XIP, whether dividends are to be paid by cheque or into a specific bank account, notices of meetings or other communications from XIP) will be deemed from the Implementation Date (except to the extent determined otherwise by QIP in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to QIP until that instruction, notification or election is revoked or amended in writing addressed to QIP at its registry.

9. General

9.1 Stamp duty

QIP must pay all stamp duty payable in connection with the transfer of the Scheme Shares to QIP pursuant to this Scheme.

9.2 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this document is sent by post to XIP, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at XIP's registered office or at the office of XIP Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non receipt of such a notice by any Shareholder may not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.3 Further assurances

- (a) XIP must do anything necessary (including executing agreements and documents) or incidental to give full effect to this Scheme and the transactions contemplated by it.
- (b) Each Scheme Shareholder consents to XIP doing all things necessary or incidental to give full effect to this Scheme and the transactions contemplated by it.

9.4 Governing law and jurisdiction

- (a) This Scheme is governed by the laws of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme.

Annexure D

Deed Poll



Execution version

Deed poll

QANTM Intellectual Property Limited ACN 612 441
326 (QIP)

In favour of each Scheme Shareholder

Deed poll

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Details

Date

Parties

Name	QANTM Intellectual Property Limited
ACN	612 441 326
Short form name	QIP
Notice details	1 Nicholson Street, Melbourne VIC 3002 Email: mcleaver@qantmip.com / nward@qantmip.com Attention: Martin Cleaver / Nick Ward

Name	In favour of each Scheme Shareholder
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Background

- A On 26 November 2018, QIP and XIP entered into the Scheme Implementation Deed to provide for (among other matters) the implementation of the Scheme.
- B The effect of the Scheme will be to transfer all Scheme Shares to QIP in return for the Scheme Consideration.
- C QIP enters this deed poll to covenant in favour of Scheme Shareholders to:
 - (i) perform the actions attributed to it under the Scheme; and
 - (ii) provide the Scheme Consideration in accordance with the Scheme.

Agreed terms

1. Defined terms & interpretation

1.1 Defined terms

In this document:

Scheme means the scheme of arrangement which forms Annexure 8 to the Scheme Implementation Deed.

Scheme Implementation Deed means the Scheme Implementation Deed dated 26 November 2018 between QIP and XIP.

XIP means Xenith IP Group Limited ABN 88 607 873 209.

Trust Account has the meaning given in the Scheme.

1.2 Terms defined in Scheme Implementation Deed

Words and phrases defined in the Scheme Implementation Deed or the Scheme have the same meaning in this deed poll unless the context requires otherwise.

1.3 Incorporation by reference

The provisions of clauses 1.1 (if not otherwise defined in this deed poll), 1.2 and 1.3 of the Scheme Implementation Deed form part of this deed poll as if set out at length in this deed poll but with 'deed poll' substituted for 'deed' and with any reference to 'party' being taken to include the Scheme Shareholders.

2. Nature of this deed poll

2.1 Reliance

QIP agrees that this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not a party to it.

2.2 Enforcement

QIP agrees that under the Scheme, each Scheme Shareholder irrevocably appoints XIP and each of its directors and officers of XIP (jointly and severally) as its agent and attorney to enforce this Deed Poll against QIP on behalf of each Scheme Shareholder.

3. Conditions

3.1 Conditions

QIP's obligations under clause 4 are subject to the Scheme becoming Effective.

3.2 Termination

This deed poll and the obligations of QIP under this deed poll will automatically terminate and this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms prior to the Scheme becoming Effective; or
- (b) the Scheme is not Effective by the End Date or any later date as the Court, with the consent of QIP and XIP, may order,

unless XIP and QIP otherwise agree in writing.

3.3 Consequences of termination

If this deed poll terminates under clause 3.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) QIP is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against QIP in respect of any breach of this deed poll which occurred before it terminated.

4. Performance of obligations

4.1 Generally

Subject to clause 3, QIP covenants in favour of Scheme Shareholders to perform the actions attributed to it under, and otherwise comply with, the Scheme as if it were a party to the Scheme.

4.2 Provision of Scheme Consideration

- (a) Subject to clause 3, QIP undertakes in favour of each Scheme Shareholder to provide or procure the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme.
- (b) QIP must before 5.00pm on the Implementation Date:
 - (i) procure that the name of each Scheme Shareholder entitled to receive New QIP Shares under this Scheme is entered in the QIP's register of members as the holder of those New QIP Shares (in holdings having the same holding name and address and other details as the holding of the relevant Scheme Shares, and in CHESS Holdings if the relevant Scheme Shares were held in the CHESS Holdings and in Issuer Sponsored Holdings if the relevant Scheme Shares were held in Issuer Sponsored Holdings); and
 - (ii) procure that the name of the Sale Agent is entered in QIP's register of members as the holder of the Sale Shares (with such holding details as the Sale Agent notifies).
- (c) The obligations of QIP under clause 4.2(a) will be satisfied if, on or before 5.00pm on the Implementation Date, it issues all of the New QIP Shares which it is obliged to issue to Scheme Shareholders and to the Sale Agent under the Scheme and provides XIP with written confirmation that it has done so.
- (d) On or before the date that is 5 Business Days after the Implementation Date, QIP must send or procure the sending of an allotment advice or holding statement (or equivalent document) to each Scheme Shareholder entitled to receive QIP Shares under this Scheme, reflecting the issue of such New QIP Shares in accordance with clause 4.2(b)(ii).

5. Warranties

QIP represents and warrants to each Scheme Shareholder that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of the place of its incorporation;
- (b) **(power)** it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **(corporate authorisations)** it has taken all necessary corporate action to authorise the entry into and performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **(documents binding)** this deed poll is its valid and binding obligation enforceable in accordance with its terms;
- (e) **(transactions permitted)** the execution and performance by it of this deed poll and each transaction contemplated by this deed poll did not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree of a Governmental Agency binding on it;
 - (ii) its constitution or other constituent documents; or

- (iii) any other document which is binding on it or its assets; and
- (f) (**solvency**) it is solvent and no resolutions have been passed nor has any other step been taken or legal action or proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets.

6. Continuing Obligations

6.1 Deed poll irrevocable

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) QIP having fully performed its obligations under this deed poll; and
- (b) termination of this deed poll under clause 3.2.

6.2 Variation

A provision of this deed poll may not be varied unless:

- (a) before the Second Court Date, the variation is agreed to in writing by XIP; or
- (b) on or after the Second Court Date, the variation is agreed to in writing by XIP and is approved by the Court,

in which event QIP will enter into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

7. Notices

Any notice, demand or other communication (a **Notice**) to QIP in respect of this deed poll:

- (a) must be in writing;
- (b) must be sent to the address for service of the addressee specified in the Details;
- (c) must be signed by the sender or a person duly authorised by it;
- (d) must be delivered to the intended recipient or posted by prepaid post (if posted to an address in another country, by registered airmail), or sent by email to the email address, of the addresses, in accordance with the Details;
- (e) will be conclusively taken to be duly given or made:
 - (i) (**in the case of delivery by prepaid post**), on the third Business Day after the date of posting (if posted to an address within Australia) or the fifth Business Day after the date of posting (if posted to an address outside Australia); or
 - (ii) (**in the case of delivery in hand**), on delivery at the address of the addressee as provided in the Details, unless that delivery is not made on a Business Day, or is made before 9.00am or after 5.00pm on a Business Day, in which case that Notice will be deemed to be received at 9.00am on that or the next Business Day (as the context requires); and
 - (iii) (**in the case of email**), immediately after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, unless that local time is not a Business Day, or is before 9.00am or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on that or the next Business Day (as the context requires).

8. General Provisions

8.1 Assignment

- (a) The rights and obligations of QIP and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged, encumbered or otherwise dealt with at law or in equity without the prior written consent of QIP and XIP.
- (b) Any purported dealing in contravention of clause 8.1(a) is invalid.

8.2 Cumulative rights

The rights, powers and remedies of QIP and each Scheme Shareholder under this deed poll are cumulative with and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

8.3 No waiver

- (a) QIP may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) If a Scheme Shareholder does not exercise a right arising from a breach of this deed poll at a given time, it may, unless it has waived that right in writing, exercise the right at a later point in time.
- (c) No Scheme Shareholder may rely on words or conduct of QIP as a waiver of any right unless the waiver is in writing and signed by QIP.
- (d) The meanings of the terms used in this clause 8.3 are set out below.

conduct includes delay in the exercise of a right.

right means any right arising under or in connection with this deed poll and includes the right to rely on this clause.

waiver includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

8.4 Stamp duty

QIP must pay or procure the payment of all stamp duty (if any) any related fines, penalties and interest in respect of the Scheme and this deed poll (including the acquisition or transfer of Scheme Shares pursuant to the Scheme), the performance of this deed poll and each transaction effected by or made under or pursuant to the Scheme and this deed poll.

8.5 Further assurances

QIP will, at its own expense, do all things reasonably required of it to give full effect to this deed poll.

8.6 Governing law and jurisdiction


This deed poll is governed by the laws of the State of New South Wales. In relation to it and related non-contractual matters QIP irrevocably:

- (a) submit to the non-exclusive jurisdiction of courts with jurisdiction there; and
- (b) waive any right to object to the venue on any ground.

Signing page

EXECUTED and delivered as a deed poll.

Executed by QANTM Intellectual Property Limited in accordance with Section 127 of the *Corporations Act 2001*


Signature of director

RICHARD A. F. ENGLAND
Name of director (print)


Signature of director/company secretary
(Please delete as applicable)

LEON K. ALLEN
Name of director/company secretary (print)

Annexure E

Notice of Scheme Meeting

Notice of Court ordered Scheme Meeting of Shareholders of Xenith IP Group Ltd ACN 607 873 209

Notice is given that, by an order of the Federal Court of Australia (Court) made on 19 February 2019, a meeting of Shareholders of Xenith IP Group Limited ACN 607 873 209 (**XIP** or the **Company**) will be held at the offices of XIP, Level 9, 60 Margaret Street, Sydney NSW at 10.30am (Sydney time) on 3 April 2019 (**Scheme Meeting**).

The Court has directed that Sibylle Krieger be Chair of the Scheme Meeting, or failing her, Robert Alexander.

Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to approve (with or without modification) a scheme of arrangement (**Scheme**) proposed to be made between Xenith and QANTM Intellectual Property Limited ACN 612 441 326 (**QANTM**) under which it is proposed the two parties will merge through all-scrip scheme of arrangement.

Information about the Scheme

Information about the Scheme is set out in the Scheme Booklet accompanying this notice (**Scheme Booklet**). A copy of the Scheme is at Appendix C of the Scheme Booklet and its purpose and effect is explained in the Scheme Booklet. Terms used in this Notice of Scheme Meeting have the same meaning as in the glossary at section 14 of the Scheme Booklet. **Please read them carefully.**

Terms used in this Notice of Scheme Meeting have the same meaning as in the glossary at section 14 of the Scheme Booklet.

Scheme Resolution

To consider and, if thought fit, pass the following resolution (**Scheme Resolution**):

"That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between XIP and the holders of its fully paid ordinary shares (other than Excluded Shareholders), the terms of which are contained in and more precisely described in the Scheme Booklet to which this Notice of Scheme Meeting is attached, is approved and that the board of directors of XIP is authorised to agree to those modifications or conditions which are thought appropriate by the Court and, subject to the approval of the Scheme by the Court, to implement the Scheme with any of those modifications or conditions."

Requisite Majority

Under section 411(4)(a)(ii) of the Corporations Act 2001 (Cth) (Corporations Act), the Scheme Resolution must be passed by:

- a) a majority in numbers of the holders of XIP Shares present and voting (either in person or by proxy, attorney or, in the case of corporate shareholders, by corporate representative); and
- b) representing at least 75% of the total votes cast on the Scheme Resolution (either in person or by proxy attorney or, in the case of corporate shareholders, by corporate representative).

Meeting Procedure

The vote will be conducted by poll. The Chair will give Shareholders a reasonable opportunity to ask questions about, or comment on, the Scheme.

Court Approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. XIP intends to apply to the Court on or about 9 April 2019 for approval of the Scheme, subject to the conditions of the Scheme being satisfied and the Requisite Majority voting in favour of the Scheme Resolution.

Entitlement to attend and vote

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of shares of the Company as at 7.00pm (Sydney time) on 1 April 2019 will be entitled to attend and vote at the Scheme Meeting as a Shareholder.

If more than one joint holder of shares is present at the Scheme Meeting (whether personally, by proxy, by attorney or, for corporate shareholders, by corporate representative) and tenders a vote, only the vote of the joint holder whose name appears first on the register will be counted.

QANTM and its associates will not vote on the Scheme Resolution.

Appointment of Proxy

If you are a Shareholder entitled to attend and vote, you may appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, that body corporate must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act 2001 (Cth) (the Act) to exercise its powers as proxy at the Scheme Meeting. A proxy need not be a Shareholder of the Company.

A Shareholder may appoint up to two proxies and specify the proportion or number of votes each proxy may exercise. If the Shareholder does not specify the proportion or number of votes to be exercised, each proxy may exercise half of the Shareholder's votes.

To be effective, the proxy must be received at the Share Registry of the Company no later than 48 hours before the Scheme Meeting. Proxies must be received before that time by one of the following methods:

By post: Computershare Investor Services Pty Limited GPO Box 242 Melbourne VIC 3001 Australia

By facsimile: 1800 783 447 (within Australia) +61 3 9473 2555 (outside of Australia)

By delivery in person: Level 4 60 Carrington Street Sydney NSW 2000

Online: www.investorvote.com.au (for Shareholders) www.intermediaryonline.com (Intermediary Online subscribers only)

To be valid, a proxy form must be received by the Company in the manner stipulated above. The Company reserves the right to declare invalid any proxy not received in this manner.

Power of Attorney

A proxy form and the original power of attorney (if any) under which the proxy form is signed (or a certified copy of that power of attorney or other authority) must be received by the Company no later than 48 hours before the Scheme Meeting.

Corporate Representatives

A body corporate that is a Shareholder, or that has been appointed as a proxy, is entitled to appoint any person to act as its representative at the Scheme Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the Scheme Meeting a properly executed letter or other document confirming its authority to act as the Company's representative.

A "Certificate of Appointment of Corporate Representative" form may be obtained from the Company's share registry or online at www.investorcentre.com under the help tab, "Printable Forms".

IMPORTANT: If you appoint the Chair of the Meeting as your proxy, or the Chair becomes your proxy by default, and you do not direct your proxy how to vote on the Scheme Resolution, then by submitting the proxy form you will be expressly authorising the Chair to exercise your proxy in favour of the Scheme Resolution.

Corporate directory

Xenith IP Group Limited (ACN 607 873 209)

Directors

Sibylle Krieger – Chair and Non-executive Director
Craig Dower – CEO and Managing Director
Stuart Smith – Executive Director
Susan Forrester – Non-executive Director
Kathryn Spargo – Non-executive Director
Robert Alexander – Non-executive Director

Company Secretary

Sarah Prince

Chief Financial Officer

Lesley Kennedy

Registered office

Level 9
60 Margaret Street
Sydney NSW 2000
www.xenithip.com
Telephone: +61 2 9057 9100

Financial adviser

Investec Australia Limited
Level 23, The Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal adviser

Baker McKenzie
Tower One – International Towers Sydney
Level 46, 100 Barangaroo Avenue
Sydney NSW 2000

Independent Expert

Lonergan Edwards & Associates Limited
Level 7
64 Castlereagh Street
Sydney NSW 2000

Investigating Accountant

KPMG Transaction Services
Tower Three, International Towers Sydney
Level 38, 300 Barangaroo Avenue
Sydney NSW 2000

Share registry

Computershare Investor Services Pty Limited
GPO Box 2975EE
Melbourne VIC 3000
Telephone: 1300 346 808
Overseas callers: +61 3 9415 4140

Auditor

Grant Thornton Audit Pty Limited
Level 17
383 Kent Street
Sydney NSW 2000

