
Supplementary Scheme Booklet

This Supplementary Scheme Booklet supplements disclosure in the Scheme Booklet Dated 30 October 2019 relating to the proposed acquisition of Konekt Limited ACN 009 155 971 (**Konekt**) by Advanced Personnel Management International Pty Ltd ACN 606 330 910 (**APM**) and by way of a scheme of arrangement

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU APPROVE THE SCHEME BY VOTING IN FAVOUR OF THE SCHEME RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONSIDER THE SCHEME TO BE FAIR AND REASONABLE AND IN THE BEST INTEREST OF KONEKT SHAREHOLDERS

This is an important document and requires your immediate attention. You should read this document carefully and in its entirety before deciding whether or not to vote in favour of the resolution to approve the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

If, after reading this Supplementary Scheme Booklet, you have any questions about the Scheme or the number of Konekt Shares you hold or how to vote, please call the Shareholder Information Line on 1300 671 080 (within Australia) or +61 2 8022 7954 (outside Australia) Monday to Friday between 9.00am and 5.00pm (Sydney time).

If you have recently sold all of your Konekt Shares, please disregard this document.

Financial Adviser



Legal Adviser



Important notices

General

This Supplementary Scheme Booklet supplements the scheme booklet dated 30 October 2019 (**Scheme Booklet**) issued by Konekt in connection with the proposed scheme between Konekt and the Konekt Shareholders. It is intended that this Supplementary Scheme Booklet be read together with the Scheme Booklet such that references to "the Scheme Booklet", including in the Notice of Meeting, shall be taken to include this Supplementary Scheme Booklet and the information contained herein. Capitalised terms used in this Supplementary Scheme Booklet have the meaning given to them in section 9 of the Scheme Booklet unless otherwise defined.

You should carefully read this Supplementary Scheme Booklet and the Scheme Booklet in their entirety before deciding how to vote on the Scheme. If you are in any doubt as to what you should do, you should seek advice from independent financial, legal and taxation advisers before making any decision regarding the Scheme.

Purpose of this Supplementary Scheme Booklet

The purpose of this Supplementary Scheme Booklet is to provide information to Konekt Shareholders about the following matters which arose following despatch of the Scheme Booklet:

- (a) an increase in the Total Cash Consideration from \$0.49 to \$0.70 per Konekt Share (comprising the Scheme Consideration of \$0.65 per Konekt Share and the Special Dividend of \$0.05 per Konekt Share); and
- (b) an increase to the Konekt Reimbursement fee from \$528,00 to \$1,000,000.

Responsibility for information

- (a) Except as provided in paragraphs (b) to (c) below, the information in this Supplementary Scheme Booklet has been provided by Konekt and is the responsibility of Konekt. APM and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any such Konekt information.
- (b) APM has provided and is responsible for the information in section 2 of this Supplementary Scheme Booklet (**Supplementary APM Information**). Konekt and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the Supplementary APM Information.
- (c) The Independent Expert, Lonergan Edwards & Associates, has provided and is responsible for the Supplementary IER Letter set out as Attachment A to this Supplementary Scheme Booklet. Konekt does not assume any responsibility for the accuracy or completeness of the information contained in Attachment A to this Supplementary Scheme Booklet except in relation to information given by it to the Independent Expert. APM does not assume any responsibility for the accuracy or completeness of the information contained in Attachment A to this Supplementary Scheme Booklet. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Supplementary Scheme Booklet other than that contained in Attachment A.
- (d) Computershare Investor Services Pty Ltd ACN 078 279 277 has had no involvement in the preparation of any part of this Supplementary Scheme Booklet other than being named as Konekt's Share Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Supplementary Scheme Booklet.

Investment decisions

The information in this Supplementary Scheme Booklet does not constitute financial product advice.

This Supplementary Scheme Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any Konekt Shareholder or any other person. This Supplementary Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent legal, financial and taxation advice should be sought before making any investment decision in relation to your Konekt Shares.

ASIC and ASX involvement

A copy of this Supplementary Scheme Booklet has been provided to ASIC and ASX. Neither ASIC nor any of its officers take any responsibility for the contents of this Supplementary Scheme Booklet.

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

Important notice associated with Court order under subsection 1319 of the Corporations Act

The fact that under section 1319 of the Corporations Act the Court has ordered the despatch of this Supplementary Scheme Booklet does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the Supplementary Scheme Booklet.

Notice regarding Second Court Hearing if a Konekt Shareholder wishes to oppose the Scheme

The date of the Second Court Hearing to approve the Scheme is scheduled for Monday, 9 December 2019. The hearing will be at 9.00am (Sydney time) at the Federal Court of Australia at Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

Each Konekt Shareholder has the right to appear and be heard at the Second Court Hearing and if so advised, oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file and serve on Konekt a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Konekt at its address for service at least one day before the Second Court Date. The address for service for Konekt is:

Level 3, 338 Pitt Street, Sydney NSW 2000

Attention: Ms Reena Minhas, Company Secretary

Email: rminhas@konekt.com.au

Privacy and personal information

Konekt and APM may collect personal information to implement the Scheme. The personal information may include the names, contact details and details of holdings of Konekt

Shareholders, plus contact details of individuals appointed by Konekt 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.

Computershare advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Computershare organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. Some or all of your personal information may be disclosed to contracted third parties, or related Computershare companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about our personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au/privacy-policies>.

The information may be disclosed to print and mail service providers, and to Konekt and APM and their respective related bodies corporate and advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, Konekt may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively or at all. Konekt Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Notice to persons outside Australia

This Supplementary Scheme Booklet, the Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

This Supplementary Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Supplementary Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Supplementary Scheme Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Supplementary Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme.

Currency

The financial amounts in this Supplementary Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$ and cents is to Australian currency, unless otherwise stated.

Date

This Supplementary Scheme Booklet is dated 22 November 2019

Key Dates

DATE	EVENT
10.00am on Sunday, 1 December 2019	Scheme Meeting proxies - the last date and time by which proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representative for the Scheme Meeting must be received by the Registry
7.00pm on Sunday, 1 December 2019	Scheme Meeting record date - Date and time for determining eligibility to vote at the Scheme Meeting
10.00am on Tuesday, 3 December 2019	Scheme Meeting
IF KONEKT SHAREHOLDERS APPROVE THE SCHEME AT THE SCHEME MEETING	
Monday, 9 December 2019	Second Court Date to approve the Scheme
Tuesday, 10 December 2019	<p>Effective Date - this is the date on which the Scheme comes into effect and is binding on Konekt Shareholders. Court order lodged with ASIC and announced on ASX.</p> <p>Konekt Shares will be suspended from trading at the close of trading on ASX on the Effective Date. If the Scheme proceeds, this will be the last day that Konekt Shares will trade on ASX.</p>
Wednesday, 11 December 2019	Special Dividend Record Date - all Konekt Shareholders who hold Konekt Shares on the Special Dividend Record Date will be entitled to receive the fully franked Special Dividend.
Monday, 16 December 2019	Scheme Record Date - all Konekt Shareholders who hold Konekt Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration.
Friday 20 December 2019	Implementation Date and Special Dividend Payment Date - all Scheme Shareholders will be paid the Scheme Consideration to which they are entitled, and paid the fully franked Special Dividend.

All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see section 1.2 of the Scheme Booklet). All dates and times, unless otherwise indicated, refer to the date and time in Sydney, Australia. Any changes to the above timetable will be announced to ASX and notified on Konekt's website at www.konekt.com.au.

Chairman's Letter

22 November 2019

Dear Konekt Shareholder,

This Supplementary Scheme Booklet is an update to the Scheme Booklet dated 30 October 2019 and contains further information in relation to APM's offer to acquire 100% of all the shares in Konekt by way of scheme of arrangement, subject to regulatory, Court and Konekt Shareholder and other approvals.

On 7 November 2019, Konekt announced that Konekt and APM entered into a deed of amendment and restatement in relation to the Scheme Implementation Deed (**First Amended and Restated SID**) pursuant to which:

- APM agreed to increase the total cash consideration to \$0.64 per Konekt Share; and
- the Reimbursement Fee payable by Konekt to APM in circumstances described in section 3.13 of the Scheme Booklet be increased to \$1,000,000 (**Revised Reimbursement Fee**).

On 22 November 2019, Konekt and APM entered into a further deed of amendment and restatement in relation to the First Amended and Restated SID (**Second Amended and Restated SID**), pursuant to which APM has agreed to increase the Total Cash Consideration to **\$0.70 per Konekt Share** (**Revised Total Cash Consideration**). The quantum of the Reimbursement Fee remains unchanged.

The other terms of the Scheme, and the Key Dates set out on page 11 of the Scheme Booklet remain unchanged.

The purpose of this Supplementary Scheme Booklet is to provide you with information in relation to the Revised Offer and Revised Reimbursement Fee.

The Revised Total Cash Consideration is comprised of:

- a fully franked Special Dividend of \$0.05 per Konekt Share held by each Konekt Shareholder on 11 December 2019 (**Special Dividend Record Date**), payable by Konekt¹. The Special Dividend is conditional upon the Scheme becoming Effective; and
- the Scheme Consideration of \$0.65 per Konekt Share held by each Scheme Shareholder on the Scheme Record Date, payable by APM.

Any Konekt Shareholder that acquires Konekt Shares after the Special Dividend Record Date who is registered as such on the Scheme Record Date will receive \$0.65 per Konekt Share if the Scheme is implemented.

Konekt Shareholders may be able to realise the benefit of franking credits that are attached to the fully franked Special Dividend. The franking credits attached to the Special Dividend will depend on your own personal circumstances which we encourage you to seek independent legal and taxation advice around the franking credits and the fully franked Special Dividend.

¹ See section 2 for further information in relation to how the Special Dividend will be funded.

The Revised Total Cash Consideration of \$0.70 cash for each Konekt Share represents a significant premium to recent historical Konekt Share prices, prior to the announcement of the Scheme:

- 141% to the closing price of \$0.29 per Konekt Share on 4 October 2019, the last trading day prior to the announcement of the Scheme;
- 170% to the 1 month VWAP of \$0.26 per Konekt Share;
- 186% to the 3 month VWAP of \$0.25 per Konekt Share; and
- 274% to the 6 month VWAP of \$0.20 per Konekt Share.

Independent Expert

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders in the absence of a Superior Proposal. The Independent Expert has issued the Supplementary IER Letter attached to this Supplementary Scheme Booklet as Attachment A.

The Independent Expert has assessed the value of a Konekt Share to be in the range of \$0.39 to \$0.43. The Revised Total Cash Consideration of \$0.70 is above this range.

A complete copy of the Independent Expert's report is included as Attachment E to the Scheme Booklet.

Konekt Directors' recommendation

The Konekt Directors (who collectively hold approximately 23.3% of the Konekt Shares on issue as at the date of this Supplementary Scheme Booklet) have carefully considered the proposal from APM and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and provided that the Independent Expert continues to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 3. Each Konekt Director intends to vote all the Konekt Shares held or controlled by them in favour of the Scheme.

How to vote

Your vote as a Konekt Shareholder is important and the Konekt Directors and I encourage you to submit your vote on this Scheme of Arrangement. You can vote by attending the Scheme Meeting or alternatively by completing the Proxy Form accompanying the Scheme Booklet previously sent to you.

The Scheme requires Court approval as well as approval from Konekt Shareholders. The vote will be held at a Scheme Meeting 10.00 on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

Further information

The Scheme Booklet, together with this Supplementary Scheme Booklet sets out important information regarding the Scheme, including general advantages and disadvantages that may affect your voting decision, the Konekt Directors' recommendation and the Independent Expert's Report.

Should you require additional information or have any questions in regards to the Scheme itself, please contact 1300 671 080 (inside Australia) or +61 2 8022 7954 (outside Australia) from Monday to Friday between 9.00am to 5.00pm (Sydney time).

All Konekt Shareholders should consult their taxation, financial and/or legal adviser for further implications on how the Scheme will affect your personal circumstances. There is additional information provided in the Frequently Asked Question section containing answers to a range of questions on the Scheme and its implications.

Conclusion

On behalf of the Konekt Directors, I would like to personally thank you for your continued involvement and support of the Konekt business and Board. I look forward to your participation at the Scheme meeting.

Your sincerely,

A handwritten signature in black ink, appearing to read 'DF', followed by a horizontal line.

Douglas Flynn
Chairman
Konekt Limited

1 Increase to the Scheme Consideration

1.1 Background to Second Amended and Restated SID

On 31 October 2019, Konekt received a confidential, non-binding, incomplete, conditional competing proposal to acquire all of the Konekt Shares pursuant to a scheme of arrangement subject to due diligence for \$0.60 per Konekt Share (inclusive of any special dividend) (**First Maximus Proposal**) from MAXIMUS Australia Holding Company Pty Ltd, an Australian-incorporated special purpose vehicle which is a related body corporate of MAXIMUS, Inc (**Maximus**). The First Maximus Proposal was subject to, among other things, due diligence and obtaining the consent of the counterparty to each Fundamental Key Contract (being the Department of Jobs and Small Business and Insurance and Care NSW) to the change of control that would result from the implementation of the First Maximus Proposal (a condition which has already been satisfied by APM). Pursuant to its obligations under clause 11.5 of the Scheme Implementation Deed, Konekt notified APM of the First Maximus Proposal, and in accordance with its rights under clause 11.6 of the Scheme Implementation Deed, Konekt engaged with Maximus in relation to the First Maximus Proposal.

As announced on 7 November 2019, Konekt and APM entered into the First Amended and Restated SID, pursuant to which:

- (a) APM agreed to increase the Total Cash Consideration to \$0.64 per Konekt Share (a superior price to the First Maximus Proposal); and
- (b) the Reimbursement Fee payable by Konekt to APM in circumstances described in section 3.13 of the Scheme Booklet be increased to \$1,000,000.

On 15 November 2019, Konekt received a further confidential, non-binding, incomplete, conditional competing proposal from Maximus to acquire all of the Konekt Shares pursuant to a scheme of arrangement subject to due diligence for \$0.70 per Konekt Share (inclusive of a \$0.05 special dividend) (**Second Maximus Proposal**). The Second Maximus Proposal was on the same terms and subject to the same conditions as the First Maximus Proposal (including the requirement to obtain consent to the change of control from each Fundamental Key Contract counterparty). Pursuant to its obligations under clause 11.5 of the First Amended and Restated SID, Konekt notified APM of the Second Maximus Proposal, and in accordance with its rights under clause 11.6 of the First Amended and Restated SID, Konekt engaged with Maximus in relation to the Second Maximus Proposal.

On the morning of 21 November 2019, Konekt received a binding offer from Maximus to acquire all of the Konekt Shares pursuant to a scheme of arrangement, subject only to meetings with select members of Konekt management following which its offer would become unconditional, for \$0.70 per Konekt Share (inclusive of the special dividend) (**Third Maximus Proposal**). The Third Maximus Proposal was conditional on customary conditions for a scheme of arrangement as well as:

- (a) one Fundamental Key Contract counterparty, being the Department of Employment, Skills, Small and Family Business not indicating to either Konekt or Maximus, or their respective advisers, that it intended to terminate the contract referenced in paragraph (a) of the definition of “Fundamental Key Contract” due to the change in control that would result from implementation of the Third Maximus Proposal; and

- (b) there being no Material Adverse Change, which would be triggered by a change or event resulting in either the diminution of consolidated net assets of at least \$8.5 million or which had the effect of reducing the projected gross revenues of the Konekt Group in FY20 by more than 20%.

In accordance with its rights under clause 11.6 of the First Amended and Restated SID, Konekt engaged with Maximus in relation to the Third Maximus Proposal and notified APM of the Third Maximus Proposal.

In the evening of 21 November 2019, Konekt received a further confidential, indicative incomplete and non-binding proposal from APM to acquire all of the Konekt Shares pursuant to a scheme of arrangement for \$0.70 per Konekt Share (inclusive of the Special Dividend), being the offer the subject of the Second Amended and Restated SID. Pursuant to the terms of the Second Amended and Restated SID, Konekt has ceased engagement with Maximus in relation to the Third Maximus Proposal.

Other than as set out in this Supplementary Scheme Booklet, the terms of the Scheme, and the Key Dates set out on page 11 of the Scheme Booklet remain unchanged.

The purpose of this Supplementary Scheme Booklet is to provide you with information in relation to the developments in relation to Konekt's engagement with APM and MAXIMUS, the Revised Total Cash Consideration and Revised Reimbursement Fee.

If the Scheme proceeds, Konekt Shareholders will receive an aggregate cash payment of \$0.70 per Konekt Share. The Scheme Consideration payable by APM under the Scheme is \$0.65 per Konekt Share. On 25 October 2019, Konekt declared a fully franked Special Dividend of \$0.05 per Konekt Share. The Special Dividend will be paid on 20 December 2019 to those Konekt Shareholders who are on the Share Registry on 11 December 2019 (**Special Dividend Record Date**). The Special Dividend is conditional upon the Scheme becoming Effective.

The Revised Total Cash Consideration is comprised of:

- (a) a fully franked Special Dividend of \$0.05 per Konekt Share held by each Konekt Shareholder on the Special Dividend Record Date, payable by Konekt²; and
- (b) the Scheme Consideration of \$0.65 per Konekt Share held by each Scheme Shareholder on the Scheme Record Date, payable by APM.

Any Konekt Shareholder that acquires Konekt Shares after the Special Dividend Record Date who is registered as such on the Scheme Record Date will receive \$0.65 per Konekt Share if the Scheme is implemented.

Konekt Shareholders may be able to realise the benefit of franking credits that are attached to the fully franked Special Dividend. The franking credits attached to the Special Dividend will depend on your own personal circumstances which we encourage you to seek independent legal and taxation advice around the franking credits and the fully franked Special Dividend.

The Konekt Directors (who collectively hold approximately 23.3% of the Konekt Shares on issue as at the date of this Supplementary Scheme Booklet) have carefully considered the proposal from APM and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and provided that the Independent Expert continues to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt

² See section 2 for further information in relation to how the Special Dividend will be funded.

Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 3. Each Konekt Director intends to vote all the Konekt Shares held or controlled by them in favour of the Scheme.

1.2 Amendment and restatement of the Scheme Implementation Deed

- (a) The Scheme Implementation Deed dated 8 October 2019 was amended and restated to incorporate the revised Cash Consideration of \$0.64 per Konekt Share (inclusive of the Special Dividend) and the Revised Reimbursement Fee. The terms of the First Amended and Restated SID otherwise remain unchanged from those set out in the Scheme Implementation Deed.
- (b) The First Amended and Restated SID was amended and restated to incorporate the Revised Total Cash Consideration. The terms of the Second Amended and Restated SID otherwise remain unchanged from those set out in the First Amended and Restated SID.

1.3 Konekt Options

The proposed treatment of the Konekt Options remains as set out in section 4.7 of the Scheme Booklet, except that the Konekt Options will be cancelled for a cash sum equivalent to the difference between the exercise price of those Konekt Options and the Revised Total Cash Consideration (**Revised Konekt Options Offer**).

1.4 Konekt Performance Rights

The treatment of the Konekt Performance Rights remains as set out in section 4.7 of the Scheme Booklet.

2 Funding of the Revised Total Cash Consideration

The funding arrangements for the Revised Total Cash Consideration remains the same as disclosed in section 5.4 of the Scheme Booklet, other than in respect of the following:

- (a) based on Konekt's total diluted share capital (excluding any Konekt Performance Rights that will not become exercisable in connection with the Scheme) as at the date of this Supplementary Scheme Booklet, the total amount of cash required to be paid by APM to the Scheme Shareholders under the Scheme is a maximum of \$75,103,127.30 (**Revised Aggregate Scheme Consideration**) (which will be reduced by the Dividend Loan requested by the Konekt Directors); and
- (b) APM continues to believe that it has a reasonable basis for holding the view, and it does hold the view, that it will be able to satisfy its obligations to fund the Revised Total Cash Consideration as and when it is due and payable under the terms of the Scheme and provide the Dividend Loan for the purposes of funding the aggregate amount of the fully franked Special Dividend.

The Dividend Loan, being the amount requested by the Konekt Directors to be provided or procured by APM or an APM Group Member for the purposes of funding the fully franked Special Dividend, remains unchanged from the description set out in section 5.4 of the Scheme Booklet.

3 Additional Information

3.1 Agreements or arrangements with Konekt Directors connected with or conditional on the Scheme

Damian Banks, Konekt's Managing Director and Chief Executive Officer holds:

- (a) 280,000 Konekt Options; and
- (b) 408,414 Konekt Performance Rights.

Damian's Konekt Performance Rights and Konekt Options will be treated in the manner set out in section 4.7 of the Scheme Booklet. This will result in 168,546 of Damian Banks' Konekt Performance Rights being exercised and will result in the issue of 168,546 Konekt Shares to Mr Banks valued at \$117,982.20 (based on the Revised Total Cash Consideration). As described in section 4.7 of the Scheme Booklet, the resultant Konekt Shares will participate in the Scheme alongside existing Konekt Shares. Mr Banks has entered into an option cancellation deed in relation to his Konekt Options pursuant to which his Konekt Options will be cancelled for aggregate consideration equal to approximately \$94,640.

The treatment of short term incentive payments and specific retention payments remains as described in section 8.5 of the Scheme Booklet.

Save as noted above and in the Scheme Booklet, there is no agreement or arrangement made between any Konekt Director and any other person, including an APM Group Member, in connection with or conditional upon the outcome of the Scheme.

3.2 Konekt Shares, Konekt Options and Konekt Performance Rights held by Konekt Directors

The table below lists the Relevant Interests of Konekt Directors in Konekt Shares as at the date of this Supplementary Scheme Booklet.

Konekt Director	Position	Relevant Interest in Konekt Shares	Implied value of Relevant Interest based on Revised Total Cash Consideration	Number of Konekt Performance Rights	Number of Konekt Options
Douglas Flynn	Chairman	6,546,801	\$4,582,760.70	Nil	Nil
Damian Banks	Managing Director and CEO	16,082,117	\$11,257,481.90	408,414	280,000
Tony Crawford	Independent Non-Executive Director	385,005	\$269,503.50	Nil	Nil
Philip Small	Independent Non-Executive Director	1,650,322	\$1,155,225.40	Nil	Nil

Konekt Directors who hold Konekt Shares will be entitled to vote at the Scheme Meeting and receive the Revised Total Cash Consideration along with all other Konekt Shareholders.

In relation to Damian Banks, as noted in section 8.5 of the Scheme Booklet, 168,546 of his Konekt Performance Rights will be exercised in accordance with section 4.7 of the Scheme Booklet and will result in the 168,546 Konekt Shares being issued to Mr Banks. The remainder of the Konekt Performance Rights held by Mr Banks will be lapsed for nil consideration. As such, after the date of this Supplementary Scheme Booklet but prior to the Scheme Record Date, Mr Banks' Relevant Interest in Konekt Shares will increase to 16,250,663. Mr Banks' Konekt Options will be cancelled for consideration as described in sections 4.7 and 8.5 of the Scheme Booklet.

Each Konekt Director states that he or she intends to vote, or cause to be voted, all Konekt Shares held or controlled by them, or on their behalf, in favour of the Scheme, in the absence of a Superior Proposal.

4 Revised Reimbursement Fee

Konekt and APM have agreed to the Revised Reimbursement Fee of \$1,000,000. Konekt notes and acknowledges that the Revised Reimbursement Fee exceeds the 1% guideline set out in the Takeovers Panel Guidance Note 7 – Lock Up Devices. However, the Konekt Directors have approved the Revised Reimbursement Fee on the basis that:

- (a) the circumstances in which the Revised Reimbursement Fee would be payable are limited and reasonable; and
- (b) the quantum of the Revised Reimbursement Fee is considered by the Konekt Directors to be reasonable and justified by reference to the costs and expenses that have been and will be incurred by APM in proceeding with the offer as set out in the Revised Scheme Implementation Deed and the expected benefits that the Scheme will provide to Konekt Shareholders.

5 Status of Conditions Precedent

As at the date of this Supplementary Scheme Booklet, Konekt:

- (a) confirms that the Condition set out in clause 3.1(k) of the Amended Scheme Implementation Deed has been satisfied (as announced by Konekt on 8 November 2019); and
- (b) is not aware of any circumstances which would cause the remaining Conditions set out in clause 3.1 of the Amended Scheme Implementation Deed not to be satisfied.

Attachment A – Supplementary IER Letter

[Attached separately.]

The Directors
Konekt Limited (ACN 009 155 971)
Level 3, 228 Pitt Street
Sydney NSW 2000
Australia

22 November 2019

Subject: Updated scheme proposal from APM

Dear Directors

Scope

- 1 The Directors of Konekt Limited (Konekt) have requested that we prepare this letter stating whether, in our opinion, the updated scheme proposal from Advanced Personnel Management International Pty Ltd's (APM) for all the shares in Konekt is fair and reasonable.

APM Initial Offer

- 2 On 8 October 2019, Konekt Limited (Konekt) announced that it and APM had signed a Scheme Implementation Deed under which APM would acquire 100% of the issued shares in Konekt via a scheme of arrangement for an offer consideration of \$0.49 cash per share¹ (Initial Offer Scheme).
- 3 If that Initial Offer Scheme had become legally effective, Konekt shareholders would have received an aggregate amount of \$0.49 cash for each Konekt share they hold on the Scheme Record Date², which would comprise \$0.49 per Konekt share less a fully franked special dividend of up to \$0.05 per Konekt share (Special Dividend)³.
- 4 For the purpose of assessing the Initial Offer Scheme, we assessed the Scheme Consideration as \$0.49 per Konekt share, regardless of whether a Special Dividend would be paid or not.

Background to APM's Revised Offer

- 5 On 31 October 2019, Konekt received a confidential, non-binding, incomplete, conditional competing proposal to acquire all of the Konekt Shares pursuant to a scheme of arrangement subject to due diligence for \$0.60 per Konekt Share (inclusive of any special dividend) from MAXIMUS Australia Holding Company Pty Ltd (First Maximus Proposal), an Australian-incorporated special purpose vehicle which is a related body corporate of MAXIMUS, Inc (Maximus). The First Maximus Proposal was subject to, among other things, due diligence and obtaining the consent of the counterparty to each Fundamental Key Contract (being the

¹ Inclusive of a Special Dividend of up to \$0.05 per share.

² The Scheme Record Date is presently expected to be 7:00pm on the fourth business day after the Scheme becomes effective.

³ Subject to the necessary approvals for the Scheme being obtained and Konekt obtaining a ruling from the Australian Taxation Office (ATO).

Department of Jobs and Small Business and Insurance and Care NSW) to the change of control that would result from the implementation of the First Maximus Proposal (a condition which has already been satisfied by APM).

- 6 Pursuant to its obligations under clause 11.5 of the Scheme Implementation Deed, Konekt notified APM of the First Maximus Proposal, and in accordance with its rights under clause 11.6 of the Scheme Implementation Deed, Konekt engaged with Maximus in relation to the First Maximus Proposal.
- 7 As announced on 7 November 2019, Konekt and APM entered into the First Amended and Restated SID, pursuant to which:
 - (a) APM agreed to increase the Total Cash Consideration to \$0.64 per Konekt Share (a superior price to the First Maximus Proposal); and
 - (b) the Reimbursement Fee payable by Konekt to APM in circumstances described in section 3.13 of the Scheme Booklet be increased to \$1,000,000.

Background to APM's Second Revised Offer

- 8 On 15 November 2019, Konekt received a further confidential, non-binding, incomplete, conditional competing proposal from Maximus to acquire all of the Konekt Shares pursuant to a scheme of arrangement subject to due diligence for \$0.70 per Konekt Share (inclusive of a \$0.05 special dividend) (Second Maximus Proposal). The Second Maximus Proposal was on the same terms and subject to the same conditions as the First Maximus Proposal (including the requirement to obtain consent to the change of control from each Fundamental Key Contract counterparty).
- 9 Pursuant to its obligations under clause 11.5 of the First Amended and Restated SID, Konekt notified APM of the Second Maximus Proposal, and in accordance with its rights under clause 11.6 of the First Amended and Restated SID, Konekt engaged with Maximus in relation to the Second Maximus Proposal.
- 10 On the morning of 21 November 2019, Konekt received a binding offer from Maximus to acquire all of the Konekt Shares pursuant to a scheme of arrangement, subject only to meetings with select members of Konekt management following which its offer would become unconditional, for \$0.70 per Konekt Share (inclusive of the special dividend) (Third Maximus Proposal). The Third Maximus Proposal was conditional on customary conditions for a scheme of arrangement as well as:
 - (a) one Fundamental Key Contract counterparty, being the Department of Employment, Skills, Small and Family Business not indicating to either Konekt or Maximus, or their respective advisers, that it intended to terminate the contract referenced in paragraph (a) of the definition of "Fundamental Key Contract" due to the change in control that would result from implementation of the Third Maximus Proposal; and
 - (b) there being no Material Adverse Change, which would be triggered by a change or event resulting in either the diminution of consolidated net assets of at least \$8.5 million or which had the effect of reducing the projected gross revenues of the Konekt Group in FY20 by more than 20%.

- 11 In accordance with its rights under clause 11.6 of the First Amended and Restated SID, Konekt engaged with Maximus in relation to the Third Maximus Proposal and notified APM of the Third Maximus Proposal.
- 12 In the evening of 21 November 2019, Konekt received a further confidential, indicative incomplete and non-binding proposal from APM to acquire all of the Konekt Shares pursuant to a scheme of arrangement for \$0.70 per Konekt Share (inclusive of the Special Dividend), being the offer the subject of the Second Amended and Restated SID. Pursuant to the terms of the Second Amended and Restated SID, Konekt has ceased engagement with Maximus in relation to the Third Maximus Proposal.
- 13 If the Scheme proceeds, Konekt Shareholders will receive an aggregate cash payment of \$0.70 per Konekt Share (inclusive of the Special Dividend). The Scheme Consideration (excluding the Special Dividend) payable by APM under the Scheme is \$0.65 per Konekt Share. On 25 October 2019, Konekt declared a fully franked Special Dividend of \$0.05 per Konekt Share. The Special Dividend will be paid on 20 December 2019 to those Konekt Shareholders who are on the Share Registry on 11 December 2019 (Special Dividend Record Date). The Special Dividend is conditional upon the Scheme becoming Effective.
- 14 The Revised Total Cash Consideration under the Second Revised Offer is comprised of:
 - (a) a fully franked Special Dividend of \$0.05 per Konekt Share held by each Konekt Shareholder on the Special Dividend Record Date, payable by Konekt; and
 - (b) the Scheme Consideration of \$0.65 per Konekt Share held by each Scheme Shareholder on the Scheme Record Date, payable by APM.
- 15 In these circumstances, we have assessed whether the Second Revised Offer is fair and reasonable having regard to our valuation range.
- 16 We note that the existence of a number of competing offers and the subsequent Revised and Second Revised Offers from APM indicates that the potential synergy benefits are likely to be substantial. In light of the extent by which the Second Revised Offer exceeds our valuation range, we believe that the price offered to Konekt shareholders reflects a substantial share of such potential synergies.

Fair and reasonable opinion

- 17 Pursuant to the Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme.
- 18 As set out at page two of our independent expert (IER) report dated 11 October 2019⁴, we concluded that the Initial Offer Scheme is fair and reasonable and in the best interests of Konekt shareholders in the absence of a superior proposal.
- 19 As the Scheme Consideration under the Second Revised Offer is greater than the Initial Offer Scheme, the Revised Offer and the First Maximus Proposal, is consistent with the Second and Third Maximus Proposals, and we are advised that there has been no material change to

⁴ The IER was annexed to the Konekt Scheme Booklet dated 30 October 2019.

Konekt since the Scheme Booklet was released, we are of the opinion that the Second Revised Offer must also be fair to Konekt shareholders.

- 20 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 21 Consequently, in our opinion, the Second Revised Offer is also “reasonable” and “in the best interests” of Konekt shareholders in the absence of a superior proposal.

Yours faithfully



Martin Hall
Authorised Representative



Craig Edwards
Authorised Representative