

IncentiaPay Ltd

ACN 167 603 992

Notice of 2020 Annual General Meeting and Explanatory Statement

Time:	10:00am (Sydney time)
Date:	Wednesday, 16 December 2020
Place:	via the online platform at https://agmlive.link/INP20

Details of the meeting

The online AGM to which this Notice of Meeting relates will take place at 10:00am (Sydney time) on Wednesday, 16 December 2020 via the online platform <https://agmlive.link/INP20>.

In response to the Government restrictions and the potential health risks arising from the COVID-19 pandemic, this year's AGM will only be held virtually. There will not be a physical meeting where shareholders can attend. However shareholders can participate in the meeting online via <https://agmlive.link/INP20>. The online platform will allow shareholders to attend the meeting, ask questions during the meeting and vote at the meeting. Further details on how to participate online will be published in the Virtual Meeting Online Guide available on the IncentiaPay website at <https://www.incentiapay.com/investor-centre/agm>.

If you plan to attend the meeting online, the Company encourages you to submit a directed proxy vote as early as possible. Details of how to submit a proxy vote are set out below.

Your vote is important

The business of the Annual General Meeting affects your shareholding and your vote is important.

Voting using the online platform

We recommend logging in to the online platform at least 15 minutes prior to the scheduled start time for the AGM by entering <https://agmlive.link/INP20> into a web browser on your computer or online device.

To submit votes or questions, shareholders will need their Shareholder Reference Number (SRN) or Holder Identification Number (HIN). Proxyholders will need their proxy code which Link Market Services will provide via email on the day before the AGM.

Voting will be open until the Chairman closes the AGM, upon which Shareholders will have an additional 5 minutes to finalise and submit their votes.

More information about online participation in the AGM (including asking questions via the virtual platform) is available in the Virtual Meeting Online Guide available at <https://www.incentiapay.com/investor-centre/agm>.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and either:

1. deliver the Proxy Form:

a) by hand to:

Link Market Services
1A Homebush Bay Drive
Rhodes NSW 2138; or

b) by post to:

IncentiaPay Ltd
C/- Link Market Services
Locked Bag A14
Sydney South NSW 1235; or

2. by facsimile to +61 2 9287 0309; or

3. lodge online at www.linkmarketservices.com.au, instructions as follows:

Select 'Investor Login' and in the Single Holding section enter IncentiaPay Ltd or the ASX code INP in the Issuer name field, your Security Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your Proxy Form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

Your Proxy Form must be received at least 48 hours before the commencement of the Meeting. Proxy Forms received later than this time will be invalid.

There may be restrictions on how your proxy can vote on certain Resolutions to be considered at the Meeting. Further details of when these restrictions apply, and what you can do to ensure that your proxy can vote as you intend, are set out in the section of this document headed Voting Exclusions.

The Chair intends to vote all proxies given to the Chair in favour of the Resolutions in Items 2-9.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 7:00pm (Sydney time) on 14 December 2020.

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of Shareholders of IncentiaPay Ltd ACN 167 603 992 will be held at 10:00am (Sydney time) on Wednesday, 16 December 2020 via the online platform <https://agmlive.link/INP20>.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement forms part of this Notice of Meeting.

Some terms and abbreviations used in this notice of meeting and the explanatory notes are defined at the end of the explanatory notes in the Glossary.

Items of business

1. Financial statements and reports

"To receive and to consider the Annual Financial Report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the Auditor's Report for that financial year."

Note: This item of ordinary business is **for discussion only and is not a Resolution**.

However, Shareholders will be given a reasonable opportunity at the Meeting to ask questions about or make comments about each of these Reports.

2. Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purpose of section 250R(2) of the Corporations Act and for all other purposes, the Company's remuneration report, as contained in the Annual Financial Report, for the financial year ended 30 June 2020 be adopted."

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. A voting exclusion applies to this Resolution – see Voting Exclusions.

3. Re-election of Stephen Harrison as Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That Stephen Harrison, a Director who retires by rotation in accordance with the Company's Constitution and ASX Listing Rule 14.4, and being eligible offers himself for re-election, be re-elected as a Director of the Company."

4A. Ratification of prior issue of equity securities: Loan Funded Share Plan

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 38,771,277 Shares issued on 8 October 2020 (Loan Funded Share Securities) and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

4B. Ratification of prior issue of equity securities: Gift Plan

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and prior issue of 3,066,667 Shares issued on 8 October 2020 (Gift Plan Securities) and on terms and conditions all of which are described in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

5A. Approval of employee incentive scheme: Loan Funded Share Plan

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of sections 257B, 259B and 260C of the Corporations Act, and for all other purposes, Shareholders approve the Loan Funded Share Plan on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

5B. Approval of employee incentive scheme: Employee Share Scheme

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of Exception 13(b) of ASX Listing Rule 7.2, sections 257B, 259B and 260C of the Corporations Act, and for all other purposes, Shareholders approve the Employee Share Scheme on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

5C. Approval of employee incentive scheme: Gift Plan

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of Exception 13(b) of ASX Listing Rule 7.2, sections 257B, 259B and 260C of the Corporations Act, and for all other purposes, Shareholders approve the Gift Plan on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

6. Approval of capacity to issue securities under Listing Rule 7.1A

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special Resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

7. Approval of issue of Shares under the Convertible Loan Deed

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of item 7 of section 611 of the Corporations Act, Chapter 2E of the Corporations Act, and for all other purposes, approval is given for the Company for the issue of Shares under the Convertible Loan Deed, details of which are set out in the Explanatory Statement."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

8. Approval of amendment to the Loan Security

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to amend the Loan Security to include the monies owing under the Convertible Loan Deed."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

9. Approval of entry into Skybound Loan Security

To consider and if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to enter into the Skybound Loan Security."

Note: A voting exclusion applies to this Resolution – see Voting Exclusions.

Dated: 13 November 2020

BY ORDER OF THE BOARD



Ben Newling
Company Secretary

Voting exclusions

Item 2 – Adoption of Remuneration Report

In accordance with the Corporations Act, votes on Item 2 may not be cast in any capacity by or on behalf of a member of the Company's key management personnel (**KMP**) whose remuneration details are included in the Remuneration Report, or any of that person's Closely Related Parties unless:

- (a) the vote is cast by such a person as a proxy for a person who is entitled to vote on Item 2 and in accordance with a direction on the Proxy Form specifying how the proxy is to vote on the Resolution; or
- (b) the vote is cast by the Chair as proxy for a person who is entitled to vote on Item 2 and the Proxy Form expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP.

If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, please ensure that you direct them how to vote on Item 2. If you appoint the Chair as your proxy, and you do not direct your proxy how to vote on Item 2, you will be expressly authorising the Chair to exercise the proxy even though the Resolution is connected with the remuneration of members of the KMP.

Item 4A – Ratification of prior issue of equity securities: Loan Funded Share Plan

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 4A by or on behalf of:

- (a) a person who participated in the issue and received the Loan Funded Share Securities; or
- (b) an Associate of any person described in (a).

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Item 4B – Ratification of prior issue of equity securities: Gift Plan

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 4B by or on behalf of:

- (a) a person who participated in the issue and received the Gift Plan Securities; or
- (b) an Associate of any person described in (a).

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Item 5A – Approval of employee incentive scheme: Loan Funded Share Plan

Voting prohibition under the Corporations Act

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this resolution if:

- (a) the proxy is either:
 - (i) a member of the KMP; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of Key Management Personnel.

If you intend to appoint the Chair as your proxy, please ensure that you direct them how to vote on this Resolution. If you appoint the Chair as your proxy, and you do not direct your proxy how to vote on this Resolution, you will be expressly authorising the Chair to exercise the proxy even though the Resolution is connected, directly or indirectly, with the remuneration of members of the KMP.

Item 5B – Approval of employee incentive scheme: Employee Share Scheme

Voting exclusion under the Listing Rules

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 5B by or on behalf of:

- (a) a person who is eligible to participate in the Employee Share Scheme; or
- (b) an Associate of any person described in (a).

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting prohibition under the Corporations Act

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this resolution if:

- (c) the proxy is either:
 - (iii) a member of the KMP; or
 - (iv) a Closely Related Party of such a member; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (e) the proxy is the Chair; and
- (f) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of Key Management Personnel.

If you intend to appoint the Chair as your proxy, please ensure that you direct them how to vote on this Resolution. If you appoint the Chair as your proxy, and you do not direct your proxy how to vote on this Resolution, you will be expressly authorising the Chair to exercise the proxy even though the Resolution is connected, directly or indirectly, with the remuneration of members of the KMP.

Item 5C – Approval of employee incentive scheme: Gift Plan

Voting exclusion under the Listing Rules

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 5C by or on behalf of:

- (a) a person who is eligible to participate in the Gift Plan; or
- (b) an Associate of any person described in (a).

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting prohibition under the Corporations Act

In accordance with section 250BD of the Corporations Act, a person appointed as a proxy must not vote, on the basis of that appointment, on this resolution if:

- (c) the proxy is either:
 - (i) a member of the KMP; or
 - (ii) a Closely Related Party of such a member; and
- (d) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (e) the proxy is the Chair; and
- (f) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of Key Management Personnel.

If you intend to appoint the Chair as your proxy, please ensure that you direct them how to vote on this Resolution. If you appoint the Chair as your proxy, and you do not direct your proxy how to vote on this Resolution, you will be expressly authorising the Chair to exercise the proxy even though the Resolution is connected, directly or indirectly, with the remuneration of members of the KMP.

Item 6 – Approval of capacity to issue securities under Listing Rule 7.1A

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 6 by or on behalf of:

- (a) each person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of any of those persons.

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Item 7 – Approval of issue of Shares under the Convertible Loan Deed

In accordance with the Corporations Act, the Company will disregard any votes cast in favour of Item 7 by or on behalf of:

- (a) Suzerain Investments Holdings Limited; or
- (b) an Associate of Suzerain Investments Holdings Limited.

However, the Company will not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (ii) it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Item 8 – Approval of amendment to the Loan Security

Voting exclusion under the Listing Rules

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 8 by or on behalf of:

- (a) Suzerain Investments Holdings Limited (being the person acquiring the substantial asset and the person who will obtain the material benefit and financial benefit as a result of the transaction); or
- (b) an Associate of those persons.

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting prohibition under the Corporations Act

In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of Suzerain Investments Holdings Limited or any of its Associates. However, the above prohibition does not apply if the vote is cast:

- (iv) by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form; and
- (v) it is not cast on behalf of Suzerain Investments Holdings Limited (or any of its Associates).

Item 9 – Approval of entry into Skybound Loan Security

Voting exclusion under the Listing Rules

As required by the Listing Rules, the Company will disregard any votes cast in favour of Item 9 by or on behalf of:

- (a) Skybound Fidelis Investment Ltd as trustee for Skybound Fidelis Credit Fund (being the person acquiring the substantial asset and the person who will obtain the material benefit and financial benefit as a result of the transaction); or
- (b) an Associate of those persons.

However, the Company will not disregard a vote cast in favour of the resolution if:

- (i) it is cast by a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form;
- (ii) it is cast by the Chair as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction on the Proxy Form to vote as the Chair decides; or
- (iii) it is cast by a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided that:
 - A. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on this resolution; and
 - B. the holder votes on the resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.

Voting prohibition under the Corporations Act

In accordance with section 224 of the Corporations Act, a vote on this Resolution must not be cast (in any capacity) by or on behalf of Skybound Fidelis Investment Ltd as trustee for Skybound Fidelis Credit Fund or any of its Associates. However, the above prohibition does not apply if the vote is cast:

- (iv) by a person as proxy for a person who is entitled to vote on the resolution, in accordance with the directions on the Proxy Form; and
- (v) it is not cast on behalf of Skybound Fidelis Investment Ltd as trustee for Skybound Fidelis Credit Fund (or any of its Associates).

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held virtually at 10:00am (Sydney time) via the online platform <https://agmlive.link/INP20>.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional adviser.

Full details of the business to be considered at the Annual General Meeting are set out below.

Item 1 – Financial statements and reports

As required by the Corporations Act, the business of the Annual General Meeting will include receipt and consideration of the Annual Financial Report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's Report, the Remuneration Report and the Auditor's Report.

The Company is no longer required to provide a hard copy of the Company's Annual Financial Report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's Annual Financial Report unless specifically requested to do so, Shareholders may view the Company Annual Financial Report on its website at www.incentiapay.com.

No Resolution is required for this item, but Shareholders will be given the opportunity to ask questions and to make comments on the management and performance of the Company.

Item 2 – Adoption of Remuneration Report

Section 250R of the Corporations Act requires a listed company to put a Resolution to Shareholders to adopt its Remuneration Report for the relevant financial year. The Company's Remuneration Report for the financial year ended 30 June 2020 can be found at pages 32-40 of the Company's Annual Report.

The Remuneration Report explains the Board's policies in relation to the nature and level of remuneration paid to the Company's Key Management Personnel (including the Company's Chief Executive Officer and other senior executives, as well as the Company's Non-Executive Directors).

The vote on the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under the Corporations Act:

- if, at least 25% of the votes cast at any AGM on a Resolution to adopt the Remuneration Report are cast against the adoption of the Remuneration Report, the Company's next Remuneration Report must explain the Board's proposed action in response or explain why no action has been taken; and
- if, at the AGM in the following year, at least 25% of the votes cast on a Resolution to adopt the Remuneration Report are cast against the adoption of the Remuneration Report, a Resolution must be put to the Shareholders (**Spill Resolution**) that another meeting be held within 90 days at which all the Directors who were Directors when the Resolution to approve the Directors' Report for that year was passed, excluding any managing director, would need to stand for re-election (**Spill Meeting**).

Directors' recommendation

The Directors recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Item 3 – Re-election of Stephen Harrison as Director

The Company's constitution requires that an election of Directors, other than a managing director, must be held each year. In addition, the constitution specifies that a Director, other than a managing director, may not hold office for more than three years or beyond the third annual general meeting following the Director's appointment (whichever is the longer period) without submitting for re-election.

Stephen Harrison was elected as a Director of the Company on 20 December 2019 and has served as a Director of the Company since that date. Stephen Harrison is required to retire under the provisions described above and seeks re-election at this Meeting.

Stephen has over 30 years of experience in the financial services, funds management, M&A, private equity, and accounting fields - primarily focused on the energy, technology, IT services, infrastructure, financial services, health, entertainment, and natural resource sectors. He has held director positions with international fund manager subsidiaries, Investec Funds Management, and the Australian subsidiary of US based fund manager Sanford C. Bernstein. He has been a founder and held directorships in a number of unlisted and listed companies both in Australia and internationally.

He is currently the Chairman of two other public companies in Australia; NobleOak Life Limited and Conscious Capital Limited.

Directors' recommendation

The Directors (excluding Stephen Harrison) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Items 4A and 4B – Ratification of prior issues of equity securities

Background to the issue of the Loan Funded Share Securities

On 8 October 2020, the Company issued 38,771,277 Shares as part of the Loan Funded Share Plan (**Loan Funded Share Securities**).

Background to the issue of the Gift Plan Securities

On 8 October 2020, the Company issued 3,066,667 Shares as part of the Gift Plan (**Gift Plan Securities**).

Background to these Resolutions

The following resolutions propose that Shareholders of the Company approve and ratify the issue and allotment of:

- (a) 38,771,277 Shares issued on 8 October 2020 (**Loan Funded Share Securities**) pursuant to Resolution 4A;
- (b) 3,066,667 Shares issued on 8 October (**Gift Plan Securities**) pursuant to Resolution 4B.

All of the Loan Funded Share Securities and Gift Plan were issued utilising the Company's existing capacity under Listing Rule 7.1.

Listing Rule 7.1 allows the Board of an ASX listed entity to issue up to 15% of the Company's issued capital in any 12-month period without the approval of the Shareholders of the Company. Listing Rule 7.4 sets out an exception to Listing Rule 7.1 which provides that where a company in a general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (and provided that the previous issue did not breach Listing Rule 7.1), those securities will be deemed to have been made with Shareholder approval for the purposes of Listing Rule 7.1.

The effect of approval of Resolutions 4A and 4B is to allow the Board of the Company to issue additional securities within the 15% limit under Listing Rule 7.1 instead of having to wait 12 months after the issue.

Information required by Listing Rule 7.5

The following information in relation to the Loan Funded Share Securities and Gift Plan Securities is provided to Shareholders for the purposes of Listing Rule 7.5.

- (a) The Company issued the Securities to the following persons:
 - the Loan Funded Share Securities were issued to Henry Jones (CEO) and Ben Newling (COO); and
 - the Gift Plan Securities were issued to all full-time employees that have not already been invited to participate in the Loan Funded Share Plan and those employees who will not hold more than 10% of the Company's issued capital after accepting an invitation to participate in the Gift Plan.
- (b) The Company issued the following securities:
 - 38,771,277 fully paid ordinary shares (Loan Funded Share Securities); and
 - 3,066,667 fully paid ordinary shares (Gift Plan Securities).
- (c) The Loan Funded Share Securities and Gift Plan Securities are fully paid ordinary shares in the Company and rank equally with existing fully paid ordinary shares.
- (d) The Company issued the Loan Funded Share Securities and Gift Plan Securities on 8 October 2020.
- (e) The Company received the following consideration for the issue:
 - persons who received the Loan Funded Share Securities entered into a limited recourse loan to fund the issue of the Loan Funded Share Securities. The terms of the limited recourse loan are set out in the summary of terms of the Loan Funded Share Plan at Schedule 1. The Loan Funded Share Securities were issued at a deemed issue price of \$0.03 per Share, being the 5 trading day VWAP up to the trading day prior to the date of issue; and
 - nil consideration was received for the issue of the Gift Plan Securities. The Gift Plan Securities were issued at a deemed issue price of \$0.03, being the 5 trading day VWAP up to the trading day prior to the date of issue.
- (f) The Loan Funded Share Securities and Gift Plan Securities were issued as part of the establishment of the Loan Funded Share Plan and Gift Plan, which are all incentive arrangements to incentivise employees of the Company. No funds were raised by the issues.
- (g) The material terms on which the Securities were issued are as follows:
 - the summary of material terms on which the Loan Funded Share Securities were issued are set out in the summary of terms of the Loan Funded Share Plan at Schedule 1;
 - the summary of material terms on which the Gift Plan Securities were issued are set out in the summary of terms of the Gift Plan at Schedule 3.
- (h) A voting exclusion statement for each Resolution is included in this Notice of Meeting.

Directors' recommendation

The Directors recommend that Shareholders vote in favour of Items 4A and 4B. The Chair intends to vote all proxies given to the Chair in favour of Items 4A and 4B.

Items 5A, 5B and 5C – Approval of employee incentive schemes

Background to the new employee incentive schemes

As announced by the Company on 29 September 2020, the Company established three new employee incentive schemes known as:

- the Loan Funded Share Plan;
- the Employee Share Scheme; and
- the Gift Plan,

(together, the **Incentive Schemes**).

In establishing the three plans, the Company issued the Securities the subject of Items 4A (Loan Funded Share Plan) and 4B (Gift Plan). As at the date of this Notice, no invitations or issues have been made with respect to the Employee Share Scheme.

The Board believes the establishment of the Incentive Schemes will:

- motivate participants to focus on creating value for Shareholders;
- link reward with achievement of long-term performance by the Company;
- encourage participants to remain with the Company by providing them with the opportunity to hold a financial stake in the Company; and
- assist in the Company attracting high calibre talent.

Loan Funded Share Plan

The Loan Funded Share Plan was established to allow full time senior executives of the Company, selected by the Board, to acquire Shares using a loan made to them by the Company. The Board initially issued the 38,771,277 Loan Funded Share Securities to Henry Jones (CEO) and Ben Newling (COO) under its existing placement capacity under Listing Rule 7.1.

The acquisition of Shares under the Loan Funded Share Plan will be subject to the meeting of certain vesting conditions and the expiry of an escrow period.

Employee Share Scheme

The Employee Share Scheme was established to allow eligible employees (as well as directors and contractors), selected by the Plan Committee, to acquire performance rights for nil consideration. Subject to the satisfaction of vesting conditions and other terms of the Employee Share Scheme, each performance right will entitle the participant to receive one Share which meets those conditions. As at the date of this Notice, the Board has not issued any performance rights nor extended any invitations under the Employee Share Scheme. The acquisition of Shares under the Employee Share Scheme will be subject to the meeting of certain vesting conditions and the expiry of restrictions on transfer.

Performance rights under this scheme will be held by a trustee, rather than personally by the participants. Upon vesting and the expiry of restrictions on transfer, Shares will be either transferred or issued to the relevant participant.

Gift Plan

The Gift Plan was established to allow general employees (as well as directors and contractors), not already participating under the Loan Funded Share Plan and Employee Share Scheme, to receive a maximum of \$1,000 worth of Shares for nil consideration from the relevant participant. There will be no vesting conditions under the Gift Plan however participants will still be subject to restrictions on transfer. As with the Employee Share Scheme, Shares under this scheme will be held by a trustee, rather than personally by the participants. Upon the expiry of restrictions on transfer, the Shares will be transferred to the relevant participant.

ASX Listing Rule 7.2 (exception 13)

Items 5B and 5C seek the approval of Shareholders to respectively approve the issue of Shares under the Employee Share Scheme and Gift Plan, under Listing Rule 7.2 (exception 13). Broadly and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its Shareholders over a rolling 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of the period.

Exception 13 of Listing Rule 7.2 operates as one of the exceptions to Listing Rule 7.1. The effect of Shareholder approval under Listing Rule 7.2 (exception 13) is that any issues of securities under the Incentive Schemes are treated as having been made with the approval of Shareholders for the purposes of Listing Rule 7.1. Approval under Listing Rule 7.2 (exception 13) lasts for a period of 3 years.

Approval under Listing Rule 7.2 (exception 13) is not sought for the Loan Funded Share Plan.

If Item 5B is passed, the Company will be able to issue equity securities to eligible participants under the Employee Share Scheme without using any of the Company's placement capacity under Listing Rule 7.1 and without further Shareholder approval.

If Item 5C is passed, the Company will be able to issue further securities to eligible participants under the Gift Plan without using any of the Company's placement capacity under Listing Rule 7.1 and without further Shareholder approval (in addition to the Gift Plan Securities at Item 4B).

Specific information required by Listing Rule 7.2 (exception 13)

In accordance with the requirements of Listing Rule 7.2 (exception 13), the following information is provided:

- (a) summaries of the material terms of the Incentive Schemes are set out as follows:
 - a summary of the material terms of the Loan Funded Share Plan is set out at Schedule 1;
 - a summary of the material terms of the Employee Share Scheme is set out at Schedule 2;
 - a summary of the material terms of the Gift Plan is set out at Schedule 3;
- (b) the Company has not sought the prior approval of Shareholders for any of the Loan Funded Share Plan, the Employee Share Scheme or the Gift Plan as they were all established on 29 September 2020. However, the number of Securities which have been issued under these Incentive Schemes are as follows:
 - 38,771,277 Shares under the Loan Funded Share Plan;
 - nil performance rights under the Employee Share Scheme; and
 - 3,066,667 Shares under the Gift Plan.
- (c) the maximum number of equity securities proposed to be issued under the Incentive Schemes are as follows:
 - 38,771,277 Shares under the Loan Funded Share Plan;
 - 12,500,000 performance rights under the Employee Share Scheme; and
 - 3,066,667 Shares under the Gift Plan.

These maximum numbers for the Loan Funded Share Plan and Gift Plan include the Securities already issued and the subject of Items 4A and 4B respectively. The maximum numbers are not intended to be a prediction of the actual number of Securities to be issued under the Incentive Schemes, but are simply a ceiling for the purposes of Listing Rule 7.2 (exception 13(b)).

- (d) A voting exclusion statement in respect of Items 5A, 5B and 5C are included in this Notice of Meeting.

Sections 257B, 259B and 260C of the Corporations Act

Items 5A, 5B and 5C seek the approval of Shareholders to approve the Incentive Schemes themselves for the purposes of sections 257B, 259B and 260C of the Corporations Act. The implications of approval under these respective sections of the Corporations Act is discussed below.

Employee share scheme buy-back: section 257B of the Corporations Act

Section 257B(1) of the Corporations Act sets out the shareholder approval requirements and the procedures for implementing various forms of share buy-back, including an 'employee share scheme buy-back'. In order for the Company to undertake a buy-back of Shares under the Loan Funded Share Plan, Employee Share Scheme and Gift Plan (e.g. in situations where Shares are forfeited by participants under the various Incentive Schemes in accordance with their terms of issue) using the employee share scheme buy-back procedure under the Corporations Act, the Incentive Schemes must be approved by Shareholders.

Accordingly, Shareholders are asked to approve the Loan Funded Share Plan, Employee Share Scheme and Gift Plan, under section 257B(1) of the Corporations Act in order for the Company to undertake a buy-back of Shares under the Incentive Schemes using the employee share scheme buy-back procedure.

Enabling the Company to take security over its own Shares

Section 259B(1) of the Corporations Act prohibits a company taking security over shares in itself or in a company that controls it, unless one of the exceptions in subsections 259B(2) or 259B(3) applies. Section 259B(2) provides that a company may take security over shares in itself under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

The Company intends to take security over its Shares as part of its offers under the Loan Funded Share Plan as it involves the provision of a limited-recourse loan to the relevant executive for the acquisition of the Shares. The loan agreement for the relevant limited-recourse loan provides for the Company to take security over the Shares acquired by the executive under the Loan Funded Share Plan once Shareholder approval is obtained under section 259B(1) of the Corporations Act. Shareholders are asked to approve the Loan Funded Share Plan for the purposes of section 259B of the Corporations Act.

Although the Company does not intend to take security over its Shares as part of any offer under the Employee Share Scheme and Gift Plan, shareholders are asked to also approve the Employee Share Scheme and Gift Plan, under section 259B(2) of the Corporations Act, in order for the Board to have the flexibility to do so in its operation of the Incentive Schemes.

Financial assistance

Section 260A of the Corporations Act provides that a company may financially assist a person to acquire shares in the company or a holding company of the company only if:

- giving the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors; or
- the assistance is approved by shareholders under section 260B; or
- the assistance is exempted under section 260C.

Section 260C of the Corporations Act provides for certain specific instances of exempted financial assistance, including a special exemption for employee share schemes that have been approved by a resolution passed at a general meeting of the company (section 260C(4)). As an integral feature of the Loan Funded Share Plan, the Company has provided financial assistance to participants to acquire Shares in the form of limited-recourse loans, which will be interest-and fee-free, limited-recourse loans.

Whilst the Board does not believe that the provision of financial assistance to participants to enable them to participate in the Incentive Schemes will materially prejudice the interests of the Company or its Shareholders or the Company's ability to pay its creditors, Shareholders are asked to approve the Incentive Schemes under section 260C(4) of the Corporations Act so that there is no doubt that the provision of financial assistance will comply with section 260A of the Corporations Act.

Item 6 – Approval of capacity to issue securities under Listing Rule 7.1A

Summary of Listing Rule 7.1A

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

Under Listing Rule 7.1A, however, an eligible entity can seek approval from its members, by way of a special resolution passed at its annual general meeting, to increase this 15% limit by an extra 10% to 25%.

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and which has a market capitalisation of \$300 million or less. The Company is an eligible entity for these purposes.

Item 6 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% capacity provided for in Listing Rule 7.1A to issue equity securities without Shareholder approval.

If Item 6 is passed, the Company will be able to issue equity securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Item 6 is not passed, the Company will not be able to access the additional 10% capacity to issue equity securities to issue equity securities without Shareholder approval provided for in Listing Rule 7.1A and will remain subject to the 15% limit on issuing equity securities without Shareholder approval set out in Listing Rule 7.1.

Specific information required by Listing Rule 7.3A

If this Resolution is approved, the Company may make an issue of equity securities under Listing Rule 7.1A at any time (either on a single date or progressively) up until the earlier of:

- the date which is 12 months after the date of the Meeting;
- the time and date of the Company's next annual general meeting; and
- the time and date on which Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).

At the date of this Notice, the Company is an 'eligible entity', and therefore able to seek approval under Listing Rule 7.1A, as it is not included in the S&P/ASX300 and has a market capitalisation less than the amount prescribed by ASX (currently \$300 million). If at the time of the Annual General Meeting the Company is no longer an eligible entity, this Resolution will be withdrawn.

The maximum number of equity securities which may be issued in the capital of the Company under the approval sought by this Resolution will be determined in accordance with the following formula prescribed in Listing Rule 7.1A.2:

(A x D) – E

where:

A is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- (i) plus the number of fully paid Shares issued in the last 12 months before the date of issue or agreement to issue (**Relevant Period**) under an exception in Listing Rule 7.2 other than exceptions 9, 16 or 17;
- (ii) plus the number of fully paid Shares issued in the Relevant Period on the conversion of convertible securities within Listing Rule 7.2 exception 9 where:
 - the convertible securities were issued or agreed to be issued before the commencement of the Relevant Period; or
 - the issue of, or agreement to issue, the convertible securities was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (iii) plus the number of Shares issued in the Relevant Period under an agreement to issue securities within Listing Rule 7.2 exception 16 where:
 - the agreement was entered into before the commencement of the Relevant Period; or
 - the agreement or issue was approved, or taken under the Listing Rules to have been approved, under Listing Rule 7.1 or Listing Rule 7.4;
- (iv) plus the number of partly paid Shares that became fully paid in the Relevant Period;
- (v) less the number of fully paid Shares cancelled in the Relevant Period;

D is 10%;

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the Relevant Period that are not issued with the approval of Shareholders under Listing Rules 7.1 or 7.4.

The effect of the Resolution will be to allow the Company to issue equity securities under Listing Rule 7.1A without using the Company's 15% placement capacity under Listing Rule 7.1.

As at 16 October 2020, the Company has on issue 718,229,652 ordinary Shares and therefore has capacity to issue:

(a) 107,734,448 equity securities under Listing Rule 7.1; and

(b) subject to Shareholder approval being sought under this Resolution, 71,822,965 equity securities under Listing Rule 7.1A.

The issue price of the equity securities issued under Listing Rule 7.1A will be determined at the time of issue. The minimum price at which the equity securities which are the subject of this Resolution will be issued is 75% of the volume weighted average market (closing) price (**VWAP**) of the Company's equity securities over the 15 days on which trades in that class were recorded immediately before either:

- the date on which the price at which the equity securities are to be issued is agreed; or
- if the equity securities are not issued within 10 trading days of the date above, the date on which the securities are issued.

If this Resolution is approved, and the Company issues equity securities under Listing Rule 7.1A, the existing Shareholders' voting power in the Company will be diluted. There is a risk that:

- the market price for the Company's equity securities may be significantly lower on the issue date than on the date of the approval of this Resolution; and
- the equity securities issued under Listing Rule 7.1A may be issued at a price that is at a discount (as described above) to the market price for the Company's equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue.

The table set out below shows the dilution of existing Shareholders on the basis of:

- the market price of the Company's ordinary Shares as at 15 October 2020 and the number of ordinary securities as at 16 October 2020;
- two examples where the number of ordinary Shares on issue ("A") has increased, by 50% and 100%. This may occur as a result of issues of ordinary Shares that do not require Shareholder approval (for example, pro-rata entitlements issues) or as a result of future specific placements under Listing Rule 7.1 that are approved by Shareholders; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the market price as at 15 October 2020.

Variable "A" ASX Listing Rule 7.1A.2		\$0.0145 50% decrease in issue price	\$0.029 issue price*	\$0.0580 100% increase in issue price
"A" is the number of Shares on issue, being 718,229,652 ** Shares	10% voting dilution	71,822,965 Shares	71,822,965 Shares	71,822,965 Shares
	Funds raised	\$1,041,432.99	\$2,082,865.99	\$4,165,731.98
"A" is a 50% increase in Shares on issue, being 1,077,344,478** Shares	10% voting dilution	107,734,448 Shares	107,734,448 Shares	107,734,448 Shares
	Funds raised	\$1,562,149.49	\$3,124,298.98	\$6,248,597.96
"A" is a 100% increase in Shares on issue, being 1,436,459,304** Shares	10% voting dilution	143,645,930 Shares	143,645,930 Shares	143,645,930 Shares
	Funds raised	\$2,082,865.99	\$4,165,731.98	\$8,331,463.95

Notes:

(i) The table assumes that the Company issues the maximum number of equity securities available under Listing Rule 7.1A.

(ii) The table assumes that no options are exercised in ordinary Shares before the date of the issue of equity securities under Listing Rule 7.1A.

(iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of issues of equity securities under Listing Rule 7.1A based on that Shareholder's holding at the date of this Notice.

(iv) The table shows the effect of an issue of equity securities under Listing Rule 7.1A, not under the Company's 15% placement capacity under Listing Rule 7.1.

(v) The issue of equity securities under the Listing Rule 7.1A consists only of ordinary Shares. If the issue of equity securities includes options, it is assumed that those options are exercised into ordinary Shares for the purposes of calculating the voting dilution effect on existing Shareholders.

* Based on the closing price of the Company's Shares on ASX on 15 October 2020.

** Based on the Company's Share structure as at 16 October 2020.

If this Resolution is approved the Company will have the ability to issue up to 10% of its issued capital without further Shareholder approval and therefore allow it to take advantage of opportunities to obtain further funds if required and available in the future.

As at the date of this Notice, the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A to any particular person or at any particular time. The total amount that may be raised by the issue of equity securities under Listing Rule 7.1A will depend on the issue price of the equity securities which will be

determined at the time of issue. The Company may only issue equity securities under Listing Rule 7.1A for a cash consideration. While the Company has not formed an intention to offer any equity securities under Listing Rule 7.1A, some of the purposes for which the Company may issue equity securities under Listing Rule 7.1A include (but are not limited to):

- raising funds to further develop the Company's business; or
- raising funds to be applied to the Company's working capital requirements.

Details regarding the purposes for which any particular issue under Listing Rule 7.1A is made will be more fully detailed in an announcement to the ASX made pursuant to Listing Rule 7.1A.4 and Listing Rule 3.10.3 at the time the issue is made. The identity of the allottees of equity securities under Listing Rule 7.1A will be determined at the time the Company decides to make an issue having regard to a number of factors including:

- the capital raising and acquisition opportunities available to the Company and any alternative methods for raising funds or acquiring assets that are available to the Company;
- the potential effect on the control of the Company;
- the Company's financial situation and its likely future capital requirements; and
- advice from the Company's corporate or financial advisers.

Offers made under Listing Rule 7.1A may be made to parties including professional and sophisticated investors, existing Shareholders of the Company, clients of Australian Financial Services Licence holders and/or their nominees, or any other person to whom the Company is able to make an offer of equity securities.

The allocation policy the Company may adopt for a particular issue of equity securities under Listing Rule 7.1A and the terms on which those equity securities may be offered will depend upon the circumstances existing at the time of the proposed capital raising under Listing Rule 7.1A. Subject to the requirements of the Listing Rules and the Corporations Act, the Directors reserve the right to determine at the time of any issue of equity securities under Listing Rule 7.1A, the allocation policy that the Company will adopt for that issue.

The Company has not issued or agreed to issue any equity securities under Listing Rule 7.1A.2 in the 12 months preceding the date of the Meeting.

This Resolution is a special Resolution. For a special Resolution to be passed, at least 75% of the votes validly cast on the Resolution by Shareholders (by number of ordinary Shares) must be in favour of this Resolution.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote for this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Item 7 – Approval of issue of Shares under the Convertible Loan Deed

Background

On 28 February 2020, the Company announced that it had entered into a \$5.825 million unsecured loan facility with its major shareholder, Suzerain Investments Holdings Limited (**Suzerain**). On 5 June 2020, the Company announced that Suzerain agreed to increase the facility limit of this facility from \$5.825 million to \$9.825 million (**Original Loan**). On 29 September 2020, the Company announced that it had entered into a convertible loan deed with Suzerain dated on or about 28 September 2020 (**Convertible Loan Deed**). Broadly, the Convertible Loan Deed replaces the Original Loan and provides that, subject to the approval of Shareholders under this resolution, Suzerain may elect to convert some or all of the loan facility into Shares at the Issue Price.

The Company is seeking approval under Chapter 2E and item 7 of section 611 of the Corporations Act for the Company's future issues of Shares to Suzerain in the event the loan under the Convertible Loan Deed is converted into Shares. If approval is obtained under this Resolution, the provisions of the Convertible Loan Deed, allowing for Suzerain to elect to convert some or all of the loan facility into Shares, will be enlivened.

Details of the material terms and conditions of the Convertible Loan Deed are summarised in Schedule 4.

About Suzerain

Suzerain is a company registered in the British Virgin Islands with registration number 1934540. Suzerain is a substantial Shareholder of the Company and the Company's largest Shareholder. As at the date of this Notice, Suzerain is the registered holder of 393,524,705 fully paid ordinary Shares in the Company (representing a voting power of 54.79% of the Company's total number of votes).

Suzerain's Associates include:

- SilverSpoon Nominees Ltd (Suzerain's holding company);
- Clifford Young Warren (a Director of Suzerain and a person who acts in concert with Suzerain in relation to the affairs of the Company);
- LC Abelheim Ltd (an entity that acts in concert with Suzerain in relation to the affairs of the Company);
- Jeremy Thorpe (a Director of the Company and a person who acts in concert with Suzerain in relation to the affairs of the Company);
- Dean Palmer (a Director of the Company and a person who acts in concert with Suzerain in relation to the affairs of the Company);
- Australia Fintech Pty Ltd ACN 619 156 099 as trustee of the Australian Fintech Trust (**Australia Fintech**) (an entity that acts in concert with Suzerain in relation to the Company's affairs and Australia Fintech is an entity controlled by the respective family trusts of Dean Palmer and Jeremy Thorpe);
- Muirstone Capital Ltd (an entity that acts in concert with Suzerain in relation to the Company's affairs and is controlled by Clifford Young Warren); and
- Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (**Skybound**) (an entity that acts in concert with Suzerain in relation to the affairs of the Company).

Details of these associations are set out in the:

- notice of change of interests of substantial holder, announced to ASX on 13 October 2020;
- notice of change of interests of substantial holder, announced to ASX on 23 June 2020;
- notice of change of interests of substantial holder, announced to ASX on 29 May 2020; and
- notice of initial substantial holder, announced to ASX on 25 June 2019.

As a result of being associated with Suzerain, each of these Associates, together with Suzerain, have an aggregated voting power of 64.08% of the Company's total number of votes.

Importance of seeking approval for the issue of Shares to Suzerain

The approval of the Company's Shareholders under item 7 of section 611 of the Corporations Act for the issue of Shares is an important part of the facility under the Convertible Loan Deed. Approval under this Resolution is required:

- for any drawdown requests by the Company under the Convertible Loan Deed after the month of December 2020; and
- to allow for the conversion of the loan facility into Shares.

As at the date of this Notice, the Company has drawn \$4.2 million out of the total facility limit of \$9.825 million and the Company may draw a maximum \$1 million per calendar month.

The Company's funding arrangements

On 4 June 2020, the Company announced that it had the support of Suzerain in its business and turnaround strategy. To this end, the announcement noted two additional funding lines available to the Company.

The first funding line was an agreement from Suzerain to increase the facility limit of the Original Loan from \$5.825 million to \$9.825 million. The proceeds of the \$9.825 million loan facility with Suzerain are to be used for working capital purposes, or such other purposes that Suzerain approves in writing.

The second funding line was a further \$1.2 million facility from Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (a related entity of Suzerain) (**Skybound**). The proceeds of this loan facility were to be used for transformational capital expenditure and as announced on 3 August 2020, the Company plans to use these proceeds for the purposes of its partnership with Paywith. This \$1.2 million loan facility from Skybound is not the subject of this resolution.

Independent Expert's Opinion

The Company has appointed Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to prepare the Independent Expert's Report, the purpose of which is to state whether or not, in its opinion, the issue of Shares to Suzerain on conversion of the loan under the Convertible Loan Deed is 'fair' and 'reasonable' to Shareholders.

The Independent Expert has concluded that the Proposed Transaction (which includes the Proposed Conversion) is not fair but reasonable.

The Independent Expert has assessed the value of a Share (inclusive of a premium for control) to lie in the range of \$0.029 to \$0.036 per Share, which compares to its assessed post-conversion value of a Share, on a minority interest basis (assuming full conversion of the loan facility under the Convertible Loan Deed), of between \$0.024 to \$0.029 per Share. As the range of the Independent Expert's assessed value pre-Proposed Transaction (inclusive of a premium for control) is greater than the range of the assessed value after the Proposed Transaction, the Independent Expert has concluded that the Proposed Transaction is not fair to Shareholders.

However, the Independent Expert has concluded that the benefit to the Shareholders of lower interest rates, a conversion price of above the 30-day VWAP and limited alternative sources of capital available, outweigh the disadvantages of the Proposed Transaction. This and other benefits of the Proposed Transaction, which are described in further detail in the Independent Expert's Report, outweigh the disadvantages (such as the Shareholders being potentially diluted upon the Proposed Transaction occurring). Accordingly, while the Independent Expert has concluded that the Proposed Transaction is not fair, it has concluded that the Proposed Transaction is reasonable in the absence of a superior proposal.

A complete copy of the Independent Expert's Report is provided in Annexure A to this Notice and on the Company's website.

Effect of approval on the Company's capital structure

(a) Current capital structure and voting power of Suzerain (and its Associates)

On the basis of no other capital issues or changes, below is a table setting out the Company's current capital structure and the possible capital structure on conversion of the loan under the Convertible Loan Deed (at a conversion price of \$0.0275 per Share). It is assumed that the Company elects to defer payment of all interest able to be deferred and capitalise these amounts until the last day of the Conversion Period, being 1 October 2021.

	Fully paid ordinary Shares
Balance as at the date of this Notice before any conversion under the Convertible Loan Deed	718,229,652
Balance as at 1 October 2021 after conversion under Convertible Loan Deed in full (assuming Shareholder approval is obtained under this Resolution)	1,075,502,366

If the facility under the Convertible Loan Deed is fully converted, the Company will have a total of 1,075,502,366 Shares on issue.

(b) Voting power of Suzerain and its Associates

The extent of the relevant interest in Shares held and the resulting voting power of Suzerain and its Associates as at the date of this Notice is as follows:

Shareholder or Associate	Relevant interest	Percentage of votes in the Company affected
Suzerain Investments Holdings Limited	393,524,705 (by reason of being the registered holder)	54.79%
SilverSpoon Nominees Ltd	393,524,705 (taken to have a relevant interest in Suzerain's Shares in the Company by reason of controlling all of the shares in Suzerain)	54.79%
Muirstone Capital Ltd (Muirstone)	28,861,387 (by reason of being the registered holder)	4.02%
Clifford Young Warren	422,386,092 (taken to have a relevant interest in (1) Suzerain's Shares in the Company by reason of a power of control, through an agreement with SilverSpoon Nominees Ltd, on the exercise of a right to vote attached to the Shares in the Company held by Suzerain; and (2) Muirstone's Shares in the Company by reason of having control over Muirstone)	58.81%
LC Abelheim Ltd	393,524,705 (by reason of having control of SilverSpoon Nominees Ltd, which in turn has control of all of the shares in Suzerain)	54.79%
Australia Fintech Pty Ltd ACN 619 156 099 as trustee for the Australian Fintech Trust (Australia Fintech)	37,886,520 (by reason of being the registered holder)	5.27%
Jeremy Thorpe	37,886,520 (by reason of having control over Australia Fintech)	5.27%
Dean Palmer	37,886,520 (by reason of having control over Australia Fintech)	5.27%
Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (Skybound)	Nil	Nil

The maximum voting power and the maximum increase in voting power held by Suzerain and its Associates following conversion of the loan under the Convertible Loan Deed at \$0.0275 per Share and assuming no other issues of Shares is as follows

Shareholder	Number of Shares held by the Shareholder before conversion	Number of Shares issued to the Shareholder or their Associates post-conversion	Voting power before conversion	Maximum voting power post-conversion	Maximum increase in voting power post-conversion
Suzerain Investments Holdings Limited	393,524,705	817,545,326	64.08%	76.02%	11.93%
SilverSpoon Nominees Ltd	Nil	817,545,326	64.08%	76.02%	11.93%
Muirstone Capital Ltd	28,861,387	817,545,326	64.08%	76.02%	11.93%
Clifford Young Warren	Nil	817,545,326	64.08%	76.02%	11.93%
LC Abelheim Ltd	Nil	817,545,326	64.08%	76.02%	11.93%
Australia Fintech Pty Ltd ACN 619 156 099 as trustee for the Australian Fintech Trust	37,886,520	817,545,326	64.08%	76.02%	11.93%
Jeremy Thorpe	Nil	817,545,326	64.08%	76.02%	11.93%
Dean Palmer	Nil	817,545,326	64.08%	76.02%	11.93%
Skybound	Nil	817,545,326	64.08%	76.02%	11.93%

Approval in relation to item 7 of section 611 of the Corporations Act

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting Shares in a listed company or an unlisted company with more than 50 members if the person acquiring the interest does so through a transaction in relation to securities entered into by, or on behalf or, the person and because of that transaction, that person's or someone else's voting power increases:

- from below 20% to more than 20%; or
- from a starting point that is above 20% to below 90%.

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act.

The calculation of a person's voting power in a company involves determining the voting Shares in the company in which the person and the person's Associates have a relevant interest in.

A person has a relevant interest in securities of a company if they individually, or jointly:

- are the holder of the securities;
- have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- have the power to dispose of or control the exercise of a power to dispose of, the securities.

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting Shares if Shareholders of the company approve the acquisition.

For the exemption of item 7 of section 611 of the Corporations Act to apply, Shareholders must be given all information known to the person proposing to make the acquisition or their Associates, or known to the company, that is material to the decision on how to vote on the Resolution. In ASIC Regulatory Guide 74, ASIC has indicated what additional information should be provided to Shareholders in these circumstances.

This Resolution seeks Shareholder approval, for the purposes of item 7 of section 611 of the Corporations Act, to allow Suzerain to convert the loan facility provided under the Convertible Loan Deed in circumstances where such conversion will result in its voting power (and that of their Associates) increasing to more than 20%.

The following information is provided in compliance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

(a) The identity of Suzerain, its Associates and any person who will have a relevant interest in the Shares to be allocated to Suzerain or its Associates

Any Shares issued on conversion of the loan facility under the Convertible Loan Deed will be issued to Suzerain or its wholly-owned subsidiaries.

The identity of Suzerain is set out above under the heading "About Suzerain".

The following persons are Associates of Suzerain and will have voting power in any Shares issued under the Convertible Loan Deed:

- SilverSpoon Nominees Ltd (a company incorporated in the Republic of Mauritius with registration number of 09054 and is an Associate by reason of being a body corporate that controls all of the Shares in Suzerain);
- Clifford Young Warren (a Director of Suzerain and a person who acts in concert with Suzerain in relation to the affairs of the Company);
- LC Abelheim Ltd (a company incorporated in the Republic of Mauritius with registration number of 084085 and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs);
- Australia Fintech Pty Ltd ACN 619 156 099 as trustee of the Australian Fintech Trust (**Australia Fintech**) (an entity that acts in concert with Suzerain in relation to the Company's affairs and Australia Fintech is an entity controlled by the respective family trusts of Dean Palmer and Jeremy Thorpe);
- Muirstone Capital Ltd (a company incorporated in the British Virgin Islands with registration number of 1980310 and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs and is controlled by Clifford Young Warren);
- Jeremy Thorpe (a Director of the Company and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs);
- Dean Palmer (a Director of the Company and is an Associate by reason of being a person with whom Suzerain acts in concert in relation to the Company's affairs); and
- Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (**Skybound**) (an entity that acts in concert with Suzerain in relation to the Company's affairs).

This Resolution also seeks approval of the acquisition of a relevant interest by these Associates of Suzerain.

(b) Maximum extent of increase in Suzerain's (and its Associates') voting power and the maximum voting power of Suzerain (and its Associates) following conversion of the loan facility under the Convertible Loan Deed into Shares

Suzerain and its Associates have a relevant interest of 64.08% in the Company's Shares as at the date of this Notice.

The maximum extent of the relevant interests in Shares (and resulting voting power in the Company) of Suzerain and its Associates following conversion of the loan facility under the Convertible Loan Deed into Shares as well as the maximum extent of the increase in voting power are set out above in the table under the sub-heading “Voting power of Suzerain and its Associates”.

The Convertible Loan Deed provides that in the event of any reorganisation of its capital in any way, the number of Shares to be issued on any conversion to Suzerain will be reorganised in the same manner as the Shares so that Suzerain and existing Shareholders are not adversely prejudiced.

(c) An explanation of the reasons for the proposed issue of Shares from conversion of the loan facility under the Convertible Loan Deed

The Company entered into the Original Loan to provide working capital for the Company to continue its operations. Drawdowns after December 2020 are not able to be made unless Shareholders approve this Resolution.

(d) When the Proposed Conversion is to occur

As outlined in the summary of the Convertible Loan Deed's terms set out in Schedule 4, Suzerain may give written notice to the Company during the Conversion Period (from the date the Convertible Loan Deed is entered into (being 28 September 2020), assuming this Resolution is passed, until 1 October 2021) to convert the monies owing under the loan into Shares, to be issued to Suzerain (or its wholly owned subsidiary) within 5 Business Days at the issue price. The issue price (**Conversion Shares Issue Price**) is calculated as being the higher of:

- \$0.0275 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares, plus 20%.

(e) Material terms of the Proposed Conversion

The material terms of the Proposed Conversion are set out above in paragraph (d).

(f) Details of the terms of any other relevant agreement between the Company and Suzerain that is conditional on (or directly or indirectly depends on) Shareholders' approval of the Proposed Conversion

There are no other relevant agreements between the Company and Suzerain that is conditional upon Shareholder approval of the Proposed Conversion in this Resolution. However, paragraph (c) above notes that drawdowns under the Convertible Loan Deed on or after December 2020 are dependent on, amongst other things, this Resolution being passed.

(g) Suzerain's intentions regarding the future of the Company if Shareholders approve this Resolution

Suzerain has no current intention to change the Company's business. Suzerain is supportive of the current Board and its stated objectives set out in its ASX announcements to date (being its transformational initiatives and strategic partnership with Paywith). Further, Suzerain has no current intention to redeploy the assets of the Company.

(h) Suzerain's intentions to significantly change the financial or dividend distribution policies of the Company

Suzerain has no intention to change the financial or dividend distribution policies of the Company.

(i) Interests of the Directors in this Resolution

Other than Dean Palmer and Jeremy Thorpe, the Directors do not have any interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares).

Dean Palmer and Jeremy Thorpe are nominee directors of Suzerain and have an interest in the outcome of this Resolution. Dean Palmer and Jeremy Thorpe have abstained from making any recommendations in relation to this Resolution.

(j) The identity, qualifications and associations (with Suzerain or its Associates) of any person who is intended to become a director if Shareholders approve this Resolution

Suzerain has no intention to appoint new Directors to the Company.

Advantages if this Resolution is approved

The key advantages to the Company if this Resolution is approved are:

- Suzerain will be able to convert the loan facility under the Convertible Loan Deed in full, reducing the amount that the Company is required to repay to Suzerain at the Repayment Date (including capitalised interest) to nil. As at the last day of the Conversion Period (being 1 October 2021) and assuming full drawdown of the loan facility under the Convertible Loan Deed (with interest capitalised), the Company's repayment obligation is currently estimated to be approximately \$9.825 million;
- should Suzerain elect to convert the loan facility under the Convertible Loan Deed in full prior to the end of the Conversion Period, the Company will be able to apply the funds which otherwise would have been required to be repaid to Suzerain for other corporate purposes. The estimated annual savings in interest costs is currently estimated to be approximately \$1.376 million;
- available cash is able to be directed towards growth, working capital requirements and other sources and uses of funds to enhance Shareholder value.

Key risks and disadvantages if this Resolution is approved

The key risks and disadvantages to the Company if this Resolution is approved are:

- Suzerain will be able to convert the loan facility under the Convertible Loan Deed in full to acquire further voting power in the Company, which will reduce the voting power of existing Shareholders (including their ability to influence decisions, such as the composition of the Board). As detailed in the table under the sub-heading “Voting power of Suzerain and its Associates”, if the full amount of the loan facility (plus capitalised interest) is converted on the last day of the Conversion Period, Suzerain and its Associates would acquire a 76.02% voting power in the Company;
- if Suzerain elects to convert the loan facility under the Convertible Loan Deed in full, the issue of Shares as part of this conversion will dilute the exposure of Shareholders to the economic interests of owning Shares;
- you may not agree with the recommendation by the Directors (other than Jeremy Thorpe and Dean Palmer) and the Independent Expert's opinion that the Proposed Transaction is not fair but reasonable. You may believe that the Proposed Transaction is not fair nor reasonable, or otherwise not in your best interest or in the best interests of Shareholders; and
- the Company may be a less attractive takeover target. Any bidder for the Company under a takeover proposal would require Suzerain to support their bid in order to be successful. This may be a deterrent to future bidders. However, the Directors (other than Jeremy Thorpe and Dean Palmer) consider that Suzerain (and its Associates') existing 64.08% voting power may, for all practical purposes, already be sufficient to prevent a bidder from acquiring 100% of the Company by takeover or scheme of arrangement.

Possible scenarios on the Convertible Loan Deed depending on the outcome of Item 7 and Item 8 of this Notice

If Item 7 of this Notice is passed but not Item 8, the Company will be subject to a higher interest rate of 14% per annum (rather than 10% per annum) under the Convertible Loan Deed. If either Item 7 or Item 8 are not passed, the Company will not be able to draw down on its loan facility on or after December 2020 nor will the Company be able to reduce its debt position by converting its debt into Shares on the terms of the Convertible Loan Deed. The conditions to being able to draw down on the loan facility under the Convertible Loan Deed depend on both Items 7 and 8 being passed.

If Item 8 of this Notice is passed but not Item 7, the Company's loan facility under the Convertible Loan Deed continues to accrue interest at 10% per annum but will not be able to draw down on or after December 2020 nor action Suzerain's request (if given) to convert its debt into Shares on the terms of the Convertible Loan Deed. This means the Company will be unable to reduce its amount to be repaid to Suzerain by converting the loan into Shares. In addition, the Company will not be able to access further funding to continue its business operations and may be required to pursue other capital raising or debt options.

Interests and recommendation of the Directors

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this Resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this Resolution (by reason of being nominee directors of Suzerain) and are Associates of Suzerain (by reason of acting in concert with Suzerain in relation to the Company's affairs) and do not make any recommendation with how to vote on this Resolution.

The Directors (other than Jeremy Thorpe and Dean Palmer) recognise that the potential conversion of the loan facility under the Convertible Loan Deed (if it is ultimately entered into if this Resolution is passed), should conversion occur, is extremely dilutive to existing Shareholders. However, at the time that the Convertible Loan Deed was entered into, the Directors (other than Jeremy Thorpe and Dean Palmer) were of the view that the potential issue of those Shares was in the best interests of the Company taking into account all relevant circumstances, despite the potential for dilution. In particular, the potential issue of those Shares was proposed because the Company may not have an alternative way to meet its obligations to make cash repayments to Suzerain under the terms of the Convertible Loan Deed.

Accordingly, the Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this Resolution. The Directors' recommendations (other than Jeremy Thorpe and Dean Palmer) are based on the reasons set out in the section titled "Advantages if this Resolution is passed" above.

The Directors are not aware of any other information other than as set out in this Notice that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass this Resolution.

Approval in relation to Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The issue of Shares on conversion of the loan facility under the Convertible Loan Deed constitutes giving a financial benefit and Suzerain is a related party of the Company by virtue of section 228(1) of the Corporations Act, being an entity that controls the Company. Suzerain controls the Company as it controls over 50% of the issued voting Shares of the Company.

Information required by Chapter 2E of the Corporations Act

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

- (a) Identity of the related party

The party receiving the financial benefit is Suzerain, or its wholly owned subsidiaries (which there are none).

Suzerain is a related party of the Company by reason of section 228(1) of the Corporations Act, being an entity that controls the Company for the purposes of section 228(1) of the Corporations Act.

- (b) Nature of the financial benefit

The nature of the financial benefit to be provided to Suzerain (assuming it proceeds with the Proposed Conversion) is the issue of Shares as outlined in the tables under the heading "Voting power of Suzerain and its Associates" in the "Effect of approval on the Company's capital structure" set out above.

- (c) Directors' recommendations and Directors' interests in the outcome of this Resolution

The Directors' recommendations and their interests in the outcome of this Resolution are set out under the heading "Interests and recommendation of the Directors" above.

- (d) Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the fair market value of the Company before the Proposed Transaction (on a controlling interest basis) and after the Proposed Transaction occurring). See pages 33 - 45 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

- (e) Related party's existing relevant interest

The existing relevant interests of Suzerain and its Associates are set out in the first table under the heading "(b) Voting power of Suzerain and its Associates".

- (f) Dilution effect of the Proposed Conversion on the existing Shareholders' interests

The dilutionary effect of the issue of the Shares as part of the Proposed Conversion to Suzerain (or its wholly owned subsidiaries) if this Resolution is approved is set out in the tables under the heading "Voting power of Suzerain and its Associates" in the "Effect of approval on the Company's capital structure" above.

- (g) Other information

Other than the information set out above and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this Resolution.

ASX Listing Rule approval

- (a) ASX Listing Rule 7.1

Exception 8 set out in Listing Rule 7.2 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, Listing Rule 7.1 and 7.1A do not apply. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under either Listing Rules 7.1 or 7.1A.

- (b) ASX Listing Rule 10.11

Listing Rule 10.11 provides that a listed company must not issue equity securities to a related party without Shareholder approval. Exception 6 set out in Listing Rule 10.12 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, no Shareholder approval is required. Accordingly, the Company is not required to seek approval for the issue of Shares as part of the Proposed Conversion under Listing Rule 10.11.

Directors' recommendation

The Directors (except Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote for this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Item 8 – Approval of amendment to the Loan Security

Background

As set out in the Background section of Item 7 of this Explanatory Statement, the Company entered into the Convertible Loan Deed with Suzerain on or about 28 September 2020. The Company is seeking approval under this Resolution to amend the Loan Security so that the Loan Security includes the monies owing under the Convertible Loan Deed (**Proposed Suzerain Security**). As this Resolution concerns the Convertible Loan Deed and the Company's funding arrangements, the disclosure set out under the heading "The Company's funding arrangements" under Item 7 above is relevant to this Resolution as well.

As a precondition to the Company being able to make drawdowns on and after December 2020, the Company must (amongst other things) obtain the approval of Shareholders under Listing Rule 10.1 to enter into the Proposed Suzerain Security (which will involve the amendment to the Loan Security entered into last year after its approval at the 2019 annual general meeting, such that the security interest granted by the Company under the Loan Security is expanded to cover the indebtedness arising under the Convertible Loan Deed). The Loan Security provides that the Company grants a security interest over its present and future property to Suzerain to secure payment of all debts and monetary liabilities of the Company to Suzerain owing under 2019 Convertible Loan Deed (which is proposed to be amended to also include the Convertible Loan Deed). A summary of the terms of the Loan Security (assuming it is amended to include the Convertible Loan Deed) is set out at Schedule 5.

ASX Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of, a substantial asset to:

- a related party;
- a child entity;
- a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company;
- an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- a person whose relationship with the Company or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders,

unless it obtains the approval of its Shareholders.

The amendment of the Loan Security to include the monies owing under the Convertible Loan Deed falls within Listing Rule 10.1.1 and involves the disposal of a substantial asset. Suzerain is a related party of the Company by virtue of having control over more than 50% of the issued Shares in the Company. The Proposed Suzerain Security, in substance, involves a granting of a security interest over all of the Company's present and future assets (by way of an amendment of the existing Loan Security) and as such, is treated as a disposal of a substantial asset for the purposes of the Listing Rules. It therefore requires approval of the Company's Shareholders under Listing Rule 10.1.

Item 8 seeks the required Shareholder approval of the Proposed Suzerain Security under and for the purposes of Listing Rule 10.1. If Item 8 is passed, the Company will be able to proceed with the Proposed Suzerain Security and the Loan Security will be amended to include the new indebtedness under the Convertible Loan Deed. The effect of the Proposed Suzerain Security is that the exposure of the Company's assets under the security interest under the Loan Security will be expanded to include the new indebtedness arising under the Convertible Loan Deed.

If Item 8 is not passed, the Company will not be able to proceed with the Proposed Suzerain Security and the consequences under the Convertible Loan Deed are as follows:

- the Company will be subject to a higher interest rate of 14% per annum (rather than 10% per annum) under the Convertible Loan Deed;
- the Company will not be able to draw down under the Convertible Loan Deed on or after December 2020; and
- if Item 7 is not passed as well, the Company will not be able to convert its debt into Shares under the conversion provisions in the Convertible Loan Deed.

Specific information required under Listing Rule 10.5

In accordance with the requirements of Listing Rule 10.5, the following information is provided:

- (a) The person to whom the Company is proposing to dispose of the substantial asset is Suzerain (please see the above disclosure under "About Suzerain" under Item 7).
- (b) Suzerain falls under the category in Listing Rule 10.1.1 as a related party of the Company as Suzerain controls the Company (by having control over more than 50% of the Company's Shares).
- (c) The asset being disposed of is all of the Company's present and future assets (which are being used as collateral for the purposes of securing the indebtedness under the Convertible Loan Deed).
- (d) The consideration for the disposal is the new debt funds drawn down under the Convertible Loan Deed.
- (e) The Company will use the funds drawn under the Convertible Loan Deed for the purposes of working capital, and any other purpose approved in writing by Suzerain.
- (f) The Company intends to undertake the Proposed Suzerain Security as soon as practicable after approval under this resolution is obtained (and in any case, within one month of the date of the Meeting).
- (g) A summary of the material terms of the Loan Security (including the amendment contemplated under this resolution) is set out at Schedule 5. A summary of the material terms of the Convertible Loan Deed is set out at Schedule 4.
- (h) A voting exclusion statement for this Resolution is included in this Notice of Meeting.
- (i) The Company has appointed the Independent Expert to opine on whether the Proposed Transaction is fair and reasonable. See the discussion on the Independent Expert Report below.

Independent Expert

As required by Listing Rule 10.5.10, the Company has appointed Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to report on whether the Proposed Transaction (which includes the Proposed Suzerain Security) is fair and reasonable to holders of the Company's Shares who are entitled to vote on this Resolution and not to be disregarded under Listing Rule 14.11. This is the same Independent Expert's Report for the purposes of the Resolution under Item 7 of this Notice and the commentary set out under the heading "Independent Expert's Opinion" above in Item 7 is relevant to this Resolution as well. The Independent Expert has concluded that the Proposed Transaction is not fair but reasonable. The Independent Expert's Report is set out at Annexure A to this Notice.

As required by Listing Rule 10.6.2, the Company has uploaded the Independent Expert's Report onto its website at the following link <https://www.incentiapay.com/investor-centre/agm>. A Shareholder may request that the Company provide it with a hard copy of the Independent Expert's Report at no cost. If Shareholders wish to exercise this right, it may email the Company Secretary, Ben Newling, at ben.newling@entertainment.com.au with details of their Shareholding and an address for the Independent Expert's Report to be sent.

Approval in relation to Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Proposed Suzerain Security constitutes the giving of a financial benefit and Suzerain is a related party of the Company by virtue of section 228(1) of the Corporations Act, being an entity that controls the Company. Suzerain controls the Company as it controls over 50% of the issued voting Shares of the Company. The Proposed Suzerain Security involves the giving of a financial benefit as it provides that Suzerain has the benefit of a security interest over the Company's assets. In the event of a default under the Convertible Loan Deed, Suzerain will be able to enforce and have access to the Company's assets for sale and be repaid under the Convertible Loan Deed.

Information required by Chapter 2E of the Corporations Act

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

- (a) Identity of the related party

The party receiving the financial benefit is Suzerain.

Suzerain is a related party of the Company by reason of section 228(1) of the Corporations Act, being an entity that controls the Company for the purposes of section 228(1) of the Corporations Act.

- (b) Nature of the financial benefit

The nature of the financial benefit to be provided to Suzerain is the provision of a security interest over the Company's assets to secure the repayments under the Convertible Loan Deed.

- (c) Directors' recommendations and Directors' interests in the outcome of this Resolution

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this Resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this Resolution (by reason of being nominee directors of Suzerain) and are Associates of Suzerain (by reason of acting in concert with Suzerain in relation to the Company's affairs) and do not make any recommendation with how to vote on this Resolution. Australia Fintech, which is controlled by Jeremy Thorpe and Dean Palmer, will be excluded from voting as it is an Associate of Suzerain.

The Directors (other than Jeremy Thorpe and Dean Palmer) believe that the transaction contemplated under this Resolution provides the Company with certainty and a better outcome for its financial position compared to if the Resolution is not passed. If this Resolution is passed, it allows the Company to continue paying interest at 10% per annum rather than 14% per annum if this Resolution is not passed. It also allows for the Company to meet one of the conditions for future drawdowns under the Convertible Loan Deed, which will allow the Company to continue operating. The Directors (other than Jeremy Thorpe and Dean Palmer) also believe that the Proposed Suzerain Security is a transaction ordinarily entered into with lending transactions, particularly lending transactions on such terms as under the Convertible Loan Deed.

The Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this Resolution.

- (d) Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the fair market value of the Company before the Proposed Transaction (on a controlling interest basis) and after the Proposed Transaction occurring). See pages 33 - 45 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

- (e) Other information

Other than the information set out above and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this Resolution.

Possible scenarios on the Convertible Loan Deed depending on the outcome of Item 7 and Item 8 of this Notice

If Item 7 of this Notice is passed but not Item 8, the Company will be subject to a higher interest rate of 14% per annum (rather than 10% per annum) under the Convertible Loan Deed. If either Item 7 or Item 8 are not passed, the Company will not be able to draw down on its loan facility on or after December 2020 nor will the Company be able to reduce its debt position by converting its debt into Shares on the terms of the Convertible Loan Deed. The conditions to being able to draw down on the loan facility under the Convertible Loan Deed depend on both Items 7 and 8 being passed.

If Item 8 of this Notice is passed but not Item 7, the Company's loan facility under the Convertible Loan Deed continues to accrue interest at 10% per annum but will not be able to draw down on or after December 2020 nor action Suzerain's request (if given) to convert its debt into Shares on the terms of the Convertible Loan Deed. This means the Company will be unable to reduce its amount to be repaid to Suzerain by converting the loan into Shares. In addition, the Company will not be able to access further funding to continue its business operations and may be required to pursue other capital raising or debt options.

Directors' recommendation

The Directors (except Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Item 9 – Approval of entry into Skybound Loan Security

Background

On 5 June 2020, the Company announced that it had entered into a \$1.2 million unsecured loan facility with lender Skybound Fidelis Investment Limited as trustee for the Skybound Fidelis Credit Fund (**Skybound**) with the proceeds to be used for transformational capital expenditure to be agreed between the Company and Skybound. This loan facility was formalised in a loan deed between Skybound and the Company dated 4 June 2020 (**Skybound Loan Deed**). On 3 August 2020, the Company announced that it entered into a strategic partnership with Paywith Worldwide Inc (**Paywith**) to use its Processing Engine, Offers Marketplace and Syndication Platform with the Company's content and relationships to deliver new products. It was highlighted that the partnership with Paywith would be funded by the \$1.2 million unsecured facility provided by Skybound. The Company is seeking approval under this Resolution to enter into the Skybound Loan Security (**Proposed Skybound Security**).

As a requirement under the Skybound Loan Deed, the Company must use its best endeavours to obtain the approval of Shareholders under Listing Rule 10.1 to enter into the Skybound Loan Security. The Skybound Loan Security provides that the Company will grant Skybound a second-ranking security interest over all of the Company's present and future assets to secure the debts under the Skybound Loan Deed. The Skybound Loan Security will be on the same terms as the Loan Security. As such, the summary of the terms of the Loan Security set out at Schedule 5 is applicable to the Skybound Loan Security except:

- references to Suzerain are to Skybound;
- references to the Convertible Loan Deed or 2019 Convertible Loan Deed are to the Skybound Loan Deed; and
- references to ranking will be to a second-ranking security interest, ranking after the Loan Security.

ASX Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of, a substantial asset to:

- a related party;
- a child entity;
- a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the Company;
- an associate of a person referred to in Listing Rules 10.1.1 to 10.1.3; or
- a person whose relationship with the Company or a person referred to in Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by Shareholders,

unless it obtains the approval of its Shareholders.

The entry into the Skybound Loan Security falls within Listing Rule 10.1.1 and involves the disposal of a substantial asset. Skybound is a related party of the Company by virtue of being a person that acts in concert with Suzerain (a related party of the Company).

The Proposed Skybound Security, in substance, involves a granting of a security interest over all of the Company's present and future assets (by way of entry into the Skybound Loan Security) and as such, is treated as a disposal of a substantial asset for the purposes of the Listing Rules. It therefore requires approval of the Company's Shareholders under Listing Rule 10.1.

Item 9 seeks the required Shareholder approval of the Proposed Skybound Security under and for the purposes of Listing Rule 10.1. If Item 9 is passed, the Company will be able to proceed with the Proposed Skybound Security and the Skybound Loan Security will be entered into. The effect of the Proposed Skybound Security is that the exposure of the Company's assets under the security interest under the Skybound Loan Security will be used as collateral to secure the indebtedness arising under the Skybound Loan Deed.

If Item 9 is not passed, the Company will not be able to proceed with the Proposed Skybound Security and the consequences under the Skybound Loan Deed will be that the Company will be subject to a higher interest rate of 14% per annum (rather than 12.5% per annum) under the Convertible Loan Deed

Specific information required under Listing Rule 10.5

In accordance with the requirements of Listing Rule 10.5, the following information is provided:

- (a) The person to whom the Company is proposing to dispose of the substantial asset is Skybound.
- (b) Skybound falls under the category in Listing Rule 10.1.1 as an Associate of a related party of the Company (as Skybound is associated with Suzerain, whom is a related party).
- (c) The asset being disposed of is all of the Company's present and future assets (which are being used as collateral for the purposes of securing the indebtedness under the Skybound Loan Deed).
- (d) The consideration for the disposal is the new debt funds drawn down under the Skybound Loan Deed.
- (e) The Company will use the funds drawn under the Skybound Loan Deed for the purposes of its implementation of its Paywith strategic partnership.
- (f) The Company intends to undertake the Proposed Skybound Security as soon as practicable after approval under this resolution is obtained (and in any case, within one month of the date of the Meeting).
- (g) A summary of the material terms of the Skybound Loan Security is set out at Schedule 5 (as the Skybound Loan Security will be on the same or substantially similar terms as the Loan Security) – see the discussion under the sub-heading titled "Background" above. A summary of the material terms of the Skybound Loan Deed is set out at Schedule 6.
- (h) A voting exclusion statement for this Resolution is included in this Notice of Meeting.
- (i) The Company has appointed the Independent Expert to opine on whether the Proposed Transaction is fair and reasonable. See the discussion on the Independent Expert Report below.

Independent Expert

As required by Listing Rule 10.5.10, the Company has appointed Leadenhall Corporate Advisory Pty Ltd as the Independent Expert to report on whether the Proposed Transaction (which includes the Proposed Skybound Security) is fair and reasonable to holders of the Company's Shares who are entitled to vote on this Resolution and not to be disregarded under Listing Rule 14.11. This is the same Independent Expert's Report for the purposes of the Resolution under Items 7 and 8 of this Notice and the commentary set out under the heading "Independent Expert's opinion" above is relevant to this Resolution as well. The Independent Expert has concluded that the entry into the Proposed Transaction is not fair but reasonable. The Independent Expert's Report is set out at Annexure A to this Notice.

As required by Listing Rule 10.6.2, the Company has uploaded the Independent Expert's Report onto its website at the following link <https://www.incentiapay.com/investor-centre/agm> A Shareholder may request that the Company provide it with a hard copy of the Independent Expert's Report at no cost. If Shareholders wish to exercise this right, it may email the Company Secretary, Ben Newling, at ben.newling@entertainment.com.au with details of their Shareholding and an address for the Independent Expert's Report to be sent.

Approval in relation to Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Proposed Skybound Security constitutes the giving of a financial benefit and Skybound is a related party of the Company by virtue of section 228(7) of the Corporations Act, being an entity that acts in concert with a related party, Suzerain (a related party which controls the Company). The Proposed Skybound Security involves the giving of a financial benefit as it provides that Skybound has the benefit of a security interest over the Company's assets. In the event of a default under the Skybound Loan Deed, Suzerain will be able to enforce and have access to the Company's assets for sale and be repaid under the Skybound Loan Deed.

Information required by Chapter 2E of the Corporations Act

The following information is provided to Shareholders for the purposes of Chapter 2E of the Corporations Act.

- (a) Identity of the related party

The party receiving the financial benefit is Skybound.

Skybound is a related party of the Company by reason of section 228(7) of the Corporations Act, being an entity that acts in concert with a related party of the Company, Suzerain.

(b) Nature of the financial benefit

The nature of the financial benefit to be provided to Skybound is the provision of a security interest over the Company's assets to secure the repayments under the Skybound Loan Deed.

(c) Directors' recommendations and Directors' interests in the outcome of this Resolution

Apart from Jeremy Thorpe and Dean Palmer, none of the other Board members have an interest in the outcome of this Resolution other than their interests arising solely in their capacity as Shareholders of the Company (to the extent that they hold Shares). Each of the Directors who holds Shares in the Company (or whose associated entities hold Shares) and is entitled to vote, will vote their Shares in favour of this Resolution.

Jeremy Thorpe and Dean Palmer have an interest in the outcome of this Resolution (by reason of being nominee directors of Suzerain) and are Associates of Suzerain (by reason of acting in concert with Suzerain in relation to the Company's affairs). Mr Thorpe and Mr Palmer are also directors of Skybound, and as such, do not make any recommendation with how to vote on this Resolution. Australia Fintech, which is controlled by Jeremy Thorpe and Dean Palmer, will be excluded from voting as it is an Associate of Suzerain.

The Directors (other than Jeremy Thorpe and Dean Palmer) believe that the transaction contemplated under this Resolution provides the Company with certainty and a better outcome for its financial position compared to if the Resolution is not passed. If this Resolution is passed, it allows the Company to continue paying interest at 12.5% per annum rather than 14% per annum if this Resolution is not passed. The Directors (other than Jeremy Thorpe and Dean Palmer) also believe that the Proposed Skybound Security is a transaction ordinarily entered into with lending transactions, particularly lending transactions on such terms as under the Convertible Loan Deed.

The Directors (other than Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote in favour of this Resolution.

(d) Valuation of the financial benefit

As set out in the Independent Expert's Report, the Independent Expert has made an assessment of the fair market value of the Company before the Proposed Transaction (on a controlling interest basis) and after the Proposed Transaction occurring). See pages 33 - 45 of the Independent Expert's Report including details of the valuation approach, analysis and evaluation of the Independent Expert.

(e) Other information

Other than the information set out above and otherwise contained in this Explanatory Statement, the Company believes that there is no further information that would be reasonably required by Shareholders to consider whether or not to pass this Resolution.

Directors' recommendation

The Directors (except Jeremy Thorpe and Dean Palmer) recommend that Shareholders vote **for** this Resolution. The Chair intends to vote all proxies given to the Chair in favour of this Resolution.

Enquiries

Shareholders are asked to contact Mr Ben Newling, Company Secretary, at ben.newling@entertainment.com.au if they have any queries in respect of the matters set out in these documents.

Schedule 1 – Summary of the terms of the Loan Funded Share Plan

In this summary, capitalised terms not otherwise defined have the meaning given to them in the Glossary.

Term	Description
Eligibility	Full time executives of the Company who are selected by the Company's board of directors (Board) will be eligible to participate in the Loan Funded Share Plan. The relevant executive chosen by the Board will be able to participate personally and will not be able to participate using a nominee. The Board has determined that Henry Jones (CEO) and Ben Newling (COO) (each, an Executive) are eligible to receive a grant of loan funded shares under the Loan Funded Share Plan.
Maximum number proposed to be issued	The maximum number of loan funded shares to be issued under the Loan Funded Share Plan is 38,771,277 fully paid ordinary shares (Shares). These shares are inclusive of the shares sought to be ratified under Item 4A in the Notice of Meeting.
Grant	The terms of the particular grant will be set out in the invitation letter to each Executive.
Issue price	<p>The issue price of each loan funded share will be the 5 trading day VWAP of Shares sold on ASX up to the trading day immediately before the relevant issue date, being \$0.03 per Share.</p> <p>The issue price for the loan funded shares will be funded by a non-recourse loan (Loan) from the Company to each Executive for the issue price (see below).</p>
Administration and Board discretion	<p>The Board administers the Loan Funded Share Plan. The Board has a broad discretion with respect to the terms surrounding the operation of the Loan Funded Share Plan. For example, the Board has a discretion to vary and/or waive the vesting conditions. For example, the Board may exercise such a discretion where:</p> <ul style="list-style-type: none"> (a) the commercial performance and circumstances of the Company justify that variation or waiver; or (b) if INP undertakes a share split or consolidation.
Loan	The Loan will be limited recourse (to the loan funded shares) and interest-free. The Company will take security over the loan funded shares to secure repayment of the loan amount (subject to prior shareholder approval of the Loan Funded Share Plan under the <i>Corporations Act 2001</i> (Cth)).
Vesting Conditions	<p>The loan funded shares will be granted in five tranches to each Executive. The loan funded shares will vest to the extent that any applicable vesting conditions specified in the terms of the invitation are satisfied and the loan funded shares have not ceased to become eligible to vest.</p> <p>Vesting of each tranche is subject to the continued employment of the Executive up to the relevant date on which the vesting conditions are tested.</p> <p>The performance targets may include:</p> <ul style="list-style-type: none"> - the Company meeting or exceeding the budget for FY21; - a share price target after release of the annual report for FY22 and FY23 respectively; or - an alternative share price target for the full duration of FY22 and FY23, subject to continued employment until 30 June 2023. <p>The first tranche for each Executive will be vested on the issue of the loan funded shares. The final tranche will vest periodically whenever another tranche vests and whenever a portion of the convertible loan facility under the convertible loan deed entered into on or about 28 September 2020 between the Company and Suzerain (defined below) such that this final tranche offsets the potential dilution from the conversion to Shares under that facility.</p> <p>If the applicable vesting conditions are satisfied for a certain tranche, the Executive will be permitted to retain those loan funded shares which have vested, provided they repay the loan owing on those shares and the escrow period expires (see below). If the applicable vesting conditions are not met, they may be rolled into the next tranche's vesting conditions and tested against the subsequent vesting condition (subject to a maximum rollover of one year).</p> <p>The loan funded shares will, subject to exceptions, be subject to voluntary escrow, holding lock and restrictions on transfer until the later of: the last Tranche vesting or</p>

Term	Description
	<p>31 October 2023. The Executive must not deal with the loan funded shares while the holding lock and escrow still apply.</p> <p>The Board will retain a broad discretion to determine or vary any vesting conditions if the Board considers that the commercial performance and circumstances of the Company justify that variation or waiver.</p> <p>For the avoidance of doubt, any unvested loan funded shares that do not meet their vesting conditions (after rollover, if applicable) will cease to become eligible to become vested loan funded shares and will be cancelled, bought-back or transferred to a third party nominated by the Board on terms determined by the Board in its sole discretion.</p>
Cessation of employment	<p>Bad Leaver</p> <p><i>Unvested loan funded shares</i></p> <p>Where the Executive ceases employment (other than in circumstances which fall under a Good Leaver), all unvested loan funded shares will be cancelled, bought-back or transferred to a third party nominated by the Board and on terms determined by the Board in its sole discretion.</p> <p><i>Vested loan funded shares</i></p> <p>Where a participant ceases employment for reasons other than summary dismissal and in circumstances which do not fall under a Good Leaver (e.g. resignation), the Executive may retain the vested loan funded shares.</p> <p>Where a participant ceases employment for summary dismissal, the Board in its full discretion may deem all or any vested loan funded shares to be forfeited, and either sold or transferred to the Company or its nominee (or if any vested loan funded shares acquired on vesting have been sold, they will be required to pay all or part of the proceeds of that sale to the Company).</p> <p>Good Leaver</p> <p>Where the Executive ceases employment due to death, terminal illness, total and permanent disability, mental illness or redundancy or otherwise with the agreement of the Board, the Executive may:</p> <ul style="list-style-type: none"> (a) retain all vested loan funded shares; and (b) unvested loan funded shares will vest if the relevant vesting conditions are met within 6 months following the notice of termination.
Change of Control	<p>A Change of Control Event occurs where any of the following occur after the relevant invitation is accepted by the Executive:</p> <ul style="list-style-type: none"> (a) Scheme of Arrangement; (b) a Takeover Bid: <ul style="list-style-type: none"> (i) is announced; (ii) has become unconditional; and (iii) the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares; (c) approval given by a resolution duly passed at a general meeting of INP for an acquisition that would result in a person (other than Suzerain Investments Holdings Limited (Suzerain) and its related entities) having voting power in INP of more than 50%; (d) Suzerain or any of its Associates (within the meaning of the Corporations Act) exercises a right to compulsorily acquire the Shares under Part 6A.2 of the Corporations Act; (e) the Board determining that the relevant circumstances constitute a Change of Control Event; (f) any other merger, consolidation, arrangement or amalgamation involving INP occurs or is proposed where either or both of the following apply: <ul style="list-style-type: none"> (i) the merger, consolidation or arrangement results in the holders of Shares immediately prior to the merger, consolidation or amalgamation having relevant interests, in aggregate, in 50% or less of the voting shares in the body corporate resulting from the merger, consolidation or arrangement; or

Term	Description
	<p>(ii) the Board determines that the relevant circumstances constitute a Change of Control Event.</p> <p>Subject to the Suzerain-related control events described below, on a Change of Control Event:</p> <p>(a) any unvested loan funded shares that have not ceased to be eligible to become vested loan funded shares will automatically become vested loan funded shares; and</p> <p>(b) an Executive may sell any vested loan funded shares.</p> <p>If a Change of Control Event occurs by any of the following: a Scheme of Arrangement by Suzerain or any of its Associates, a Takeover Bid from Suzerain or any of its Associates meeting paragraph (b) of the definition of Change of Control Event or Suzerain or any of its Associates exercising a right to compulsorily acquire the Shares under Part 6A.2 of the Corporations Act, then any loan funded shares which have not ceased to be eligible to become vested loan funded shares will automatically satisfy any outstanding vesting conditions and:</p> <p>(a) subject to the discretion of the Board, be permitted to sell or accept the offer under the Change of Control Event if the offer price is higher than \$0.05 per Share (Change of Control Hurdle Price); or</p> <p>(b) subject to relevant shareholder approvals under the Corporations Act and/or the Listing Rules, buy-back the eligible shares (at the higher of the change of control offer price or the Change of Control Hurdle Price); or</p> <p>(c) otherwise cease to be eligible to become vested loan funded shares and the Board may deal with them as if the loan funded shares have ceased to be eligible to become vested loan funded shares (see discussion under the Vesting Conditions row).</p>
Clawback	In the event of fraud, dishonesty or breach of obligations of another person (in the opinion of the Board), the Board may make a determination, including determining vested loan funded shares are forfeited or 'clawing back' the vested loan funded shares, to ensure that no unfair benefit is obtained.
Bonus issues, pro-rata issues and capital reorganisations	The Loan Funded Share Plan provides for adjustments to be made to the number of vested loan funded shares which the Executive would be entitled to receive on vesting of loan funded shares in the event of a bonus issue or pro-rata issue to existing holders of Shares or a reorganisation of capital.
Rights attaching to loan funded shares	<p>The loan funded shares will rank pari passu with existing Shares on issue.</p> <p>The loan funded shares will be quoted on ASX.</p> <p>Each loan funded share will entitle the holder the same voting rights as with Shares on issue, subject to the vesting of the relevant loan funded shares.</p>
Trading restrictions	Following the vesting of loan funded shares, loan funded shares are subject to the Company's securities trading policy when being traded and any holding lock (see discussion in the Vesting Conditions row).

Schedule 2 – Summary of the terms of the Employee Share Scheme

In this summary, capitalised terms not otherwise defined have the meaning given to them in the Glossary.

Term	Description
Eligibility	<p>The Employee Share Scheme (ESS Plan) is open to eligible employees determined by the Plan Committee (which may consist of full or part time employees or casual employees (with a 40% full-time equivalent workload)), executive directors within the IncentiaPay group (Group) or contractors of the Group.</p> <p>Where such a person accepts the invitation, he or she will become a participant under the ESS Plan (Participant).</p>
Maximum number of performance rights proposed to be issued	<p>The maximum number of employee share scheme performance rights (ESS Performance Rights) to be issued under the ESS Plan is 12,500,000 ESS performance rights.</p> <p>Subject to the vesting conditions being met and the ESS Plan Rules, each ESS Performance Right entitles the Participant to receive one fully paid ordinary share in the Company (ESS Share).</p>
Grant	<p>The terms of the particular grant will be set out in the invitation letter as well as the IncentiaPay Limited Employee Share Scheme Rules (ESS Plan Rules) to each Participant.</p>
Issue price	<p>The issue price of each ESS Share will be the 5 trading day VWAP of Shares sold on ASX up to the trading day immediately before the relevant issue date.</p> <p>The ESS Performance Rights (and ESS Shares issued on the satisfaction of the vesting conditions for an ESS Performance Right) will be issued for nil consideration from the Participant.</p>
Administration and Board discretion	<p>The Employee Share Scheme is administered by the Plan Committee, a committee which has been delegated power by the Board to administer the ESS Plan. If the Board has not delegated power to the Plan Committee, the Board will administer the ESS Plan.</p> <p>The Plan Committee has a broad discretion with respect to the terms surrounding the operation of the ESS Plan. For example, the Plan Committee has a discretion to vary and/or waive the vesting conditions. The Plan Committee may exercise such a discretion where:</p> <ul style="list-style-type: none"> (a) the commercial performance and circumstances of the Company justify that variation or waiver; or (b) if INP undertakes a share split or consolidation. <p>Other powers of the Plan Committee include to:</p> <ul style="list-style-type: none"> (c) exercise of all powers and discretions vested in it under the ESS Plan Rules; (d) determine appropriate procedures and make regulations and guidelines for the administration and operation of the ESS Plan which are not inconsistent with the Rules; (e) resolve all questions of fact or interpretation in connection with the ESS Plan; (f) terminate or suspend the operation of the ESS Plan at any time, provided that such termination or suspension does not adversely affect or prejudice the rights of Participants holding securities in the Company at any time or contravene applicable laws; (g) delegate its functions; (h) take or rely on professional advice; (i) appoint a trustee to hold the ESS Shares under the ESS Plan; (j) administer the ESS Plan in accordance with the ESS Plan Rules; (k) amend the ESS Plan Rules, waive or modify the application of the ESS Plan Rules to any Participant (with or without retrospective effect); and (l) amend the ESS Plan Rules, with the consent of Participants, if it would adversely affect the rights of any securities held under the ESS Plan.
Vesting Conditions	<p>The ESS Performance Rights will be granted in four tranches to each Participant. The ESS Performance Rights will vest to the extent that any applicable vesting conditions specified in the terms of the invitation are satisfied and the ESS Performance Rights have not ceased to become eligible to vest.</p>

Term	Description
	<p>Vesting of each tranche is subject to the continued employment of the Participant up to the relevant date on which the vesting conditions are tested.</p> <p>The performance targets may include:</p> <ul style="list-style-type: none"> - the Company meeting or exceeding the budget for FY21; - a share price target after release of the annual report for FY22 and FY23 respectively; or - an alternative share price target for the full duration of FY22 and FY23, subject to continued employment until 30 June 2023. <p>The final tranche will vest periodically whenever another tranche vests and whenever a portion of the convertible loan facility under the convertible loan deed entered into on or about 28 September 2020 between the Company and Suzerain (defined below) such that this final tranche offsets the potential dilution from the conversion to Shares under that facility.</p> <p>If the applicable vesting conditions are satisfied for a certain tranche, the Participant will receive one fully paid ordinary share in the Company and be permitted to deal with those shares once the restrictions on transfer expires (see below). If the applicable vesting conditions are not met, the ESS Performance Shares may be rolled into the next tranche's vesting conditions and tested against the subsequent vesting condition (subject to a maximum rollover of one year).</p> <p>The ESS Shares will, subject to exceptions, be subject to a holding lock and restrictions on transfer until the later of: the last Tranche vesting or 31 October 2023. The Participant must not deal with the ESS Shares while the holding lock still applies. In any case, the ESS Shares will be held on trust by a trustee until the restrictions on transfer no longer apply, after which they will then be transferred to the Participant.</p> <p>The Plan Committee will retain a broad discretion to determine or vary any vesting conditions if the Plan Committee considers that the commercial performance and circumstances of the Company justify that variation or waiver.</p> <p>For the avoidance of doubt, any unvested ESS Performance Rights that do not meet their vesting conditions will cease to become eligible for vesting and will be forfeited and subsequently cancelled (Forfeiture Provisions).</p>
Cessation of employment	<p>Bad Leaver</p> <p><i>Unvested ESS Performance Rights</i></p> <p>Where the Participant ceases employment (other than in circumstances which fall under a Good Leaver), all unvested ESS Performance Rights will be forfeited.</p> <p><i>Vested ESS Shares</i></p> <p>Where a Participant ceases employment for reasons other than summary dismissal and in circumstances which do not fall under a Good Leaver (e.g. resignation), the Participant may retain the vested ESS Shares.</p> <p>Where a Participant ceases employment for summary dismissal, the Plan Committee in its full discretion may deem all or any vested ESS Shares to be forfeited and be required to sell those forfeited shares on the ordinary course of trading on ASX or be dealt with in any other manner determined by the Plan Committee (or if any vested ESS Shares acquired on vesting have been sold, they will be required to pay all or part of the proceeds of that sale to the Company).</p> <p>Good Leaver</p> <p>Where the Participant ceases employment due to death, terminal illness, total and permanent disability, mental illness or redundancy or otherwise with the agreement of the Board, the Participant may:</p> <ul style="list-style-type: none"> (a) retain all vested ESS Shares (subject to their restrictions on disposal); and (b) unvested ESS Performance Rights will vest if the relevant vesting conditions are met within 6 months following the notice of termination.
Change of Control	<p>A Change of Control Event occurs where any of the following occur after the relevant invitation is accepted by the Participant:</p>

Term	Description
	<p>(a) Scheme of Arrangement;</p> <p>(b) a Takeover Bid:</p> <p>(iv) is announced;</p> <p>(v) has become unconditional; and</p> <p>(vi) the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares;</p> <p>(c) approval given by a resolution duly passed at a general meeting of INP for an acquisition that would result in a person (other than Suzerain Investments Holdings Limited (Suzerain) and its related entities) having voting power in INP of more than 50%;</p> <p>(d) Suzerain or any of its Associates (within the meaning of the Corporations Act) exercises a right to compulsorily acquire the Shares under Part 6A.2 of the Corporations Act;</p> <p>(e) the Plan Committee determining that the relevant circumstances constitute a Change of Control Event;</p> <p>(f) any other merger, consolidation, arrangement or amalgamation involving INP occurs or is proposed where either or both of the following apply:</p> <p>(iii) the merger, consolidation or arrangement results in the holders of Shares immediately prior to the merger, consolidation or amalgamation having relevant interests, in aggregate, in 50% or less of the voting shares in the body corporate resulting from the merger, consolidation or arrangement; or</p> <p>(iv) the Plan Committee determines that the relevant circumstances constitute a Change of Control Event.</p> <p>Subject to the Suzerain-related control events, on a Change of Control Event:</p> <p>(c) any unvested ESS Performance Rights that have not ceased to be eligible to become vested will automatically become vested and the relevant Participant will automatically acquire ESS Shares (on a one-for-one basis); and</p> <p>(d) a Participant may sell any vested ESS Shares.</p> <p>If a Change of Control Event occurs by any of the following: a Scheme of Arrangement by Suzerain or any of its Associates, a Takeover Bid from Suzerain or any of its Associates meeting paragraph (b) of the definition of Change of Control Event or Suzerain or any of its Associates exercising a right to compulsorily acquire the Shares under Part 6A.2 of the Corporations Act, then any ESS Performance Rights which have not ceased to be eligible to become vested will automatically satisfy any outstanding vesting conditions, the relevant Participant will automatically acquire ESS Shares (on a one-for-one basis) and:</p> <p>(d) subject to the discretion of the Plan Committee, be permitted to sell or accept the offer under the Change of Control Event if the offer price is higher than \$0.05 per Share (Change of Control Hurdle Price); or</p> <p>(e) subject to relevant shareholder approvals under the Corporations Act and/or the Listing Rules, buy-back the eligible shares (at the higher of the change of control offer price or the Change of Control Hurdle Price); or</p> <p>(f) otherwise cease to be eligible to become vested ESS Performance Rights and the Plan Committee may deal with them as if the ESS Performance Rights have ceased to be eligible to become vested ESS Performance Rights (see discussion under the Vesting Conditions row).</p>
Clawback	In the event of fraud, dishonesty or breach of obligations of another person or a material misstatement in the Company's financial statements during a vesting period (and, in each case, in the opinion of the Plan Committee), the Plan Committee may make a determination, including determining vested ESS Shares are forfeited or 'clawing back' the vested ESS Shares, to ensure that no unfair benefit is obtained.
Bonus issues, pro-rata issues and capital reorganisations	The ESS Plan provides for adjustments to be made to the number of ESS Shares which the Participant would be entitled to receive on vesting of ESS Performance Rights in the event of a bonus issue or pro-rata issue to existing holders of Shares or a reorganisation of capital.
Rights attaching to ESS Shares	The ESS Shares will rank pari passu with existing Shares on issue. The ESS Shares will be quoted on ASX.

Term	Description
	<p>Each ESS Share will entitle the holder the same voting rights as with Shares on issue.</p> <p>The ESS Performance Rights do not rank equally with existing Shares on issue and will not be quoted on ASX.</p>
Trading restrictions	<p>The ESS Performance Rights may not be disposed of other than in limited circumstances under a Change of Control and under the ESS Plan Rules.</p> <p>Following the vesting of ESS Performance Rights and the subsequent issue of ESS Shares to the relevant Participant, ESS Shares are subject to the Company's securities trading policy when being traded and any holding lock (see discussion in the Vesting Conditions row).</p>
Reliance on ASIC Class Order 14/1000	The Company will rely on ASIC Class Order 14/1000 in relation to the ESS Plan.

Schedule 3 – Summary of the terms of the Gift Plan

In this summary, capitalised terms not otherwise defined have the meaning given to them in the Glossary.

Term	Description
Eligibility	<p>The Gift Plan is open to eligible employees determined by the Board (which may consist of full or part time employees or casual employees (with a 40% full-time equivalent workload)), executive directors within the IncentiaPay group (Group) or contractors of the Group.</p> <p>At the present time, the Board has determined that all full-time employees that have not already been invited to participate in the Loan Funded Share Plan or Employee Share Scheme and those employees who will not hold more than 10% of the Company's issued capital after accepting an invitation are eligible to participate in the Gift Plan. Where such a person accepts the invitation, he or she will become a participant under the Gift Plan (Participant).</p> <p>In addition, the Board has determined that it will make available the Gift Plan to at least 75% of permanent employees with at least 3 years of service.</p>
Maximum number proposed to be issued	The maximum number of employee gift plan shares (Gift Plan Shares) to be issued under the Gift Plan is 3,066,667 fully paid ordinary shares (Shares).
Grant	<p>The terms of the particular grant will be set out in the invitation letter as well as the Employee Gift Plan Rules (Gift Plan Rules) to each Participant.</p> <p>Each invitation will offer each eligible employee to receive a maximum of \$1,000 worth of Shares at the Market Value (defined below).</p>
Issue price	<p>The issue price of each Gift Plan Share will be the 5 trading day VWAP of Shares sold on ASX up to the trading day immediately before the relevant issue date (Market Value).</p> <p>The Gift Plan Shares will be issued for nil consideration from the Participant.</p>
Administration and Board discretion	<p>The Gift Plan is administered by the Board.</p> <p>The Board has a broad discretion with respect to the terms surrounding the operation of the Gift Plan. For example, the Board has a discretion to vary and/or waive the vesting conditions. The Board may exercise such a discretion where:</p> <ul style="list-style-type: none"> (a) the commercial performance and circumstances of the Company justify that variation or waiver; or (b) if INP undertakes a share split or consolidation. <p>The Board may also (retrospectively or otherwise):</p> <ul style="list-style-type: none"> (c) amend the Gift Plan and the Gift Plan Rules at any time (if it does not materially reduce the rights of Participants); and (d) amend the Gift Plan and the Gift Plan Rules, even if it may reduce the rights of Participants, where: <ul style="list-style-type: none"> (i) the amendment is introduced primarily to comply with laws; (ii) correct mistakes or errors; (iii) undertake a reorganisation of the Company's securities or other transaction relating to its securities; (iv) to enable a more favourable taxation treatment of Participants generally; or (v) to comply with the Corporations Act or the Listing Rules.
Vesting Conditions and restrictions on transfer	<p><i>Vesting conditions</i></p> <p>The Gift Plan Shares do not have any vesting conditions attached to them.</p> <p><i>Restrictions on transfer</i></p> <p>The Gift Plan Shares may not be traded, sold, assigned or otherwise dealt with before the earlier of:</p> <ul style="list-style-type: none"> (a) the end of the 3 year period after the issue of the Gift Plan Shares to the relevant Participant; (b) the time when the Participant is no longer employed by the Group; and (c) a Change of Control Event (see below) after the Gift Plan Shares are issued to the Participant

Term	Description
	<p>The Gift Plan Shares will be held on trust by a trustee until the end of the period referred to above. Once the restrictions on transfer cease to apply, the Gift Plan Shares may be transferred from the trustee to the Participant or their associate. Trading of any Gift Plan Shares will be subject to the Company's securities trading policy.</p>
Change of Control	<p>A Change of Control Event occurs where any of the following occur after the relevant invitation is accepted by the Participant:</p> <ul style="list-style-type: none"> (a) Scheme of Arrangement; (b) a Takeover Bid: <ul style="list-style-type: none"> (vii) is announced; (viii) has become unconditional; and (ix) the person making the Takeover Bid has a Relevant Interest in 50% or more of the Shares; (c) approval given by a resolution duly passed at a general meeting of INP for an acquisition that would result in a person (other than Suzerain Investments Holdings Limited (Suzerain) and its related entities) having voting power in INP of more than 50%; (d) Suzerain or any of its Associates exercises a right to compulsorily acquire the Shares under Part 6A.2 of the Corporations Act; (e) the Board determining that the relevant circumstances constitute a Change of Control Event; (f) any other merger, consolidation, arrangement or amalgamation involving INP occurs or is proposed where either or both of the following apply: <ul style="list-style-type: none"> (v) the merger, consolidation or arrangement results in the holders of Shares immediately prior to the merger, consolidation or amalgamation having relevant interests, in aggregate, in 50% or less of the voting shares in the body corporate resulting from the merger, consolidation or arrangement; or (vi) the Board determines that the relevant circumstances constitute a Change of Control Event. <p>On a Change of Control Event, the restrictions on transfer cease to apply (see section on restrictions on transfer above).</p>
Rights attaching to Gift Plan Shares	<p>The Gift Plan Shares will rank pari passu with existing Shares on issue.</p> <p>The Gift Plan Shares will be quoted on ASX.</p> <p>Each Gift Plan Share will entitle the holder the same voting rights as with Shares on issue.</p>
Reliance on ASIC Class Order 14/1000	<p>The Company will rely on ASIC Class Order 14/1000 in relation to the Gift Plan.</p>

Schedule 4 – Summary of the terms of the Convertible Loan Deed

Loan Facility

The Convertible Loan Deed provides that Suzerain will provide a loan facility to the Company for a principal amount of \$9,825,000. The facility is proposed to be drawn down monthly (beginning on the first day of each calendar month), up to a limit of \$1,000,000 per calendar month.

Suzerain is not obligated to make an advance under the Convertible Loan Deed if:

- (a) an event of default is continuing or if an event has occurred which will constitute an event of default after time;
- (b) the Company's net operating cash flow for the relevant calendar month is equal or greater than the forecast net operating cash flow for that calendar month in the budget agreed between the Company and Suzerain;
- (c) if the draw down requested by the Company falls in the month of December 2020 or later, either of the conditions are not met:
 - (i) Shareholders have approved the Company's amendment of the Loan Security or entry into a general security deed on substantially similar terms to the Loan Security in accordance with Listing Rule 10.1 and Chapter 2E of the Corporations Act (see Item 8 of this Notice); or
 - (ii) Shareholders have approved the Convertible Loan Deed (and its resultant issue of Shares by the Company) pursuant to item 7 of section 611 of the Corporations Act (see Item 7 of this Notice).

Conversion

The Convertible Loan Deed also provides that during the period from the date the Convertible Loan Deed is entered into until 1 October 2021 (**Conversion Period**), Suzerain may give written notice to the Company to convert some or all of the monies owing under the loan into Shares to be issued to Suzerain (or its wholly owned subsidiary) within 5 business days at the issue price, being the higher of:

- \$0.0275 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares, plus an additional 20%.

Suzerain may also give more than one notice to convert.

If the Company reorganises its capital before conversion or repayment of the loan facility, the number of Shares to be issued on conversion will be reorganised so that Suzerain will not receive a benefit that Shareholders will not receive and vice versa.

Immediately following the issue of any Shares on conversion of the loan facility, the Company must:

- (a) apply for quotation of the converted Shares on ASX and do all things necessary to ensure that the converted Shares are quoted on such terms and conditions as are usual for quotation of securities;
- (b) take all steps to procure the delivery to Suzerain a holding statement for the converted Shares.

Within 2 Business Days of the date of the Convertible Loan Deed, the Company must issue a cleansing notice complying with section 708A(12C)(e) of the Corporations Act (as inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*), or if the Company is unable to satisfy the Corporations Act requirements to give such a notice, it must lodge a prospectus with ASIC within 20 Business Days following entry into the Convertible Loan Deed that qualifies the Conversion Shares for resale under section 708A(12C) of the Corporations Act (as inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*).

Recognition of prior advances

- (a) The \$3.7 million recognised as already advanced under the Original Loan Deed is owing under the Convertible Loan Deed and not the Original Loan Deed, effective as at the date of the Loan Deed.
- (b) On the date of the Loan Deed, the Company must pay Suzerain:
 - (i) interest (including any previously capitalised interest) on the amount owing under the Original Loan Deed before the date of the Convertible Loan Deed; and
 - (ii) all fees and other amounts owing under the Original Loan Deed (other than the principal referred to in (a) above).
- (c) With effect on the date of the Convertible Loan Deed, the Original Loan Deed is taken to be terminated without prejudice to the obligations in (a) and (b) above and the Company's obligation to pay interest under the Original Loan Deed on any amount payable under (b) above that is not paid in accordance with that clause.

Interest rate and repayment

If there is no event of default, the interest rate accruing under facility provided under this Convertible Loan Deed is 10% per annum calculated daily and to be capitalised on the principal balance outstanding on a monthly basis.

For so long as interest is capitalised, the Company must repay the outstanding balance of the principal amount, all interest payable under the Convertible Loan Deed (whether capitalised or not), and all other amounts payable by the Company under the Convertible Loan Deed on 31 December 2021 (**Repayment Date**).

If an event of default has occurred there will be no capitalisation of interest and accrued and uncapitalised interest will be payable on the last day of each month during the term and on the Repayment Date. Interest on overdue monies will be payable at the overdue rate, being:

- 12% per annum, if there is a continuing event of default; or
- 16% per annum, if Shareholders have not approved the Company entering into the Loan Security (to be dealt with at the Resolution in Item 8 of this Notice).

Interest at the overdue rate must be paid on demand, and if not paid will be capitalised monthly (without limiting Suzerain's right to exercise its rights under the Convertible Loan Deed or any security interest (if applicable) following an event of default).

If Shareholders have not approved the Company entering into the Loan Security at this Meeting, and there are no overdue monies payable, then the interest rate is 14% per annum from the date of the Meeting.

Use of funds

The Company must only use the funds raised under the Convertible Loan Deed for working capital purposes (unless Suzerain approves otherwise in writing).

Security

The loan facility under the Convertible Loan Deed is:

- (a) secured by the Loan Security if Shareholders have approved the amendment of the Loan Security for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act (the subject of Item 8 of this Notice); or
- (b) otherwise unsecured.

Repayment

The Company may repay the loan facility under the Convertible Loan Deed (in whole or part) at any time before the Repayment Date. The Company must give not less than 3 Business Days' notice of such prepayment and must:

- (a) prepay in accordance with that notice; and
- (b) pay any outstanding interest (whether or not capitalised) on the prepayment amount at the same time as it pays that prepayment amount.

On the Repayment Date, the Company must pay Suzerain the aggregate of:

- (c) the outstanding balance principal amount;
- (d) all interest payable under the Convertible Loan Deed (whether or not capitalised); and
- (e) all other amounts payable by the Company under the Convertible Loan Deed.

Event of default

It will be an event of default if any of the following events occur:

- (a) the Company fails to pay an amount under the Convertible Loan Deed when due or fails to comply with any of its obligations under the Convertible Loan Deed;
- (b) an Insolvency Event occurs with respect to the Company or the Company (or an analogous process under an overseas law is commenced);
- (c) the Company ceases or threatens to cease to carry on its business or a substantial part of its business;
- (d) any Security Interest securing amounts greater than \$100,000 becomes enforceable or is enforced over all or any of the assets and undertakings of the Company (or an analogous process under an overseas law is commenced);
- (e) a distress, attachment or other execution is levied or enforced or applied for over all or any of the assets or undertakings of the Company (or an analogous process under an overseas law is commenced);
- (f) a warranty, representation or statement made by the Company under the Convertible Loan Deed is untrue or misleading in any material respect;
- (g) an obligation of the Company in the Convertible Loan Deed becomes wholly or partly invalid, void, voidable or unenforceable;
- (h) the Company repudiates the Convertible Loan Deed or evidences an intention to repudiate it;
- (i) it is or becomes unlawful for the Company to perform any of its obligations under the Convertible Loan Deed;
- (j) if the drawn down funds are used by the Company for any use other than the approved purpose; or
- (k) any debt in relation to a finance related transaction by the Company in excess of \$100,000 (other than under the Convertible Loan Deed):
 - (i) is or becomes due and payable before the due date for payment as a result of an event of default or review event (however described); or
 - (ii) is not paid when due (after taking into account any applicable grace period); or
- (l) an event or series of events, whether related or not, including any material adverse change in the property or financial condition of the Company, occurs which has or is likely to have a material adverse effect on:
 - (i) the ability of the Company to comply with its obligations under the Convertible Loan Deed; or
 - (ii) the effectiveness, priority or enforceability of the whole or any part of the Convertible Loan Deed.

If an event of default is continuing then Suzerain may by notice to the Company, declare that any remaining amounts owing are immediately due and payable.

Representation and warranties

The Company makes the following representations and warranties:

- (a) as at the date of the Convertible Loan Deed, it has full and lawful authority to execute and deliver the Convertible Loan Deed and to perform or cause to be performed its obligations under the Convertible Loan Deed;
- (b) as at the date of the Convertible Loan Deed, the Convertible Loan Deed constitutes a full and binding legal obligation on it;
- (c) as at the date of the Convertible Loan Deed, the Convertible Loan Deed does not conflict with or result in the breach of or default under any provision of its constituent documents (if applicable) or any material term or provision of any agreement, deed, writ, order, injunction, rule, judgment, law or regulation to which it is a party or is subject or by which it is bound;
- (d) as at the date of the Convertible Loan Deed, it has obtained all authorisations and approvals necessary for it to lawfully enter into and perform its obligations under the Convertible Loan Deed;
- (e) as at the date of the Convertible Loan Deed, to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to Suzerain, or released to ASX, in relation to the Company and the loan facility contemplated under the Convertible Loan Deed, is accurate and complete;
- (f) its payment obligations under the Convertible Loan Deed rank at least *pari passu* with all of its unsecured and unsubordinated obligations generally;
- (g) it is a corporation validly existing under the laws of the place of its incorporation;
- (h) it has the power to enter into and perform its obligations under this deed, to carry out the transactions contemplated by it and to carry on its business as now conducted or contemplated;
- (i) it has taken all necessary corporate action to authorise the entry into and performance of the Convertible Loan Deed and to carry out the transactions contemplated by it;
- (j) the Convertible Loan Deed is valid and binding and its obligations are enforceable in accordance with its terms, subject to any necessary stamping and registration and subject to equitable principles; and
- (k) the execution and performance by the Company of the Convertible Loan Deed and the transactions contemplated by it does not and will not violate any provision of:
 - (i) any laws or rules of a governmental agency (including a securities exchange);
 - (ii) its constitution or constituent documents; or
 - (iii) any other document or agreement binding on it or its assets;and, except as provided by the Convertible Loan Deed, did not and will not:
 - (iv) create or impose a security interest on any of its assets; or
 - (v) allow a person to accelerate or cancel an obligation with respect to a finance debt, or constitute an event of default, cancellation event, prepayment event or similar event (whatever called) under an agreement relating to a finance debt, whether immediately or after notice or lapse of time or both.

Representation and warranties

The Company makes following further representations and warranties in relation to conversion of the loan facility as at the date of conversion of the loan facility:

- (a) on conversion of the loan facility, the Conversion Shares will rank on an equal footing in all respects with the then existing issued Shares of the same class in the capital of the Company;
- (b) there is no restriction on the issue of any Conversion Shares and the issue and allotment of any Conversion Shares will not trigger any pre-emptive or similar right held by any person;
- (c) to the best of the Company's knowledge, all information in respect of the Company given by or on behalf of the Company or its representatives to Suzerain, or released to ASX, in relation to the Company and the loan facility under the Convertible Loan Deed, is accurate and complete; and
- (d) subject to the Company being able to issue a cleansing notice complying with section 708A(12C)(e) of the Corporations Act (as inserted by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*), there are no escrow or other provisions restricting the on-sale of all or any of any Conversion Shares by Suzerain.

Negative pledge

The Company undertakes not to do any of the following without the prior written consent of Suzerain:

- (a) create or allow to exist a Security Interest over its assets other than:
 - (i) any Security Interest in favour of Suzerain;
 - (ii) any Security Interest arising in the ordinary course of business in connection with goods supplied to the Company and securing money on account of the unpaid purchase price for those goods that is not more than 30 days overdue;
 - (iii) any bankers' liens, right of set-off or other netting arrangement arising in respect of any transactional banking facilities or derivative transactions where the relevant financial institution has not provided any Finance Debt;
 - (iv) a Security Interest arising in favour of a government agency (including a securities exchange) or in respect of money payable for work performed by suppliers, mechanics, workmen, repairmen or their employees and, in each case, arising in the ordinary course of business, unless (in each case) there is default in payment of money secured by that security interest; or
 - (v) any Security Interest over its assets to secure finance debts incurred under a finance or capital lease (as defined in the Australian Accounting Standards immediately before 1 January 2019) (**Finance Lease**);
- (b) deposit or lend money on terms that it will not be repaid until its or another person's obligations or indebtedness are performed or discharged, nor to deposit money with or lend money to a person to whom it is, or is likely to become, actually or contingently indebted;
- (c) incur any finance debt other than finance debt incurred:
 - (i) under any other existing finance debt as at the date of the Convertible Loan Deed provided that the terms and amount of that finance debt have been approved by Suzerain in writing and the principal amount of such finance debt is not increased above the amount outstanding or available as at the date of the Convertible Loan Deed;
 - (ii) under any non-speculative derivative transaction entered into in the ordinary course of business;
 - (iii) in respect of any class order guarantees entered into by Group members pursuant to Part 2M.6 of the Corporations Act where the only members of that class order are Group members;
 - (iv) in connection with tax funding and sharing arrangements with Group members or any GST grouping arrangements of the Group;
 - (v) under any Finance Lease or non-real property operating lease of any asset entered into in the ordinary course of ordinary business not exceeding \$100,000 (or its equivalent) in aggregate any time;
- (d) enter into an agreement with respect to the acquisition of assets on title retention terms except in the ordinary course of day-to-day trading;
- (e) either in a single transaction or in a series of transactions whether related or not and whether voluntary or involuntary, dispose of any asset of the Company other than:
 - (i) disposals made for market value in the ordinary course of the ordinary trading business of the Company;
 - (ii) disposals of obsolete plant and equipment not required for the efficient operation of its business, on arm's length terms and at fair market value;
 - (iii) disposals on arm's length terms in exchange for comparable assets;
 - (iv) disposals arising as a result of the grant of Security permitted by the Convertible Loan Deed;
- (f) enter into any merger, reconstruction or amalgamation; and
- (g) acquire any Shares or securities, or a business or undertaking (or, in each case, any interest in any of them) or make any investment, in each case, other than in, or to a Group member as at the date of the Convertible Loan Deed.

Schedule 5 – Summary of the terms of the Loan Security

The key terms of the Loan Security are set out below.

Security interest

The Company grants a security interest over all its present and future property (**Secured Property**) to Suzerain to secure payment of all debts and monetary liabilities of the Company to Suzerain under either the Convertible Loan Deed and 2019 Convertible Loan Deed.

Priority of security interest

- (a) The Company and Suzerain agree that the security interest granted under the Loan Security takes priority over all other security interests granted by the Company other than any security interests permitted under the Convertible Loan Deed and 2019 Convertible Loan Deed, and any security interest mandatorily preferred by law.
- (b) The security interests granted under the Loan Security have the same priority in respect of all debts of the Company owing under the Convertible Loan Deed and 2019 Convertible Loan Deed (**Secured Monies**), including future advances.
- (c) Nothing in the Convertible Loan Deed or 2019 Convertible Loan Deed is to be construed as an agreement or consent by Suzerain to subordinate the security interest granted under the Loan Security in favour of any person.

Discharge of security interests

Subject to the terms of the Convertible Loan Deed and 2019 Convertible Loan Deed, at the written request of the Company, Suzerain must discharge and release the security interests granted under the Loan Security and re-transfer to the Company its right and interest in all property transferred to Suzerain as part of the security interest under the Loan Security (being Accounts and Chattel Paper (within the meaning given to it in the PPSA) which are not, or cease to be revolving assets) if the Secured Monies have been fully and finally paid and if the Company has performed all its obligations under the Loan Security, Convertible Loan Deed or 2019 Convertible Loan Deed.

Restricted Dealings

- (a) The Company may not grant a Security Interest over any of its Secured Property or dispose of Secured Property.
- (b) The Company must do anything reasonably necessary to ensure that a third person cannot acquire a Security Interest in any Secured Property (except as permitted under the Convertible Loan Deed or 2019 Convertible Loan Deed).

Enforcement

On the occurrence of an event of default (under the Convertible Loan Deed or 2019 Convertible Loan Deed), but only while it is continuing, Suzerain may:

- (a) declare that the Secured Monies are immediately due and payable;
- (b) declare that the Secured Monies are payable on demand;
- (c) terminate or suspend all or any obligations of Suzerain under the Convertible Loan Deed or Convertible Loan Deed;
- (d) enforce the security interests of the Company granted under the Loan Security; and/or
- (e) exercise any power conferred on Suzerain under the Loan Security and/or the Convertible Loan Deed or 2019 Convertible Loan Deed.

On enforcement of a security interest of the Company granted under the Loan Security, the Company will have no right to deal, for any purpose, with any of its Secured Property, other than by or through Suzerain, a Controller or an attorney appointed under the Loan Security.

Appointment of Controller

While an event of default is continuing, Suzerain may at any time:

- (a) appoint any person or any two or more persons jointly, or severally, or jointly and severally to be a receiver or a receiver and manager of the Secured Property (**Controller**);
- (b) appoint another Controller in addition to or in place of any Controller;
- (c) remove or terminate the appointment of any Controller at any time and on the removal, retirement or death of any Controller, appoint another Controller and, at any time give up, or re-take, possession of the Secured Property;
- (d) fix the remuneration and direct payment of that remuneration and any costs, charges and expenses of a Controller out of the proceeds of any realisation of the Secured Property.

Powers of Controller

The Controller has broad powers to manage and carry on the business of the Company (including to make decisions in relation to the conduct of its business as it sees fit). The following are examples of the powers the Controller (but is not an exhaustive list):

- (a) manage or enter into possession or assume control of the Secured Property;
- (b) accept the surrender of, grant or renew any lease or licence in respect of the use or occupation of Secured Property (on any terms that Suzerain or the Controller thinks fit);
- (c) sell any part of the Secured Property (on any terms that Suzerain or the Controller thinks fit);
- (d) grant any person an option to purchase any of the Secured Property;
- (e) acquire any interest in any property in the name of, or on behalf of the Company, which forms part of the Secured Property;
- (f) carry on or concur in carrying on any business of the Company in respect of that Secured Property;
- (g) to raise or borrow money, in the name of or on behalf of the Company, from Suzerain or any person approved by Suzerain in writing (and secure that money in priority to, equal with or after the Security Interests granted under the Loan Security);
- (h) to give guarantees;
- (i) to make or accept compromises or arrangements;
- (j) do anything that the Company can do in relation to the Secured Property;
- (k) issue Shares in the Company;
- (l) employ or discharge any person as employee, contractor, agent, professional adviser or auctioneer for the purposes of the Loan Security;
- (m) do anything incidental to the exercise of any power; and
- (n) delegate any powers of the Controller.

Appointment of Attorney

The Company appoints Suzerain, each Controller (if any has been appointed) and each officer of Suzerain, severally as its attorney to do any of the following after an event of default (so long as such default is continuing) to:

- (a) do anything which ought to be done by the Company under the Loan Security;
- (b) do anything which ought to be done by the Grantor in respect of its Secured Property under the Loan Security;
- (c) exercise any right, power, authority, discretion or remedy of the Company under the Loan Security or any agreement forming part of its Secured Property;

- (d) do anything which, in the reasonable opinion of Suzerain, the Controller or Attorney, is necessary or expedient for securing or perfecting a security interest of the Company granted under the Loan Security;
- (e) execute in favour of Suzerain any legal mortgage, transfer, assignment and any other assurance of any of the Secured Property and may send any instructions, messages or communications by which the Secured Property can be transferred or otherwise dealt with;
- (f) execute deeds of assignment, composition or release in respect of the Secured Property;
- (g) sell or otherwise part with the possession of any of the Secured Property; and
- (h) generally, do any other thing, whether or not of the same kind as those set out in paragraphs (a) to (g) above, which in the reasonable opinion of Suzerain, the Controller or Attorney is necessary or expedient:
 - (i) to more satisfactorily secure the Secured Property; or
 - (ii) in relation to any of the Secured Property.

The Attorney may, at any time, for any of the purposes in (a) to (h) above, appoint or remove any substitute or delegate or sub-attorney.

Enforceability and obligations

- (a) The Security Interest granted by the Company under the Loan Security is enforceable and unconditional in all circumstances.
- (b) The obligations of the Company and its Security Interests granted under the Loan Security are not released, discharged or otherwise affected by any fact, matter or circumstance which may affect the priority or enforceability of such obligations.

Schedule 6 – Summary of the terms of the Skybound Loan Deed

The key terms of the Skybound Loan Deed are set out below.

Loan Facility

The Skybound Loan Deed provides that Skybound will provide a loan facility to the Company for a principal amount of \$1,200,000. The facility is proposed to be drawn down upon the Company sending a written request to Skybound accompanied by an invoice for monies owing in connection with the approved purpose.

Conversion

The loan facility under the Skybound Loan Deed is not convertible.

Interest rate and repayment

If there is no event of default, the interest rate accruing under facility provided under this Skybound Loan Deed is 12.5% per annum calculated and accruing daily. Interest is payable in arrears within 5 Business Days after each monthly period beginning on the first drawdown. Interest may be capitalised at the discretion of Skybound, without prejudice to its rights.

The Company must repay the outstanding balance of the principal amount, all interest payable under the Skybound Loan Deed (whether capitalised or not), and all other amounts payable by the Company under the Skybound Loan Deed on the date that is 18 months after the first drawdown (**Skybound Repayment Date**). Interest on overdue monies will be payable at the default rate, being 14.5% per annum.

If Shareholders have not approved the Company entering into the Skybound Loan Security at this Meeting, and there are no overdue monies payable, then the interest rate is 14% per annum from the date of the Meeting.

Use of funds

The Company must only use the funds raised under the Skybound Loan Deed for the implementation of a technology strategy.

Security

The loan facility under the Skybound Loan Deed is:

- (a) secured by the Skybound Loan Security if Shareholders have approved the entry into the Loan Security for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act (the subject of Item 9 of this Notice); or
- (b) otherwise unsecured.

If requested by Skybound in writing and subject to shareholder approval, the Company must negotiate in good faith with Skybound to execute the Skybound Loan Security. If requested, the Company must use its best endeavours to procure approval from Shareholders for the purposes of Listing Rule 10.1 to enter into the Skybound Loan Security.

Repayment

The Company may repay the loan facility under the Skybound Loan Deed (in whole or part) at any time before the Skybound Repayment Date. The Company must give a written notice specifying the amount to be prepaid and the date for repayment.

On the Skybound Repayment Date, the Company must pay Skybound the aggregate of:

- (a) all amounts advanced to the Company by Skybound which have not been repaid under the Skybound Loan Deed;
- (b) all accrued or capitalised interest payable under the Skybound Loan Deed; and
- (c) all other amounts payable by the Company under the Skybound Loan Deed.

Fees

The Company must pay the following fees:

- (a) an administration fee of \$50,000, to be deducted from the first drawdown and retained by Skybound; and
- (b) a line fee of \$2,000 (inclusive of GST, if any) on the last day of each month during the term of the loan and until all amounts payable under the Skybound Loan Deed are repaid in full.

Event of default

It will be an event of default if any of the following events occur:

- (a) the Company fails to pay an amount under the Skybound Loan Deed when due or fails to comply with any of its obligations under the Skybound Loan Deed;
- (b) an Insolvency Event occurs with respect to the Company or the Company (or an analogous process under an overseas law is commenced);
- (c) the Company ceases or threatens to cease to carry on its business or a substantial part of its business;
- (d) an obligation of the Company in the Skybound Loan Deed becomes wholly or partly invalid, void, voidable or unenforceable;
- (e) the Company repudiates the Skybound Loan Deed or evidences an intention to repudiate it;
- (f) it is or becomes unlawful for the Company to perform any of its obligations under the Skybound Loan Deed;
- (g) if the drawn down funds are used by the Company for any use other than the approved purpose;
- (h) where the Loan Security is held by Skybound, if a person who holds a security interest over property of the Company becomes entitled to enforce that security interest to recover monies or enforce any other obligation.

If an event of default is continuing then Skybound may by notice to the Company, declare that any remaining amounts owing are immediately due and payable.

2019 Convertible Loan Deed means the convertible loan deed dated on or about 27 December 2019 between the Company and Suzerain (a summary of the terms of this document is set out in the 2019 notice of annual general meeting of the Company released to ASX on 20 November 2019).

Account has the meaning given to it in the PPSA.

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

Annual Financial Report or Annual Report means the 2020 annual report to Shareholders for the period ended 30 June 2020 as lodged by the Company with ASX on 18 September 2020.

Annual General Meeting or AGM or Meeting means an annual general meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

ASIC means Australian Securities and Investment Commission.

Associate:

- (a) where used in the context of the ASX Listing Rules, has the meaning given to it by the ASX Listing Rules; and
- (b) where used in the context of the Corporations Act, has the meaning given to it under the Corporations Act.

Attorney means an attorney appointed under the Loan Security.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

ASX Listing Rules or Listing Rules means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Auditor's Report means the Auditor's Report of KPMG dated 18 September 2019 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

Business Day means:

- (a) generally, a day on which trading takes place on the stock market of ASX; or
- (b) in the context of the Loan Deed, Convertible Loan Deed and Loan Security, means a day on which banks are open for business excluding Saturdays, Sundays and public holidays in Sydney, Australia.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means IncentiaPay Ltd ACN 167 603 992.

Constitution means the Company's constitution.

Controller means a receiver or a receiver and manager of the Secured Property.

Conversion Shares means the Shares to be issued on conversion of the loan facility under the Convertible Loan Deed, each issued at the Conversion Shares Issue Price.

Conversion Shares Issue Price means the higher of:

- \$0.0275 per Share; or
- the volume weighted average price of Shares traded on ASX during the period of 30 trading days and concluding on the trading day before the issue date of the relevant Shares, plus 20%.

Convertible Loan Deed means the convertible loan deed dated on or about 28 September 2020 between the Company and Suzerain.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "\$" means Australian dollars.

Employee Share Scheme means IncentiaPay Employee Share Scheme, the subject of Item 5B, the terms of which are summarised in Schedule 2.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

Finance Debt includes any indebtedness (present or future, actual or contingent) in relation to money borrowed or raised or any other financing (other than, amongst other things, any receivables to the extent that they are sold or discounted on a non-recourse basis or an obligation under a lease which would be classified as an operating lease pursuant to the Australian accounting standards immediately before 1 January 2019).

Finance Lease means a finance or capital lease (as defined in the Australian accounting standards immediately before 1 January 2019).

Gift Plan means the IncentiaPay Gift Plan, the subject of Item 5C, the terms of which are summarised in Schedule 3.

Gift Plan Securities means the 3,066,167 Shares issued on 8 October 2020 as part of the Gift Plan, the subject of Item 4B.

Group means the collective reference to the Company and its Subsidiaries for the time being.

Incentive Schemes means, together, the Loan Funded Share Plan, the Employee Share Scheme and Gift Plan, and **Incentive Scheme** means any of them.

Independent Expert means Leadenhall Corporate Advisory Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert and set out in Annexure A to this Notice.

Insolvency Event means any of the following events:

- (a) an order is made, or a resolution is passed for the winding up, dissolution or administration of the Company;
- (b) proceedings or arrangements are instituted for the liquidation of, or a liquidator or provisional liquidator is appointed to, the Company;
- (c) a receiver, a receiver or manager, an administrator or a similar officer is appointed over or a distress or execution is levied over any of the assets of the Company;
- (d) the Company suspends payment of its debts or is unable to pay its debts as and when they fall due;
- (e) the Company makes or offers to make an arrangement with its creditors or a class of them;
- (f) the Company:

- (i) is, or under legislation presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute); or
- (ii) stops or suspends or threatens to stop or suspend payment of all or a class of its debts.

KMP means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

Loan Funded Share Plan means the IncentiaPay Loan Funded Share Plan, the subject of Item 5A, the terms of which are summarised in Schedule 1.

Loan Funded Share Securities means the 38,771,277 Shares issued on 8 October 2020 as part of the Loan Funded Share Plan, the subject of Item 4A.

Loan Security means the general security deed dated on or about 27 December 2019 between the Company and Suzerain and summarised at Schedule 5 of this Notice.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting dated 13 November 2020 including the Explanatory Statement.

Option means an option to acquire a Share.

Original Loan means the loan facility under the Original Loan Deed.

Original Loan Deed means the loan deed between the Company and Suzerain dated on or about 27 February 2020, as amended on or about 5 June 2020.

PPSA means the *Personal Property Securities Act 2009* (Cth) as amended from time to time.

Proposed Conversion means future issue of Shares to Suzerain in the event of conversion of the loan into fully paid ordinary Shares in the Company under the Convertible Loan Deed.

Proposed Skybound Security where used in the context of Item 9, has the meaning given to it in the section headed "Background" within the Explanatory Notes under Item 9.

Proposed Suzerain Security where used in the context of Item 8, has the meaning given to it in the section headed "Background" within the Explanatory Notes under Item 8.

Proposed Transaction means, together, the Proposed Conversion, Proposed Skybound Security and Proposed Suzerain Security.

Proxy Form means the Proxy Form attached to this Notice of Meeting.

Remuneration Report means the remuneration report as set out in the Annual Financial Report.

Repayment Date means 31 December 2021.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

Secured Monies means all debts of the Company owing under the Loan Deed or Convertible Loan Deed (depending on which is entered into).

Secured Property means all of the Company's present and future property.

Securities mean Shares and/or Options (as the context requires).

Security Interest means a security interest (in whatever form, including a security interest pursuant to sections 12(1) and 12(2) of the PPSA but excluding a deemed security interest pursuant to section 12(3) of the PPSA).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Skybound means Skybound Fidelis Investment Limited ACN 151 776 706 as trustee for Skybound Fidelis Credit Fund ABN 19 587 332 202.

Skybound Loan Deed means the loan deed dated 4 June 2020 between the Company and Skybound.

Skybound Loan Security means the general security deed to be entered into between the Company and Skybound in substantially a similar form as the Loan Security.

Subsidiary has the meaning given to it in the Corporations Act, but as if body corporate includes any entity.

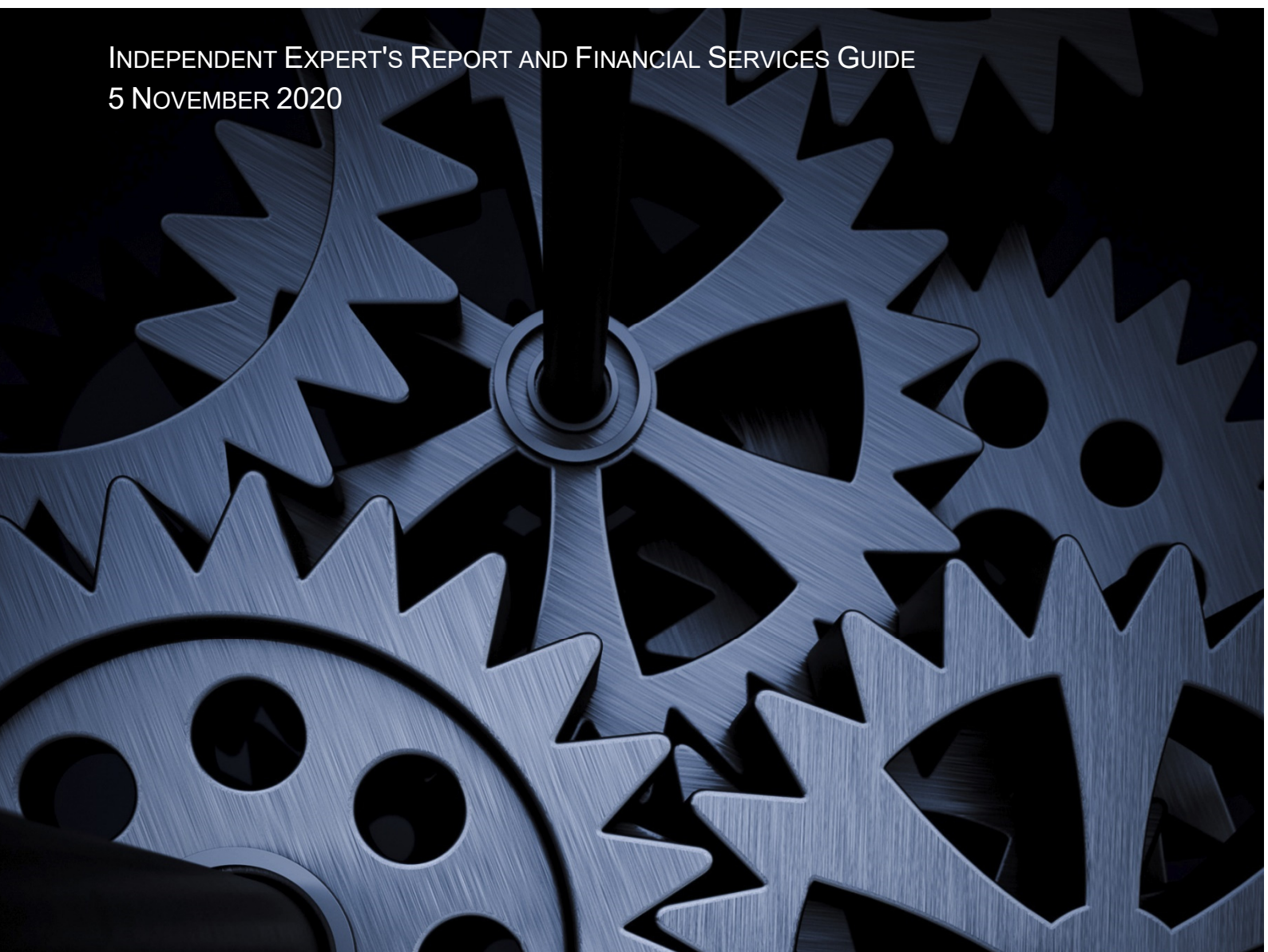
Suzerain means Suzerain Investments Holdings Limited, a company registered in the British Virgin Islands with registration number 1934540.

VWAP means the volume weighted average price, with respects to the price of Shares.

INCENTIAPAY LIMITED

PROVIDING ASSETS AS SECURITY AND IN CONVERTING THE CONVERTIBLE NOTE

INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
5 NOVEMBER 2020



5 November 2020

Stephen Harrison
Chairman
IncentiaPay Limited
Level 5, 68 Harrington Street,
The Rocks NSW 2000

Dear Stephen,

Independent Expert's Report for IncentiaPay Limited

1. Introduction

IncentiaPay Limited ("**IncentiaPay**") is an integrated loyalty and payment solutions provider operating primarily in Australia and New Zealand. IncentiaPay uses its technology-enabled loyalty platform and digital marketing programs to help clients attract and engage consumers.

Suzerain Investments Holdings Ltd ("**Suzerain**") is a British Virgin Islands-based investment company that is currently the largest shareholder of IncentiaPay with a 70% shareholding (including shareholdings held by its associates). Skybound Fidelis Credit Fund ("**Skybound**") is an associate of Suzerain, due to common ownership.

On 27 February 2020, IncentiaPay entered into a loan arrangement with Suzerain providing IncentiaPay an initially unsecured \$5.825 million facility. Subsequently, in June 2020, Suzerain agreed to increase the facility limit of this loan by \$4 million to \$9.825 million, of which \$3.2 million has been drawn to date. The loan is convertible to ordinary shares at the higher of \$0.0275 per share or the 30-day volume weighted average price ("**VWAP**") prior to conversion plus an additional 20% and will be secured over all assets of IncentiaPay, subject to shareholder approval.

On 4 June 2020, IncentiaPay entered into a separate \$1.2 million loan agreement with Skybound, for the purpose of transformational capital expenditure requirements. Subject to shareholder approval, the loan will be secured over all assets of IncentiaPay, ranking behind and subordinated to any present or future security in favour of Suzerain.

Further background details are set out in Section 1 of our detailed report.

2. Purpose of the report

There are a number of different regulatory requirements for an independent expert's report.

2.1 Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. As the convertible note and the transformation capital facility will be secured over all assets of IncentiaPay, granting security involves the potential disposal of a substantial asset. As Suzerain is currently a 70% shareholder of IncentiaPay, Suzerain and Skybound are related parties of IncentiaPay. Approval for granting the security is therefore required from IncentiaPay shareholders that are not associated with Suzerain ("**Non-Associated Shareholders**").

2.2 Section 611

By converting the convertible note Suzerain would increase its existing 70% shareholding. Approval for the conversion is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with item 7 ("**Item 7**") of Section 611 of the Corporations Act 2001 ("**s611**").

2.3 Chapter 2E of the Corporations Act 2001 ("Chapter 2E")

Whilst there is no regulatory requirement compelling the preparation of an independent expert's report in relation to the provision of financial benefits to related parties, the Australian Securities and Investments Commission ("**ASIC**") recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting that will be sent to Non-Associated Shareholders in these circumstances.

2.4 Report scope

The directors of IncentiaPay have therefore requested Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") to prepare an independent expert's report assessing whether each of the following are fair and reasonable to Non-Associated Shareholders:

- ◆ conversion of the Suzerain convertible note, in accordance with Item 7 of s611 and Chapter 2E
- ◆ granting of security for the Suzerain convertible note, in accordance with ASX Listing Rule 10.1 and Chapter 2E
- ◆ granting of security for the transformational capital facility, in accordance with ASX Listing Rule 10.1 and Chapter 2E.

We defined the three steps set out above jointly as the ("**Proposed Transaction**").

This report has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transaction.

Further information regarding our scope and purpose is set out in Section 2 of our detailed report.

3. Basis of evaluation

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests.

For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test.

In accordance with *Regulatory Guide 111: Content of Expert Reports* ("**RG111**") issued by ASIC we have assessed the Proposed Transaction as if it was a takeover offer for IncentiaPay. Accordingly, in order to assess whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, we have:

- ◆ Assessed it as fair if the value of an IncentiaPay share after the Proposed Transaction is greater than or equal to the value of an IncentiaPay share before the Proposed Transaction. Our valuation before the Proposed Transaction has been undertaken on a control basis whereas our valuation after the Proposed Transaction has been undertaken on a minority basis.
- ◆ Assessed it as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages.

Further details of the basis of evaluation are provided in Section 2 of this report.

4. The Proposed Transaction is not fair

4.1 Assessed value of IncentiaPay before the Proposed Transaction

We have assessed the fair market value of an IncentiaPay share using the discounted cash flow method. Our valuation is summarised in the following table:

Table 1: Assessed value of an IncentiaPay share before the Proposed Transaction

Equity value (control basis) (\$'000)		
	Low	High
Enterprise value	20,230	25,663
Surplus assets	3,580	4,701
Non-operating liabilities	(3,431)	(3,431)
Surplus cash	6,369	6,369
Equity value	26,747	33,301
Ordinary shares on issue ('000)	912,799	912,799
Assessed value per ordinary share on a control basis (\$)	0.029	0.036

Source: Leadenhall analysis

The enterprise value is based on a cash flow model prepared by IncentiaPay management. We reviewed the assumptions for reasonableness and confirmed they are appropriate for our purpose. We applied a discount rate of 13.0% to 15.0% to the projected cash flows to obtain the enterprise value.

We undertook a sensitivity analysis to highlight which assumptions had the greatest impact on the valuation conclusion. The assumption with the greatest impact is the membership subscriptions growth. We have compared this assumption with the historical average, and we consider them to be reasonable based on this comparison.

Any alternative reasonable set of forecast assumptions would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

Further details of our valuation of IncentiaPay before the Proposed Transaction are provided in Section 6 of our detailed report.

4.2 Assessed value of IncentiaPay after the Proposed Transaction

Our assessment of the value of an IncentiaPay share after the Proposed Transaction was based on the same discounted cash flow analysis, adjusted for the impact of the Proposed Transaction. Our valuation is summarised in the following table:

Table 2: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity value (minority basis) (\$'000)		
	Low	High
Calculated enterprise value on a control basis	20,230	25,663
Surplus assets	3,580	4,701
Non-operating liabilities	(3,431)	(3,431)
Surplus cash	16,197	16,197
Assessed equity value on a control basis	36,576	43,129
Discount for lack of control (25%)	(9,144)	(10,782)
Equity value on a liquid minority basis	27,432	32,347
Ordinary shares on issue ('000)	1,129,805	1,129,805
Assessed value per ordinary share on a minority basis (\$)	0.024	0.029

Source: Leadenhall analysis

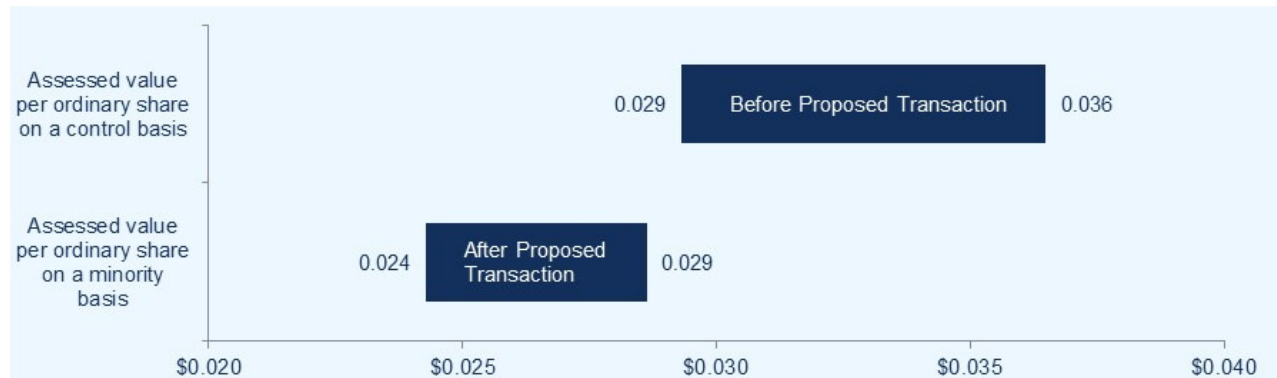
The key differences relate to the shares to be issued and increase in surplus cash from the full conversion of the convertible note, as well as a discount for lack of control ("DLOC") to reflect that market trading in IncentiaPay shares after the Proposed Transaction would be on a non-controlling basis.

Further details of our valuation of IncentiaPay after the Proposed Transaction are provided in Section 7 of our detailed report.

4.3 Conclusion on fairness

The following figure shows a comparison of our assessed value of an IncentiaPay share before the Proposed Transaction and our assessed value of an IncentiaPay share after the Proposed Transaction:

Figure 1: Assessment of fairness



Source: IncentiaPay and Leadenhall analysis

As the fair market value of an IncentiaPay share after the Proposed Transaction is less than the fair market value of an IncentiaPay share before the Proposed Transaction, we have assessed the Proposed Transaction as being not fair.

5. The Proposed Transaction is reasonable

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders.

5.1 Advantages

The main advantages of the Proposed Transaction are:

- ◆ **Lower interest rates:** If the Proposed Transaction is not approved, the per annum interest rate for the convertible note and the transformational capital facility will increase from 10% to 14% and from 12.5% to 14% respectively as compensation for the absence of collateral. Therefore, the lower interest rates under the Proposed Transaction are an advantage to Non-Associated Shareholders. As shareholders already rank behind unsecured creditors, the granting of security has no incremental cost to Non-Associated Shareholders.
- ◆ **Conversion price above 30-day VWAP:** As the loan is convertible at the greater of \$0.0275 per share or the 30-day VWAP prior to conversion plus an additional 20%, the conversion price is always greater than the market price for IncentiaPay shares and is also currently higher than our assessed, mid-point value for a minority shareholder. Thus, conversion is value accretive to Non-Associated Shareholders, notwithstanding they will not receive a full control premium.
- ◆ **Limited alternatives available:** IncentiaPay management has explored alternative sources of capital to fund its restructure plan, working capital and business operations' needs. However, other shareholders and potential lenders have not offered the same level of financial support as Suzerain. As at the date of this report, no alternative long-term financing proposals existed.

- ◆ **Impact on share price:** Since the Proposed Transaction was announced, market trading in IncentiaPay shares increased significantly. IncentiaPay shares have since traded in the range of 2.5 cents and 4.4 cents with a VWAP of 3.8 cents and at a one-year high of 4.4 cents on 27 August 2020. If the Proposed Transaction is not approved, we consider it likely the IncentiaPay share price would fall below current levels due to uncertainty associated with Suzerain remaining committed in continuing its support.

5.2 Disadvantages

The main disadvantage of the Proposed Transaction is:

- ◆ **Dilution of interests:** Interests of Non-Associated Shareholders would be further diluted upon conversion of the convertible note. If the convertible note facility is fully drawn down prior to conversion (assuming all else remains constant), Suzerain would potentially increase its shareholding to beyond 75% and would be able to pass special resolutions on its own. Therefore, Suzerain would obtain a significant amount of control and may not always act in the best interests of minority shareholders, subject to compliance with relevant laws and regulations. Given the current shareholding structure, this provides little difference to the practical level of control already enjoyed by Suzerain.

5.3 Conclusion on reasonableness

In considering the reasonableness of the Proposed Transaction, in particular:

- ◆ **in converting the Suzerain convertible note** – we consider the advantage of the conversion price being greater than the market price and our assessed, mid-point value for a minority shareholder to be more significant than the marginal increase in Suzerain's effective level of control.
- ◆ **as security for the Suzerain convertible note** – we consider the lower interest rate to be a significant advantage for Non-Associated Shareholders in the interim before Suzerain converts its debt into ordinary shares. As shareholders already rank behind creditors, the provision of security has little impact on their position.
- ◆ **as security for the transformational capital facility** – we consider the lower interest rate to be a significant advantage to shareholders. As noted above, the granting of security makes little difference to the shareholders' position.
- ◆ **in solidifying the commitment of Suzerain** – approval of the Proposed Transaction will likely solidify Suzerain's commitment to IncentiaPay which we consider is an important factor to the long-term viability of the business.

We have therefore assessed the Proposed Transaction as being reasonable.

6. Opinion


In our opinion, the Proposed Transaction is not fair but reasonable to Non-Associated Shareholders.

This opinion should be read in conjunction with our detailed report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris
Director



Nathan Timosevski
Director

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

General Financial Product Advice

The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$40,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Proposed Transaction.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Australian Financial Complaints Authority ("**AFCA**"). The AFCA will then be able to advise you as to whether or not they can assist in this matter. The AFCA can be contacted at the following address:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001

Website: www.afca.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

5 November 2020

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1 THE PROPOSED TRANSACTION

1.1 Background

IncentiaPay is an ASX-listed company with a market capitalisation of approximately \$22 million. IncentiaPay is an integrated loyalty and payment solutions provider operating primarily in Australia and New Zealand. IncentiaPay uses its technology-enabled loyalty platform and digital marketing programs to help its clients attract and engage consumers.

Suzerain is a British Virgin Islands-based investment company that is currently the largest shareholder of IncentiaPay with a 70% shareholding (including shareholdings held by its associates). On 27 February 2020, IncentiaPay entered into a loan arrangement with Suzerain providing IncentiaPay an initially unsecured \$5.825 million facility at an interest rate of 10% per annum. The loan facility has a repayment date of 31 December 2021 and is predominantly to be used for working capital and business operations purposes. Subsequently, in June 2020, Suzerain agreed to increase the facility limit of this loan by \$4 million to \$9.825 million, of which \$3.2 million has been drawn to date. The loan is convertible to ordinary shares at the higher of \$0.0275 per share or the 30-day VWAP prior to conversion plus an additional 20% and will be secured over all assets of IncentiaPay, subject to shareholder approval.

Skybound is an associate of Suzerain, due to common ownership. On 4 June 2020, IncentiaPay entered into a \$1.2 million loan agreement with Skybound. The loan facility will be drawn for the purpose of transformational capital expenditure requirements and bears interest at a rate of 12.5% per annum. Subject to shareholder approval, the loan will be secured over all assets of IncentiaPay, ranking behind and subordinated to any present or future security in favour of Suzerain (which includes the convertible note), and shall be repaid 18 months after the first drawdown. To date, \$0.2 million of this loan facility has been drawn.

1.2 Terms of the Convertible Note

Key terms of the convertible note are summarised in the table below:

Table 3: Summary of key terms of the convertible note

Key terms of convertible loan deed between IncentiaPay and Suzerain	
Total loan amount	\$9.825 million
Drawdowns	\$3.2 million drawn; further drawdowns to be agreed between the parties but up to a limit of \$1 million per calendar month, subject to IncentiaPay meeting the budget net operating cash flow for that month
Administration fee	\$75,000 (previously deducted from the first drawdown)
Repayment date	31 December 2021
Loan security	Shareholder approval is to be obtained to enter into a general security deed over the assets of IncentiaPay (or amend the 2019 general security deed to cover the convertible loan deed)
Interest rate	10% p.a. plus a \$9,708 line fee per month; if shareholder approval on the loan security is not obtained, then the interest rate applicable is 14% p.a.
Capitalisation of interest	Interest will be capitalised monthly (and then form part of the principal for the purposes of calculating interest) and is payable in full on the repayment date
Conversion period	The period between date of the deed and ending on 1 October 2021
Conversion / issue price	The greater of \$0.0275 per share or the 30-day VWAP prior to conversion plus an additional 20%
Conversion shares	The conversion shares will rank equally in all respects with all other shares
Loan repayment	IncentiaPay may repay the loan (in whole or part) at any time after the expiry of the conversion period and before the repayment date. Otherwise, the loan is repayable in full on the repayment date

Source: IncentiaPay

1.3 Transformational Capital Facility

Key terms of the transformational capital facility are summarised in the table below:

Table 4: Summary of key terms of the transformational capital facility

Key terms of loan deed between IncentiaPay and Skybound	
Facility limit	\$1.2 million
Drawdowns	\$0.2 million drawn; further drawdowns for specific capital projects as agreed between IncentiaPay and Skybound
Administration fee	\$50,000 (deducted from the first drawdown)
Repayment date	18 months from the date of the first drawdown
Debt instrument	The loan contains no rights of conversion
Loan security	Shareholder approval is to be obtained to enter into a second ranking general security deed over the assets of IncentiaPay (ranking behind Suzerain)
Interest rate	12.5% p.a. plus a \$2,000 line fee per month; if shareholder approval on the loan security is not obtained, then the interest rate applicable is 14% p.a.
Capitalisation of interest	Interest is payable at the end of each month beginning on the first drawdown and will be capitalised if unpaid when due
Loan repayment	IncentiaPay may repay the loan (in whole or part) at any time before the repayment date. Otherwise, the loan is repayable in full on the repayment date or if an event of default (i.e. insolvency) occurs

Source: IncentiaPay

2 SCOPE

2.1 Purpose of the report

Listing Rule 10.1

ASX Listing Rule 10.1 requires a listed entity to obtain shareholders' approval before it sells a substantial asset to a related party. An asset is considered to be substantial if its value, or the consideration being paid for it, is 5% or more of the equity in the listed entity, as set out in its latest accounts lodged with the ASX. As the convertible note and the transformation capital facility will be secured over all assets of IncentiaPay, the Proposed Transaction involves the potential disposal of a substantial asset. As Suzerain is currently a 70% shareholder of IncentiaPay, the Proposed Transaction is with a related party.

Listing Rule 10.5 requires that the notice of meeting sent to shareholders advising them of such a transaction includes a report from an independent expert stating whether the transaction is fair and reasonable to Non-Associated Shareholders.

Section 611

An acquisition of securities that enables a shareholder to increase its relevant interests in a listed company from below 20% to above 20%, or increase a greater than 20% holding, is prohibited under Section 606 of the Corporations Act 2001 ("**s606**"), except in certain circumstances.

One of the exceptions to s606 is where the acquisition is approved at a general meeting of the target company in accordance with Item 7 of s611. Under the Proposed Transaction, Suzerain will increase its existing 70% shareholding if it exercises its option to convert its debt into shares. Approval for the Proposed Transaction is therefore being sought at a general meeting of IncentiaPay's shareholders in accordance with Item 7.

Item 7 requires shareholders to be provided with all of the information known to the company and to the potential acquirer that is material to the shareholders' decision. *Regulatory Guide 74: Acquisitions Approved by Members* ("**RG74**") issued by ASIC provides additional guidance on the information to be provided to shareholders. RG74 states that the directors of the target company should provide shareholders with an independent expert's report or a detailed directors' report in relation to transactions to be approved under Item 7. RG111 issued by ASIC requires an independent expert assessing a transaction that has a similar effect to a takeover bid to assess whether the transaction is fair and reasonable.

Chapter 2E of the Corporations Act 2001

Chapter 2E requires a public company to obtain shareholders' approval before giving financial benefits to related parties. The Proposed Transaction entails the provision of a financial benefit to Suzerain and Skybound in relation to the following:

- ◆ providing the assets of IncentiaPay as security for the convertible note
- ◆ Suzerain exercising its option to convert its debt into shares
- ◆ providing the assets of IncentiaPay as a second ranking security for the transformational capital facility.

There are no specific requirements for an independent expert's report to be prepared in these circumstances. However, ASIC recommends an independent expert's report to be obtained as part of the materials accompanying the notice of meeting under Sections 218 to 221 of the Corporations Act 2001.

Purpose

The directors of IncentiaPay have therefore requested Leadenhall to prepare an independent expert's report assessing whether the Proposed Transaction is fair and reasonable to Non-Associated Shareholders, specifically:

- ◆ in converting the Suzerain convertible note, in accordance with Item 7 of s611 and Chapter 2E
- ◆ as security for the Suzerain convertible note, in accordance with ASX Listing Rule 10.1 and Chapter 2E
- ◆ as security for the transformational capital facility, in accordance with ASX Listing Rule 10.1 and Chapter 2E.

This report has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Transaction.

2.2 Basis of evaluation

Introduction

RG111 requires a separate assessment of whether a transaction is 'fair' and whether it is 'reasonable' for both control transactions under s611 and related party transactions under Listing Rule 10.1. We have therefore considered the concepts of 'fairness' and 'reasonableness' separately.

Consistent with RG111.63 we have provided only one analysis of whether the Proposed Transaction is fair and reasonable. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

Listing Rule 10.1

According to RG111.57 'a proposed related party transaction is fair if *'the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity'*. This comparison should be made *'assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.'*

Section 611

Should the Proposed Transaction be approved, Suzerain will increase its controlling stake in IncentiaPay. Therefore, we have assessed the Proposed Transaction as a control transaction in accordance with RG111.8.

RG111.25 requires a transaction that is approved under s611 that is comparable to a takeover bid to be evaluated as if it was a takeover bid. RG111.11 defines a takeover offer as being fair if the value of the consideration is equal to, or greater than, the value of the securities subject to the offer.

Selected approach

When an independent expert's report is prepared to cover a number of different regulatory requirements with different measures of fairness, our preferred approach is to adopt the most onerous of the possible tests.

For the Proposed Transaction, we consider the s611 test to be more onerous than the Listing Rule 10.1 test. This arises because a control premium is taken into account under the s611 test but not under the Listing Rule 10.1 test. As a result, we have assessed the Proposed Transaction as fair if the value of an IncentiaPay share (on a minority basis) after the Proposed Transaction is greater than or equal to the value of an IncentiaPay share (on a control basis) before the Proposed Transaction.

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds (as opposed to exchanging them for cash or the acquirer's scrip as in a takeover offer) the effective consideration is the continued ownership of an IncentiaPay share.

The value of an IncentiaPay share before the Proposed Transaction has been determined on a control basis (i.e. including a control premium). This is consistent with the requirement of RG111.11 that the comparison for a takeover must be made assuming a 100% interest in the target company.

After the Proposed Transaction, the value of an IncentiaPay share has been assessed on a minority interest basis (i.e. excluding a control premium) as Non-Associated Shareholders would continue to own a minority stake in IncentiaPay should the Proposed Transaction occur.

Basis of value

We have assessed the value of an IncentiaPay share (both before and after the Proposed Transaction) at fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

While there is no explicit definition of value in RG111, this definition of fair market value is consistent with basis of value described at RG111.11 and common market practice.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Special value is typically not considered in forming an opinion on the fair market value of an asset. Our valuation of IncentiaPay (both before and after the Proposed Transaction) does not include any special value.

Reasonableness

In accordance with RG111, we have defined the Proposed Transaction as being reasonable if it is fair, or if, despite not being fair, Leadenhall believes that there are sufficient reasons for Non-Associated Shareholders to vote for the proposals. We have therefore considered whether the advantages to Non-Associated Shareholders of the Proposed Transaction outweigh the disadvantages. To assess the reasonableness of the Proposed Transaction we have considered the following significant factors recommended by RG111.13:

- ◆ Suzerain's pre-existing voting power in IncentiaPay
- ◆ The liquidity of the market in IncentiaPay's shares
- ◆ Any special value of IncentiaPay to Suzerain
- ◆ The conversion price of the convertible note
- ◆ The availability of alternative sources of funding
- ◆ The incremental interest rate of the convertible note if the Proposed Transaction is rejected
- ◆ The likely market price of IncentiaPay's shares if the Proposed Transaction is rejected
- ◆ The value of IncentiaPay to an alternative bidder and the likelihood of an alternative offer

We have also considered other significant advantages and disadvantages to Non-Associated Shareholders of the Proposed Transaction.

2.3 Individual circumstances

We have evaluated the Proposed Transaction for Non-Associated Shareholders as a whole. We have not considered its effect on the particular circumstances of individual investors. Due to their personal circumstances, individual investors may place a different emphasis on various aspects of the Proposed Transaction from the one adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the Proposed Transaction is fair and reasonable. If in doubt investors should consult an independent financial adviser about the impact of the Proposed Transaction on their specific financial circumstances.

3 INDUSTRY ANALYSIS

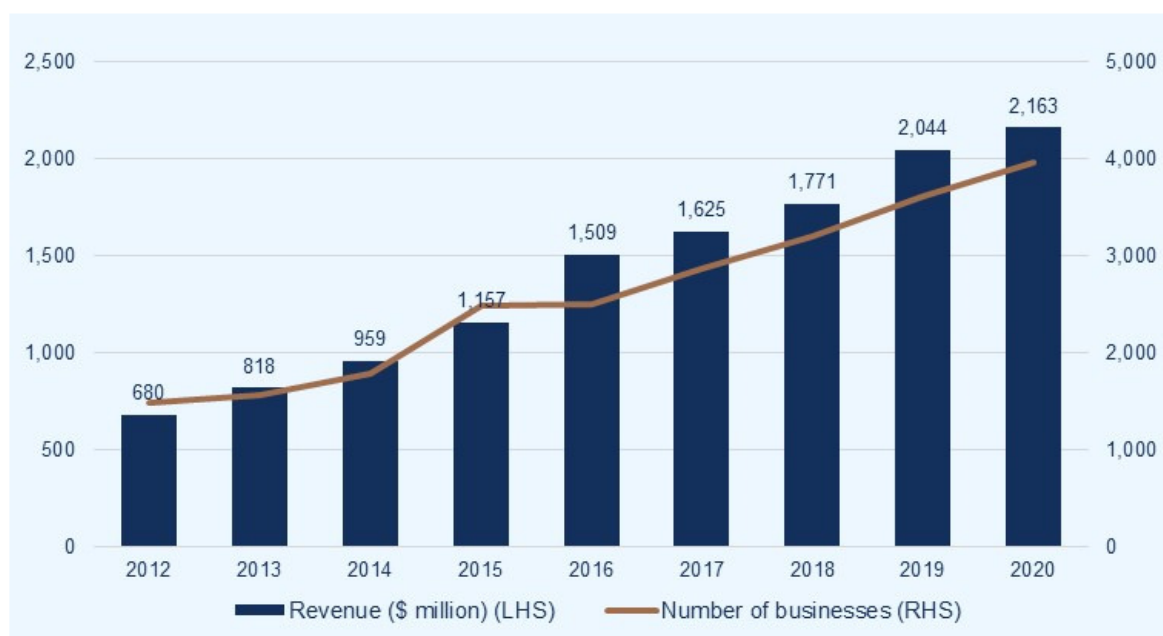
As IncentiaPay is an integrated loyalty solutions provider using digital marketing programs that enable businesses across various sectors connect to consumers, we have focused our analysis on the digital advertising industry in Australia.

3.1 Overview of the Digital Advertising Industry

Amid the COVID-19 pandemic, it is estimated that the global digital advertising industry is at a size of approximately USD 322.5 billion in 2020. According to ReportLinker, the United States is the largest digital advertising market, with a market share of approximately 27%, followed by China at 17%. It is projected that the global digital advertising market will reach a size of approximately USD 640 billion by 2027, growing at a compound annual growth rate ("CAGR") of approximately 10%.

The digital advertising industry in Australia has experienced significant growth over the past five years, largely due to the rising prevalence of internet-enabled devices and an increasing preference by advertisers for online marketing solutions. According to IBISWorld and taking into account the impact of COVID-19, the Australian industry has increased at a CAGR of 13.3% over the preceding five years to approximately \$2.2 billion in 2020, as shown in Figure 2 below.

Figure 2: Digital advertising market in Australia



Source: IBISWorld

3.2 Customers and Services

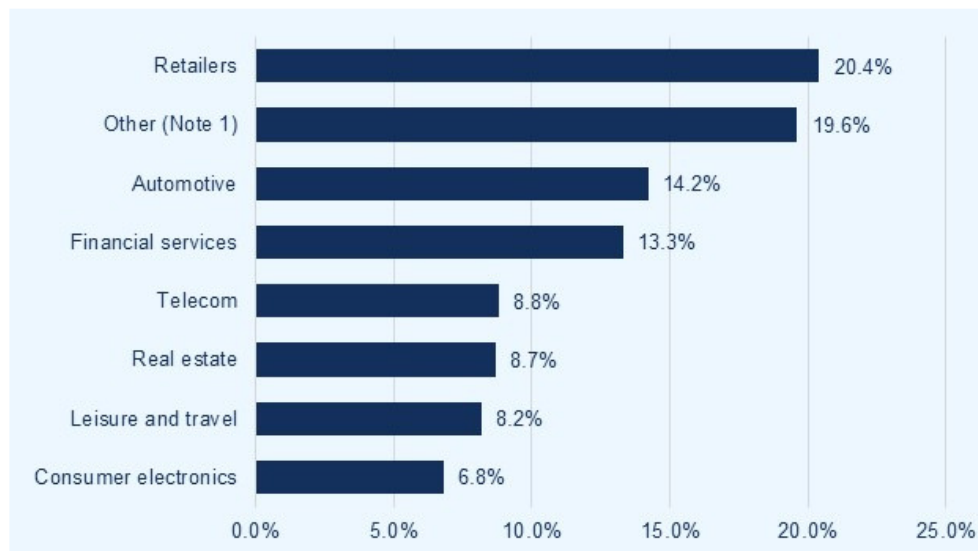
The digital advertising industry services a wide variety of customers from apparel retailers to leisure and travel operators and financial institutions. Services provided can be broadly classified into:

- ◆ **Search engine optimisation:** Approximately 44% of total industry revenue is generated by the provision of search engine marketing services which involve increasing the visibility of the customer on search engines. This is achieved by increasing its ranking on the search results page, through either including keywords on the customer's website or using the pay-per-click advertising model. With pay-per-click advertising, the advertiser pays the search engine owner each time the link is clicked into via the search results page. Due to slowing growth in search engine optimisation demand, this segment has experienced a decrease as a share of industry revenue in recent periods.

- ◆ **Digital content creation:** A significant and growing portion (approximately 38% of total revenue) is generated through the creation of digital advertising content for clients and buying media space to exhibit this content. Digital advertising content can be in the form of banner advertisements, video marketing, rich media and sponsorship. Media space includes social media channels like Facebook and Instagram and traditional news websites. Social media platforms have grown in popularity over the past five years as these platforms have the capability to collect consumer data via their browsing activities which help in facilitating the promotion of advertisements relevant to specific consumers. There have also been increasing trends of customers demanding innovative and interesting advertising and seeking the services of industry operators to handle their social media presence.
- ◆ **Online classified advertisements:** The remaining 18% of total revenue is generated through advertising on classifieds such as Gumtree, email marketing campaigns and lead generation.

The breakdown of downstream customers (by revenue) is shown in Figure 3 below:

Figure 3: Major market segmentation



Source: IBISWorld

Note 1: Other includes pharmaceutical and healthcare companies, government and public-sector institutions.

3.3 Profitability

Key drivers of profitability for the digital advertising industry include:

- ◆ **Number of new channels:** The number of new channels offering advertising space to businesses has a strong correlation with revenue growth and profitability of the digital advertising industry. As the amount and variety of content available online increases, demand for and effectiveness of internet-based marketing also increases. The number of social media applications has experienced exponential growth in recent periods and is anticipated to increase further. For example, Snapchat, an image and video messaging application with over 300 million monthly active users, has been expanding its product offerings to advertisers. These trends are expected to continue leading to increased demand for social media marketing services, with customers requiring advertisements that are more mobile-centric and customised to individual users.
- ◆ **Internet availability and prevalence of internet-enabled devices:** Internet penetration is a strong driver in the demand for digital advertising services. Digital advertising solutions such as search engine optimisation and webpage banners are delivered and viewed online. An increase in the number of internet connections expands the outreach of digital advertising services hence increasing the appeal of the internet as a marketing channel. In addition, the rising prevalence of internet-enabled devices has contributed to the growth of the digital advertising industry. The increase in the volume of data sharing between devices provides more avenues for digital advertising firms to help customers remarket their products and services. For example, advertisers can incorporate data analytics using information collected from smart/internet-enabled devices and send relevant advertisements to the consumers.

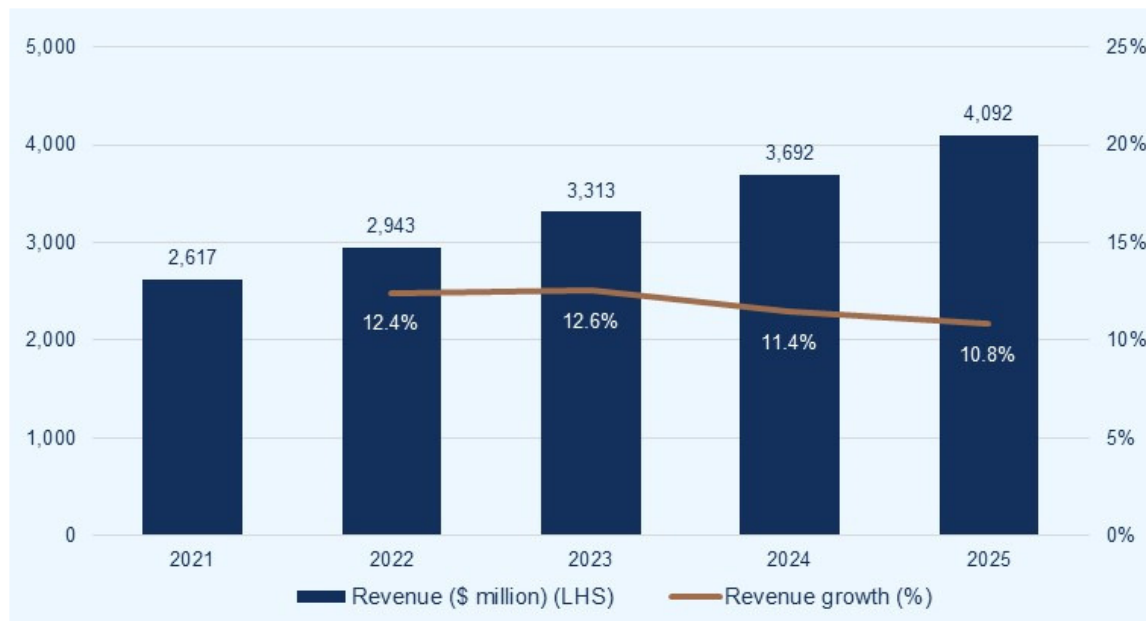
- ◆ **Macroeconomic environment:** Customers often increase their advertising budgets in times of strong economic growth which correspondingly has a positive impact on industry revenue. During periods of economic uncertainties, consumers tend to reduce unnecessary expenditures, such as non-essential shopping and leisure travel which directly affects the businesses of retailers and travel operators. This indirectly has an impact on the digital advertising industry in the form of reduced marketing spend. As a result of the impact of COVID-19, business confidence is expected to decline in the near-term.
- ◆ **Competition:** Low barriers to entry and rising demand for digital advertisements have led to an increase in competition over the past five years. Advertisers typically compete on product quality, the number of service offerings and price. With an increase in competition, prices are expected to be increasingly competitive together with inflating wages as a result of the growing need to hire skilled labour to meet demand. These factors therefore affect the overall profitability and margins of the industry.

3.4 Outlook

According to IBISWorld, industry revenue growth in Australia is forecast to slow over the next five years compared with the previous five-year period as the market reaches saturation. In addition, as the industry becomes increasingly competitive, profit margin is anticipated to increase at a declining rate.

COVID-19 has had a significant impact on revenue in 2020 with an increasing number of cancelled advertising projects which resulted in a revised revenue growth estimate of 5.8% (from 13.3% previously). Nonetheless, a strong recovery in 2021 is expected and industry revenue is forecast to increase at an annualised 13.6% over the five years through 2025 to reach AUD 4.1 billion as shown in Figure 4. This outlook is broadly consistent with other market research. According to eMarketer's Global Digital Ad Spending Update for Q2FY20, the global digital advertising industry is likely to achieve a modest growth of 2.4% in 2020 (13.5% pre-pandemic) and is expected to bounce back with a strong revenue growth of 17% in 2021. Revenue growth in subsequent periods is forecast to slow gradually to 8.4% by 2024.

Figure 4: Forecast industry revenue growth in Australia



Source: IBISWorld

Note: Due to the anomaly of the impact of COVID-19 on 2020 revenue, revenue growth in 2021 has not been shown.

4 PROFILE OF INCENTIAPAY

4.1 Background

IncentiaPay is an integrated loyalty and payment solutions provider (membership subscriptions for payment discounts and offers) operating primarily in Australia and New Zealand. IncentiaPay was first established in 1994 as Entertainment Publications which thereafter became affectionately known as the Entertainment Book with its iconic published book offering members access to exclusive offers. In September 2016, Entertainment Publications was acquired by ASX listed BPS Technology Limited ("**BPS**") before subsequently changing its name to IncentiaPay in April 2018.

In 2019, IncentiaPay announced the shift from selling its publications to becoming fully application based. The publications were officially discontinued from 1 June 2020 with memberships now exclusively available as an application which can be activated at any time. The application allows users to conveniently search, save and instantly redeem offers on their mobile devices, with regular additions of offers all year round. More recently, IncentiaPay entered into a strategic partnership with Paywith Worldwide Inc. ("**Paywith**"), leveraging on IncentiaPay's content and relationships to deliver new products and value propositions for its customers. Together with this partnership, IncentiaPay obtained a multiyear licence for Paywith's technology platforms. This licence provides IncentiaPay with a platform for promoting digital marketing programs to help facilitate businesses attract and engage consumers.

A brief history of IncentiaPay is set out in the table below:

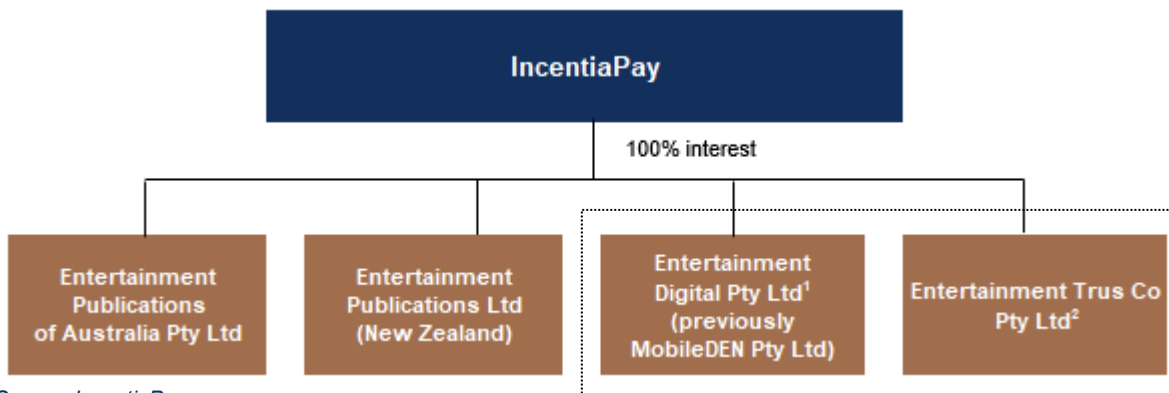
Year	Event
1994	<ul style="list-style-type: none"> Established as Entertainment Publications.
2016	<ul style="list-style-type: none"> Entertainment Publications was acquired by BPS, a company listed on the ASX since 2014 which owned Bartercard and had a minority stake in Now Book It.
2018	<ul style="list-style-type: none"> BPS changed its name to IncentiaPay. IncentiaPay acquired ASX listed Gruden Group. A corporate restructure led to the divestiture of Bartercard, the Government division of Gruden Group and IncentiaPay's minority stake in Now Book It.
2019	<ul style="list-style-type: none"> Completed a share placement. IncentiaPay continued its corporate restructure with the sale of the Performance Marketing division of Gruden Group. Entered into a binding convertible loan arrangement with Suzerain for the amount of \$19 million. The loan has a repayment date of 30 September 2020 but can be converted at any time at the discretion of Suzerain, based on the higher of \$0.047 per share or 30-day VWAP prior to conversion.
2020	<ul style="list-style-type: none"> In February 2020, IncentiaPay entered into a separate loan arrangement with Suzerain providing IncentiaPay an initially unsecured \$5.825 million facility. In March 2020, Suzerain converted the \$19 million debt into 410.6 million ordinary shares at \$0.047 per share, thereby increasing its shareholding in IncentiaPay from 20% to 70%. In June 2020, Suzerain agreed to increase the loan facility limit from \$5.825 million to \$9.825 million, of which \$3.2 million has been drawn to date. The iconic Entertainment Book was discontinued from 1 June 2020. On 4 June 2020, IncentiaPay entered into a \$1.2 million loan agreement with Skybound, of which \$0.2 million has been drawn to date. On 3 August 2020, IncentiaPay announced a strategic partnership with Paywith.

Source: IncentiaPay

4.2 Corporate Structure

The existing corporate structure of IncentiaPay is set out as follows:

Figure 5: IncentiaPay corporate structure



Source: IncentiaPay

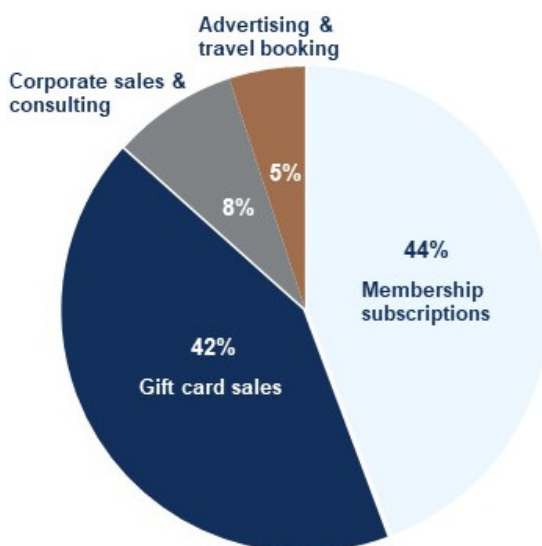
Notes:

1. IncentiaPay completed the sale of the MobileDEN platform and associated assets to Mobecom Ltd on 1 July 2020. The assets have been fully impaired as at 30 June 2020 on the basis that they will not produce any future economic benefits to IncentiaPay. IncentiaPay will be de-registering Entertainment Digital Pty Ltd in the near future.
2. Entertainment Trus Co Pty Ltd is a vehicle established in FY20 as trustee for the employee share plan trust which provide benefits to the current employees of IncentiaPay.
3. The dashed box around Entertainment Digital Pty Ltd and Entertainment Trus Co Pty Ltd indicates they are non-operating entities.

4.3 Overview of Operations

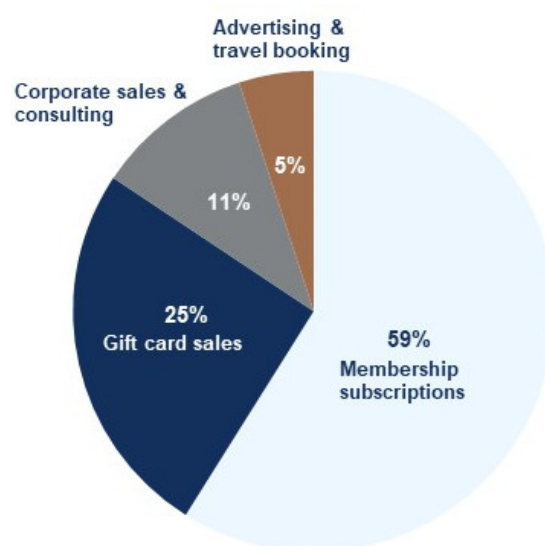
IncentiaPay is currently managed as one segment, being the Entertainment Publications business. In terms of the geographical split, the Australian entity accounts for the largest portion of total revenue (FY20: 89%). The breakdown of FY19 and FY20 revenue is as follows:

Figure 6: FY19 revenue split



Source: IncentiaPay

Figure 7: FY20 revenue split



The Entertainment Publications business generates revenue from the following income streams:

- ◆ **Membership subscriptions:** Membership subscriptions is the largest revenue stream of IncentiaPay. In November 2019, a wholly digital version of the membership was launched that incorporates a rolling twelve-month subscription period. The membership contains discounts and special offers provided by merchants to members. Subscription are for a period of between 12 months to 24 months depending on the subscription plan selected.

Memberships are sold primarily through the fundraiser channel consisting of more than 15,000 fundraiser groups across Australia and New Zealand. This channel allows consumers to participate in a good cause with 20% of membership sales directed to charities, local primary and high schools and community groups.

As part of the restructure, IncentiaPay is introducing the Freemium program which is a free trial of the multi-city membership (retailing at a price of \$119.99). The prospective member is given a membership with a fixed period (i.e. 3 months) from activation and at expiry of the trial, is invited to purchase the membership and nominate a charity. The nominated charity is then targeted for additional membership pipeline. As of the date of our report, there were 150,000 members (including Freemium).

- ◆ **Gift card sales:** Gift cards are provided by both gift card aggregators and merchants and are sold to IncentiaPay's members at a discount to face value. IncentiaPay generates a commission of up to 3% on each card sold, forming the second largest revenue stream.
- ◆ **Corporate sales, consulting and media fees:** IncentiaPay enters into contracts with and provides corporate clients information technology consulting and customisation services to help the businesses drive customer acquisition, retention and engagement.
- ◆ **Advertising and travel booking fees:** Revenue is generated through the placement of advertisements and the distribution of offers and promotions on behalf of businesses to members. In addition, as members have access to a range of discounts and deals from hotels, airlines and car rental companies through IncentiaPay's platform, IncentiaPay acts as an agent on behalf of these merchants and earns commissions when bookings are made and paid for.

4.4 Competitive Position

The table below sets out the strengths, weaknesses, opportunities and threats analysis for IncentiaPay.

Strengths	Weaknesses
<ul style="list-style-type: none"> ◆ The new management team is experienced with industry-specific knowledge and track record in managing and growing similar businesses. ◆ The enhanced digital product has the flexibility which allows membership to commence at any time. New product options, such as multi-city and multi-year, have also been introduced which has led to a 29% increase in average revenue per transaction in the 2020 sales season. ◆ IncentiaPay has a stable and strong relationship with its merchants which saw an 81% retention rate of merchants as at the end of June 2020, despite COVID-19. 	<ul style="list-style-type: none"> ◆ IncentiaPay currently has limited access to capital, with a heavy reliance on Suzerain for funds. As a result, growth may be inhibited and there is a going concern risk if Suzerain withdraws its support in future. ◆ IncentiaPay is heavily reliant on several third-party contractors which provide essential services such as software and product development. This exposes IncentiaPay to risks of performance failures or price increases which IncentiaPay is unable to effectively control.
Opportunities	Threats
<ul style="list-style-type: none"> ◆ The recently completed restructure has significantly reduced operating expenses thus increased revenue will lead to a significant increase in profits. ◆ The recent partnership with Paywith helps IncentiaPay facilitate the delivery of new products and expand its customer outreach with limited capital outlay. 	<ul style="list-style-type: none"> ◆ IncentiaPay is significantly impacted by the COVID-19 pandemic with significantly lower revenues than in prior periods. ◆ Payment solutions technology is constantly evolving which poses a threat of new entrants with superior technology and features to IncentiaPay. ◆ The loss of personnel due to the recent restructure could have an adverse impact on operations.

Source: Leadenhall analysis

4.5 Key Personnel

The senior management team of IncentiaPay includes:

Table 5: Key personnel of IncentiaPay

Directors	Experience
Stephen Harrison Chairman	Mr Harrison has been the Chairman of IncentiaPay since 2019 and has over 30 years of experience in the financial services, funds management, M&A, private equity and accounting fields – primarily focused on the energy, technology, IT services, infrastructure, financial services, health, entertainment and natural resource sectors. He is also currently serving as Chairman of two other public companies in Australia; NobleOak Life Limited and Conscious Capital Limited.
Jeremy Thorpe Non-executive Director	Mr Thorpe has over 30 years of experience in corporate finance, private equity, consumer and business credit, and structured finance. He is currently the Managing Director and Chief Executive Officer of Skybound Capital Australia.
Charles Romito Non-executive Director	Dr Romito is an experienced management consultant with an extensive background across venture capital and private equity, lead syndicate investing and management academia. Prior to his role at IncentiaPay, he was a Chief Operating Officer in a venture capital fund.
Dean Palmer Non-executive Director	Mr Palmer has more than 20 years of experience across a variety of industries including finance, property, and funds management. He is the founder and CEO of Skybound Fidelis Investment Limited – a specialist structured finance, commercial credit, and property fund manager. He also serves on the boards of all subsidiaries and associate companies within Skybound Australia's diverse range of investments in Australia.
Henry Jones Chief Executive Officer	Mr Jones was appointed the CEO of IncentiaPay in October 2019 and has more than 25 years of executive experience, predominantly in the technology sector. Prior to his role at IncentiaPay, he held senior positions at IBM across Australia, New Zealand, and North America.
Ben Newling Chief Operating Officer	Mr Newling joined IncentiaPay in 2018 and has more than 15 years of experience across general management and corporate advisory within investment banking, retail banking and technology.

Source: IncentiaPay

4.6 Financial Performance

The financial year for IncentiaPay is a twelve-month period ending 30 June. The audited consolidated statements of financial performance for FY18, FY19 and FY20 are set out in the table below.

Table 6: IncentiaPay's financial performance

\$'000	FY18	FY19	FY20
Revenue	75,809	64,572	42,185
Operating expenses			
Direct expenses of providing services	(44,972)	(41,919)	(23,937)
Employee expenses	(23,910)	(19,141)	(16,980)
Other expenses	(12,838)	(14,118)	(7,680)
Bad debts	(275)	(447)	(2,810)
EBITDA	(6,186)	(11,053)	(9,222)
Depreciation and amortisation expense	(3,981)	(2,015)	(5,466)
Impairment loss	(11,929)	(14,553)	(4,990)
EBIT	(22,096)	(27,621)	(19,678)
Gain on disposal of investment	-	600	-
Interest income	-	-	20
Interest expenses	(1,101)	(346)	(1,295)
Loss before tax	(23,197)	(27,367)	(20,953)
Income tax benefit/(expense)	2,000	(786)	(3,709)
Loss from discontinued operations	(40,986)	(9,751)	-
Loss after tax	(62,183)	(37,904)	(24,662)

Source: IncentiaPay

Note: Normalisation adjustments in relation to restructuring costs have no significant impact on the historical operating losses of IncentiaPay. Accordingly, it would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

In relation to the historical financial performance of IncentiaPay set out above, we note the following:

- ◆ IncentiaPay has sustained operating losses in each of the periods presented above, largely attributable to a high fixed cost base and declining revenues.
- ◆ Revenue has decreased over the periods observed predominantly due to declines in membership renewals and gift card sales. The decline in gift card sales is mainly due to the shift away from offering gift cards which had not generated positive returns (or margins), i.e. David Jones. In addition, gift card revenue was severely impacted by the outbreak of COVID-19 in the second half of FY20.
- ◆ Prior to the shift to digital subscriptions, membership renewals were gradually declining. In addition, as subscriptions had a fixed commencement period, sales were highly seasonal. FY20 membership revenue was lower than expected due to delays in the commencement of the 2020 sales season with COVID-19 restrictions. Furthermore, the impact of COVID-19 restricted access to membership benefits hence reduced the appeal of subscriptions. Uncertainties associated with the economy in general and job security have also contributed to the lower demand.
- ◆ Historically, direct expenses of providing services related to book printing and production expenses including the amortisation of fundraiser sales commissions (which are initially recognised as prepayments). Direct expenses also include the costs of purchasing gift cards for resale (plus a small margin). Direct expenses have decreased significantly in FY20, in line with the shift from print to digital memberships, as well as a combination of a reduction in gift card sales and delays in the launch of fundraising events due to the impact of COVID-19.
- ◆ Employee expenses have also decreased significantly in FY20 as a result of the recently completed corporate restructure which led to a significant reduction in headcount. In addition, due to the impacts of COVID-19, staff (including senior management) temporarily reduced their remuneration and have been working reduced hours.

- ◆ Other expenses include office lease costs and third-party costs paid to contractors for the provision of services such as software and product development. Expenses have decreased significantly in FY20 with the closure of six regional offices and implementation of tighter controls over the expenditure process, i.e. a purchase order system is now in place.
- ◆ The increase in bad debts in FY20 is associated with the write-off of deferred consideration receivable for the sale of a group of previous subsidiaries known as the Bartercard business in FY19.
- ◆ The increase in depreciation and amortisation expenses in FY20 largely pertains to the amortisation of the software intangible asset (largely comprising costs associated with capitalised web development) after a re-assessment of its useful life. The other factor for the increase in depreciation and amortisation expenses is the depreciation of right-of-use assets (which relate to leased property) following the adoption of accounting standard AASB 16 Leases.
- ◆ The impairment loss in each of the periods presented above relates to the impairment of non-cash assets (i.e. goodwill and brand names) of discontinued operations (the Bartercard business and divisions of the Gruden business) which have incurred significant operating losses of \$41.0 million and \$9.8 million in FY18 and FY19 respectively.
- ◆ FY20 interest expenses mainly pertain to the interest-bearing convertible loan of \$19 million and the loan facility of \$5.825 million (which is now increased to \$9.825 million) which are both provided by Suzerain at interest rates of 10% per annum.

4.7 Financial Position

The audited consolidated statements of financial position as at 30 June 2018, 30 June 2019 and 30 June 2020 are set out in the table below.

Table 7: IncentiaPay's financial position

\$'000	30-Jun-18	30-Jun-19	30-Jun-20
Current assets			
Cash and cash equivalents	11,130	3,460	5,307
Trade and other receivables	9,675	3,423	992
Inventories	350	96	134
Other current assets	13,782	7,853	2,351
Total current assets	34,937	14,832	8,784
Non-current assets			
Property, plant and equipment	2,366	2,383	1,327
Deferred tax assets	4,773	3,717	-
Right-of-use asset	-	-	2,781
Trade and other receivables	141	2,414	-
Intangible assets	49,280	22,507	14,387
Total non-current assets	56,560	31,021	18,495
Total assets	91,497	45,853	27,279
Current liabilities			
Trade and other payables	(11,949)	(5,941)	(6,235)
Borrowings	(800)	(4,169)	(517)
Provisions & other current liabilities	(6,420)	(1,833)	(764)
Lease liability	-	-	(1,731)
Current tax liabilities	(169)	(186)	(186)
Deferred revenue	(22,001)	(21,394)	(6,219)
Total current liabilities	(41,339)	(33,523)	(15,652)
Non-current liabilities			
Trade and other payables	(851)	-	-
Borrowings	-	(466)	(2,691)
Provisions	(1,131)	(217)	(182)
Lease liability	-	-	(2,158)
Deferred revenue	-	-	(350)
Total non-current liabilities	(1,982)	(683)	(5,381)
Total liabilities	(43,321)	(34,206)	(21,033)
Net assets	48,176	11,647	6,246
Other information			
Net working capital balance ¹	(16,563)	(17,796)	(9,741)
Debt to equity ratio	0.02	0.40	1.14

Source: IncentiaPay

Note 1: Net working capital includes trade and other receivables, inventories, other current assets, trade and other payables, provisions and other liabilities and deferred revenue. Net working capital balances are negative as revenue is typically collected upfront.

In relation to the historical financial position of IncentiaPay set out above, we note the following:

- ◆ The significantly higher cash balance as at 30 June 2018 was largely attributable to the FY18 share issue with proceeds of \$30.2 million. IncentiaPay has not generated cash from its continuing operations since FY17 and used approximately \$13.5 million, on average, for its operations in FY19 and FY20.

- ◆ Trade and other receivables are recognised at fair value less any provision for loss allowance. IncentiaPay determines the loss allowance by analysing how balances change from one month to the next until they reach 90 days and by reviewing data over the last twelve months to determine the level of recovery of those receivables older than 90 days. IncentiaPay impairs the balance based on an assessment of the credit quality of the customers and their previous trading patterns. The significant trade and other receivables balance as at 30 June 2018 was attributable to the seasonal sale of publications between March and June under the previous business model.
- ◆ Other current assets relate to prepaid sales commissions paid for the sale of memberships and costs incurred for the development of the following year's membership package (i.e. print production prepayments). Consistent with the shift toward digital-only memberships, production costs and prepayments have decreased significantly.
- ◆ Deferred tax assets were derecognised in FY20 as it is uncertain if future taxable profits in the short term will be sufficient to utilise these losses.
- ◆ Right-of-use assets relate to leased property and are initially measured at cost equal to the lease liability and adjusted by any accrual lease payments and onerous lease provision. The right-of-use asset is depreciated over the shorter of the asset's life and the lease term on a straight-line basis. IncentiaPay has adjusted the right-of-use asset by \$1.2 million in relation to an onerous lease provision (\$0.6 million) and lease incentive loan (\$0.6 million).
- ◆ Intangible assets as at 30 June 2020 largely relate to residual goodwill (\$10.1 million after impairment) from previous acquisitions. Other components of intangible assets consist of brand names, international rights, technology and software assets acquired.
- ◆ Trade and other payables represent liabilities for goods and services received by IncentiaPay that remain unpaid at the end of the reporting period. These liabilities have payment terms of 60 days.
- ◆ Lease liabilities relate to the right-of-use asset, specifically the leased property.
- ◆ Deferred revenue relates to performance obligations to members which are not yet satisfied at the end of the reporting period. IncentiaPay receives upfront cash payments at the point of membership sales, for which revenue is recognised over time. The significant decrease in deferred revenue balance as at 30 June 2020 is predominantly due to the impact of the COVID-19 pandemic which resulted in the delay of planned launch events for new digital products.
- ◆ Borrowings as at 30 June 2020 consist of the interest-bearing loan of \$0.5 million provided by Suzerain at an interest rate of 10% per annum repayable by 30 September 2020. Suzerain has also provided an additional \$5.825 million convertible loan facility (which is now increased to \$9.825 million) at an interest rate of 10% per annum, of which \$2.7 million has been drawn down as at 30 June 2020. The convertible loan facility is currently unsecured with a view to obtaining shareholder approval for security over all of the assets of IncentiaPay.

Going concern risks

IncentiaPay's auditors have raised concerns regarding its ability to continue as a going concern (including in their FY20 audit report) as a result of:

- ◆ Uncertainties in meeting the cash flow projections, in particular its revenue performance
- ◆ Concerns in its ability to obtain further financing from Suzerain as required
- ◆ Historical losses incurred.

However, we consider IncentiaPay to be a going concern because Suzerain is the major shareholder of IncentiaPay and has an interest in keeping IncentiaPay solvent. In addition, a new and experienced management team was recently appointed and have implemented a number of cost-savings initiatives and will be introducing new digital products aimed at making IncentiaPay profitable from FY22.

4.8 Capital Structure and Shareholders

As at 30 September 2020, IncentiaPay had a total of 655,940,612 ordinary shares on issue. The following table sets out details of IncentiaPay's substantial shareholders as at that date:

Table 8: IncentiaPay's substantial shareholders

Shareholder	No. of shares held	% Total shares
Suzerain ¹	459,118,766	70.0%
Citicorp Nominees Pty Ltd ²	38,855,503	5.9%
Other shareholders	157,966,343	24.1%
Total	655,940,612	100.0%

Source: IncentiaPay

Notes:

1. Includes holdings held by related entities, Australia Fintech Pty Ltd and Muirstone Capital Ltd.

2. None of the nominee shareholders hold an individual, substantial interest in IncentiaPay.

We note Suzerain is the controlling shareholder and Citicorp Nominees Pty Ltd is the only other shareholder with holdings over 5%.

As at 30 September 2020, IncentiaPay had drawn \$3.2 million of the \$9.825 million convertible loan facility provided by Suzerain (please refer to details in Section 1.2).

On 29 September 2020, IncentiaPay announced a share purchase plan which will be offered to all shareholders. Shareholders will have the opportunity to subscribe for up to \$30,000 worth of ordinary shares in IncentiaPay, at a 20% discount to the five-day VWAP before 29 September 2020 which is equivalent to 2.6 cents. IncentiaPay aims to raise up to approximately \$5.4 million from the share purchase plan where the funds will be used for the technological transformation associated with the Paywith partnership.

IncentiaPay will also be introducing a new loan funded share plan ("**LFS**") for the Chief Executive Officer and the Chief Operating Officer, an employee share scheme ("**ESS**") for senior executives and a gift plan ("**Gift Plan**") for eligible staff (together, the "**Incentive Schemes**"), subject to shareholder approval. IncentiaPay intends to issue 38.8 million ordinary shares under the LFS and up to \$92,000 worth of ordinary shares under the Gift Plan once the Incentive Schemes are approved by the shareholders and the offers accepted by the participants. Key terms of the respective Incentive Schemes are summarised in the following table:

Table 9: Summary of key terms of the Incentive Schemes

Key terms of the LFS	
Maximum number proposed to be issued	38.8 million fully paid ordinary shares
Issue price	Five-day VWAP immediately before the relevant issue date. The issue price will be funded by a non-recourse loan from IncentiaPay
Vesting conditions	<p>Upon shareholder approval, the shares will be issued in full but held in voluntary escrow. The shares will be granted to the executives in five tranches when vesting conditions are met. The first tranche will vest on the issue of the shares while subsequent tranches vest subject to the continued employment of the executives up to the relevant date on which the vesting conditions are tested. Performance targets may include:</p> <ul style="list-style-type: none"> ◆ IncentiaPay meeting or exceeding the FY21 budget ◆ a share price target after the release of the FY22 and FY23 annual reports ◆ an alternative share price target for the full duration of FY22 and FY23, subject to continued employment until 30 June 2023. <p>The final tranche will vest periodically, at the discretion of the board, whenever another tranche vests and whenever a portion of the convertible note facility between IncentiaPay and Suzerain is converted into shares such that the final tranche offsets potential dilution from the conversion.</p> <p>The escrow period expires on the later of the date of the final tranche vesting or 31 October 2023. Under a change of control event (unrelated to Suzerain), any unvested loan funded shares that have not ceased to be eligible will automatically vest.</p>
Key terms of the ESS	
Maximum number proposed to be issued	7.5 million performance rights, with each performance right entitling the employee to receive one ordinary share
Issue price	Issued for no consideration but will be attached an issue price of the five-day VWAP immediately before the relevant issue date
Vesting conditions	The ESS performance rights will be granted in four tranches. Vesting of each tranche is subject to the continued employment of the executives up to the relevant date on which the vesting conditions are tested. Performance targets, the final tranche and change of control event (unrelated to Suzerain) operate on similar terms as the LFS described above.
Key terms of the Gift Plan	
Eligibility	All full-time employees who have not already been invited to participate in the LFS or ESS and do not hold more than 10% shareholding interest in IncentiaPay after accepting the invitation. Each invitation will offer an employee to receive a maximum of \$1,000 worth of shares at the five-day VWAP immediately before the relevant issue date
Maximum number proposed to be issued	\$100,000 worth of ordinary shares
Issue price	Issued for no consideration but will be attached an issue price of the five-day VWAP immediately before the relevant issue date
Vesting conditions	Nil

Source: IncentiaPay

4.9 Share Trading

The following chart shows the share market trading of IncentiaPay shares for the past two years:

Figure 8: Share price performance of IncentiaPay shares



Source: S&P Capital IQ

Note: Actual volume traded on the following dates were:

1. 3 August 2020 - 59,592,680 shares
2. 13 February 2019 - 24,746,660 shares
3. 12 February 2019 - 22,046,770 shares
4. 8 February 2019 - 20,416,430 shares
5. 7 December 2018 - 56,172,920 shares

In relation to the trading of IncentiaPay shares over the last two years, we note the following:

- ◆ IncentiaPay shares have traded infrequently over the period with an average daily volume of approximately 1.0 million shares. There were also a number of periods of several days in which there were no trades and the daily market trading of IncentiaPay shares is often under \$50,000.
- ◆ There was a significant decrease in share price from 7.8 cents on 6 December 2018 to 2.6 cents on 7 December 2018 due to the announcement of the following key matters:
 - ❖ Proposed restructure with the sale of the Bartercard and Gruden businesses
 - ❖ Restructure of the senior management team with the imminent departure of Mr Iain Dunstan (the former managing director of IncentiaPay)
 - ❖ Profit guidance with IncentiaPay no longer expecting to deliver an underlying EBITDA for FY19 of between \$3 million and \$5 million as a result of the ongoing restructure
 - ❖ Uncertainties in funding as IncentiaPay is unlikely able to draw on its debt facilities for the remaining FY19 due to restrictive debt covenant arrangements in place.
- ◆ There was also a spike in volume and fluctuation in share price over the period 7 February 2019 to 13 February 2019. The share price increased from 5.5 cents to 8.5 cents on 8 February 2019 before decreasing to 7.4 cents on 12 February 2019 and a subsequent increase to 8.1 cents the following day. We note the increase in trading activities and fluctuations in share price is believed to be attributable to uncertainties associated with the possible change of control following the restructure announcement made in December 2018. IncentiaPay sought to clarify the movements in share price via an ASX announcement on 11 February 2019 and confirmed that IncentiaPay received expressions of interest (including non-binding proposals) to recapitalise and the parties had commenced due diligence on IncentiaPay.
- ◆ In addition, over the same period 7 February 2019 to 13 February 2019, there were a number of on-market sale of shares made by substantial shareholders (CVC Limited, LHC Capital Partners Pty Ltd and Sinetech Ltd), coupled with on-market purchase of shares by entities associated with Mr Iain Dunstan. Due to the relative illiquidity of the IncentiaPay shares, transactions of such values can significantly influence the share price in a short period of time.

- ◆ The significant increase in volume and share price from 2.6 cents to 4.3 cents on 3 August 2020 followed the same-day announcement of a partnership with Paywith.
- ◆ The recent spike in volume and fall in share price from 4.4 cents to 3.8 cents between 27 August 2020 and 28 August 2020 was likely to be attributable to the preliminary announcement of IncentiaPay's unaudited full year results for FY20.

5 VALUATION METHODOLOGY

5.1 Available Valuation Methodologies

To estimate the fair market value of IncentiaPay, we have considered common market practice and the valuation methodologies recommended in RG 111. There are a number of methods that can be used to value a business including:

- ◆ The discounted cash flow method
- ◆ The capitalisation of future maintainable earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and availability of the required information. A detailed description of these methods and when they are appropriate is provided in Appendix 2.

5.2 Selected Methodology

In selecting an appropriate valuation methodology for IncentiaPay (both before and after the Proposed Transaction), we have considered the following:

Table 10: Consideration of methodologies

Method	Considerations	Approach
Discounted cash flow	<ul style="list-style-type: none"> ◆ IncentiaPay has a variable revenue and cost profile due to significant changes in the business model with proposed initiatives to be implemented in phases over the period to FY25 which is best evaluated with a discounted cash flow method. ◆ We have been provided with financial projections to FY26 prepared by IncentiaPay management. We have used the projections as a basis for our own cash flow model. 	Selected
Capitalisation of earnings	<ul style="list-style-type: none"> ◆ There are a limited number of transactions (market trading and M&A) involving companies with comparable businesses to IncentiaPay. ◆ IncentiaPay has experienced operating losses historically with a volatile earnings profile expected in the near-to-mid-term due to significant changes in the business model. Therefore, the capitalisation of earnings method is not appropriate. 	Not considered
Asset based methods	<ul style="list-style-type: none"> ◆ IncentiaPay is neither an asset-based business nor an investment holding company. Asset based methods are generally not appropriate for operating businesses as they ignore the value of most internally generated intangible assets. ◆ Although IncentiaPay has a history of operating losses and significant debt, we consider it to be a going concern as ongoing funding for the business is provided by Suzerain. Therefore, an asset method is not appropriate. 	Not considered

Method	Considerations	Approach
Share trading	<ul style="list-style-type: none"> ◆ Share market trading in IncentiaPay shares has been moderately liquid, with periods where no shares have been traded. Therefore, an analysis of share market trading is not as reliable as the discounted cash flow method as a primary valuation methodology in assessing the intrinsic value of an IncentiaPay share. ◆ As a broad cross-check to the discounted cash flow valuation: <ul style="list-style-type: none"> ❖ Before the Proposed Transaction – we have analysed share market trading in IncentiaPay shares before announcement of the Proposed Transaction and the control premium implied by our assessed value per share. ❖ After the Proposed Transaction – we have compared our analysis of share market trading in IncentiaPay shares since the announcement of the Proposed Transaction with our assessed value per share on a minority basis, adjusted for expected impacts associated with the Proposed Transaction. 	Cross-check

6 VALUATION OF INCENTIAPAY BEFORE THE PROPOSED TRANSACTION

6.1 Background

We have assessed the fair market value of IncentiaPay using the discounted cash flow method, with a cross-check based on an analysis of recent share market trading in IncentiaPay shares. This assessment has been made on a control basis as required by RG111.

6.2 Discounted Cash Flow Method

In order to determine the value of an IncentiaPay share using the discounted cash flow method, we have:

- ◆ Prepared cash flow projections for IncentiaPay to FY26.
- ◆ Determined an appropriate discount rate.
- ◆ Assessed the long-term growth rate beyond the forecast period.
- ◆ Calculated the enterprise value based on the preceding assumptions.
- ◆ Assessed the value of any non-operating assets and liabilities.
- ◆ The number of shares expected to be on issue before the Proposed Transaction, inclusive of the issue of shares under the share purchase plan and the Incentive Schemes.
- ◆ Calculated the value of an IncentiaPay share (equity value) based on the preceding analysis.

6.3 Cash Flow Projections

We have used the projections prepared by IncentiaPay management as the basis for our own cash flow model. We have undertaken a detailed analysis of the forecasts and have discussed the key assumptions behind the forecast with IncentiaPay's management. We have considered supporting information to determine the reasonableness of the cash flow projections and considered the residual risks associated with achieving the forecast. Based on these discussions and analysis, we consider the assumptions to be reasonable for the purposes of our analysis.

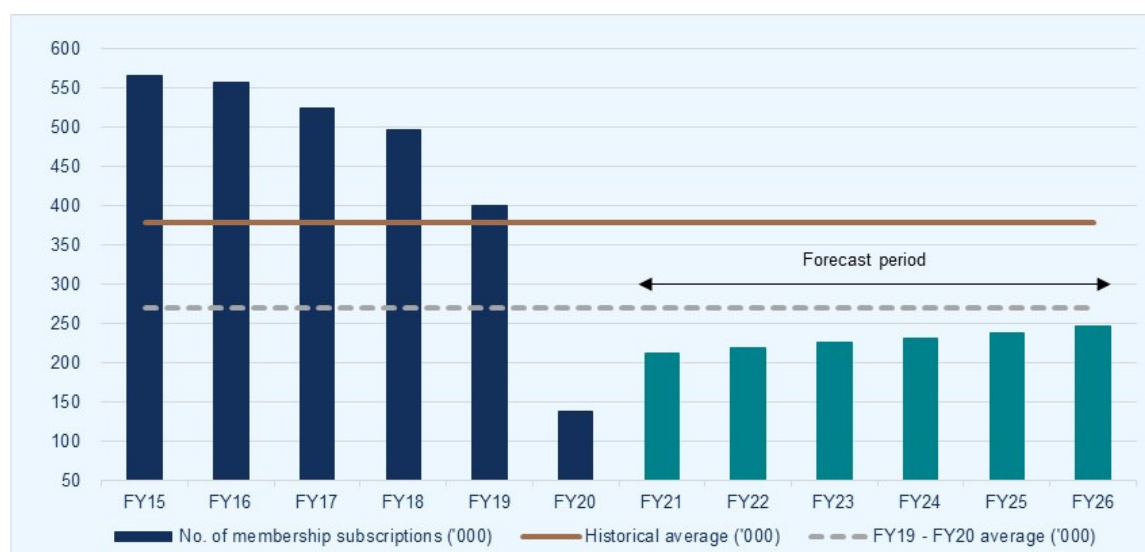
The detailed projections are not included in this report due to commercial sensitivity. However, the key assumptions underpinning the projections and the information considered in assessing the reasonableness of these assumptions are discussed below.

Entertainment membership subscriptions

Entertainment membership subscriptions forms the largest component of IncentiaPay's total revenue. Since inception, the number of membership subscriptions has averaged approximately 380,000 per annum, with a peak of approximately 570,000 in FY13. Membership subscriptions have since decreased steadily with the growth in popularity of digital payment technologies and online platforms with similar product offerings to IncentiaPay. This declining trend accelerated IncentiaPay's decision to replace publications with digital and application-based membership subscriptions in FY19.

As a result of COVID-19's impact which led to disruptions in the travel, leisure and entertainment industries, membership subscriptions decreased significantly in FY20 (from 400,000 in FY19 to 140,000 in FY20). From FY21, IncentiaPay management expects membership subscriptions to recover in line with the average membership subscriptions between FY19 and FY20 of approximately 270,000 and has assumed gross revenue of \$80 per membership to remain unchanged. Although the forecast membership subscriptions are significantly lower than the historical average, we do not consider the assumption to be unreasonable in consideration of the uncertainties associated with COVID-19 on the business. Any alternative reasonable assessment of the forecast membership subscriptions would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction. These figures are summarised in the following chart:

Figure 9: Actual and forecast entertainment membership subscriptions (in units)



Source: IncentiaPay

Enterprise clients

Enterprise clients is the second largest revenue stream of IncentiaPay and includes corporate clients such as Zurich, Red Energy, HSBC and Budget Direct. These clients provide dining and leisure benefits to their customers via IncentiaPay's product offering. As a result of COVID-19, revenue from enterprise clients is expected to decrease from \$4.0 million in FY20 to approximately \$3.6 million in FY21.

With its strong focus over recent periods on servicing corporate clients through a program of active communication and new offers attracting interest from other corporates, IncentiaPay management has assumed a stronger recovery from enterprise sales (with an annual growth of 5%) compared to other revenue streams. It is expected to generate approximately \$4.6 million by FY26.

Technological transformation net revenue

As part of its partnership with Paywith, IncentiaPay is undergoing a technological transformation which will see a new business model being rolled out. The new business model is expected to start generating revenue in FY23 at a margin of 8% from the following sources:

- ◆ **Entertainment Rewards:** Leveraging on its existing entertainment membership subscriptions base and enterprise clientele, IncentiaPay is planning to introduce a prepaid digital payment card, Entertainment Rewards, for use on its payment solutions platform. Additional benefits not included in the memberships, such as special discounts and offers for special events, will be offered to holders of the Entertainment Rewards card. Developed in conjunction with inputs from Paywith, IncentiaPay management has assumed a take-up rate of 40% of its membership base in FY23 and a fee of \$5.50 per load (i.e. card recharge) per average load value of \$50 before increasing to \$6 per load by FY25. A 2% break fee of the load value (evenly split between IncentiaPay and Paywith) will also be charged.
- ◆ **Premium merchant account:** IncentiaPay will be introducing a new data analytics product offering aimed at increasing the sales of its merchant base through targeted offerings. Based on inputs from Paywith which has a similar product offering, a monthly subscription fee of \$49 will be charged under this initiative. IncentiaPay management has assumed an initial take-up rate of 30% before increasing to 50% by FY25.

The margin of 8% has been determined by IncentiaPay management's analysis of revenue and costs including profit share with Paywith.

Other revenue components

Other revenue components mainly include advertising, commissions from gift card sales and travel bookings. A portion of other revenue in FY21 includes payments from the JobKeeper scheme calculated based on the number of employees over the period ending 28 March 2021. Excluding payments from the JobKeeper scheme, revenue from these components constitute approximately 10% of total revenue on average across the forecast period.

Revenues from advertising and travel bookings are expected to be significantly impacted by COVID-19 in the remaining calendar year 2020 while commissions generated from gift card sales are largely unaffected. As these revenue streams are not the key business focus of IncentiaPay, IncentiaPay management has assumed nominal revenue growth in line with inflation.

Employee costs

Employee costs is the largest cost component of IncentiaPay. Employee costs are projected to decrease significantly in FY21 and further in FY22 as a result of reduced headcount from the organisational restructure and IncentiaPay's drive for higher productivity. Subsequent to FY22, wages are assumed to increase by 3% which is marginally higher than the projected inflation rate of 2.5%.

Other operating expenses

Other components of operating expenses mainly include production costs, fundraiser commissions, marketing costs (including incentives) and information technology expenses. Production costs relate to the external costs of providing the digital platform for membership subscriptions as well as costs associated with servicing the enterprise clientele. With the Paywith partnership, production costs associated with membership subscriptions are expected to reduce significantly as IncentiaPay has obtained a multiyear licence to use Paywith's technology platforms. Production costs incurred in servicing the enterprise clientele are assumed to increase in line with enterprise sales. Fundraiser commissions are also expected to increase in line with membership subscriptions. Other operating expenses are assumed to increase in line with the inflation rate of 2.5%.

Capital expenditure

As information technology costs (including maintenance related costs) are incurred as expenses, ongoing capital expenditure is not expected to be significant. However, IncentiaPay will be incurring a capital outlay of \$1.8 million in FY21 which predominantly relates to investments in its information technology systems as part of the technological transformation associated with the Paywith partnership.

Taxation

We have applied the Australian corporate tax rate of 30%. Tax losses are assessed separately as a surplus asset.

Working capital

We have assumed a constant level of working capital days, based on historical working capital levels of the business. Movements in working capital are projected to be small due to this and the small level of growth projected for revenues and operating expenses.

Projected free cash flows

The projected free cash flows resulting from the assumptions described above are summarised in the chart below:

Figure 10: Forecast free cash flows



Source: Leadenhall analysis

In summary, we note:

- ◆ The significant, negative free cash flow in FY21 is attributed to the combination of a slow recovery from the impacts of COVID-19 and capital outlay of \$1.8 million.
- ◆ The marginal, positive free cash flow in FY22 is mainly attributed to cost savings from a significant decrease in employee costs, partially offset by payments from the JobKeeper scheme ceasing at the end of March 2021.
- ◆ The gradual increase in free cash flows from FY23 is predominantly contributed by net revenue from the new business model being rolled out.

Reasonableness of assumptions

While we have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information, we have undertaken a detailed review of the forecasts prepared by IncentiaPay management and have discussed the key assumptions with them. Based on this analysis, we consider these assumptions to be reasonable for the purpose of our analysis.

Any alternative reasonable set of forecast assumptions would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.4 Discount Rate

We have applied a discount rate of between 13.0% and 15.0% (nominal, post-tax, weighted average cost of capital (“WACC”)) to the projected cash flows. We calculated the discount rate using the capital asset pricing model (“CAPM”) based on the assumptions set out in Appendix 3.

6.5 Terminal Growth

The terminal value represents the value of the cash flows beyond the forecast period. Terminal values are commonly calculated based on the discount rate and the expected long-term growth rate of future cash flows. We have used a terminal growth rate of 3.0% being the high end of the long-term Reserve Bank of Australia inflation target, which we consider is a reasonable estimate of long-term growth in cash flows for IncentiaPay. Any alternative reasonable assessment of the terminal growth rate would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.6 Non-operating Assets and Liabilities

In order to assess the equity value of IncentiaPay, it is necessary to identify any non-operating assets and liabilities not used in generating the enterprise value. These can be:

- ◆ **Surplus assets:** assets held by the company that are not utilised in its business operation. This could be investments, unused plant and equipment held for resale, or any other assets not required to run the operating business. It is necessary to ensure that any income from surplus assets (i.e. rent / dividends) is excluded from the business value.
- ◆ **Non-operating liabilities:** liabilities of a company not directly related to its current business operations, although they may relate to previous business activities, for example claims against the entity.
- ◆ **Surplus cash:** comprising of surplus cash held by the company, less debt used to fund a business.

Each of these factors are considered below.

Surplus assets

As at 30 September 2020, IncentiaPay had carried forward tax losses of approximately \$40.3 million. By extending the cash flow projections based on the terminal growth rate, we note the tax losses will be fully utilised in approximately 23 years. Accordingly, we have assessed the present value of the tax credits at the discount rate of between 13.0% and 15.0% applied to IncentiaPay. Any alternative reasonable assessment of the applied discount rate does not impact our conclusion. Accordingly, the present value of the tax losses is between approximately \$3.6 million and \$4.7 million.

As at 30 September 2020, IncentiaPay had franking credits available for distribution of approximately \$6.5 million. However, we have not attributed any value to franking credits because:

- ◆ They are not typically separately reflected in the fair market value of a business of IncentiaPay's nature.
- ◆ Franking credits need to be attached to dividends. As there is no expectation IncentiaPay will be able to distribute franking credits to a greater degree than similar companies in the industry, any value to a normal level is already reflected by our valuation approach.

Non-operating liabilities

We have identified the following non-operating liabilities of IncentiaPay:

Table 11: Non-operating liabilities of IncentiaPay

Description (\$'000)	Low	High
Restructure costs	(632)	(632)
Tax backlog	(2,300)	(2,300)
Other non-operating items	(499)	(499)
Total non-operating liabilities	(3,431)	(3,431)

Source: Leadenhall analysis

A brief summary of each of the identified non-operating liabilities is provided below:

- ◆ **Restructure costs:** Costs associated with make-good and back rent for the discontinued office leases due to the recently completed restructure.
- ◆ **Tax backlog:** Cash payments in relation to unpaid, historical tax expenses that include payroll tax, goods and services tax and withholding income tax.
- ◆ **Other non-operating items:** Other non-operating items include an agreed termination payment of \$0.2 million in relation to the previous chief executive officer, as well as fundraiser commissions from prior years.

Surplus cash

The surplus cash position for IncentiaPay as at 30 September 2020 is set out in the table below:

Table 12: Surplus cash summary

Description (\$'000)	
Cash	4,980
Cash proceeds from the share purchase plan	5,400
Borrowings ¹	(4,011)
Surplus cash	6,369

Source: Leadenhall analysis

Note 1: We have assumed book value is representative of fair market value for all borrowings including the convertible note.

We have included the expected cash proceeds of \$5.4 million from the share purchase plan (and the shares issued correspondingly). Although the share purchase plan is not underwritten, any alternative reasonable assessment of the share issue would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.

6.7 Shares on Issue Before the Proposed Transaction

In our consideration of the number of shares before the Proposed Transaction, we have included:

- ◆ 655.9 million ordinary shares currently on issue
- ◆ 207.7 million ordinary shares to be issued as part of the share purchase plan, calculated based on the expected cash proceeds of \$5.4 million using the issue price of \$0.026
- ◆ 49.2 million ordinary shares to be issued as part of the Incentive Schemes.

The number of shares outstanding before the Proposed Transaction is set out in the table below:

Table 13: Shares outstanding before the Proposed Transaction

Description ('000)	
IncentiaPay shares currently on issue	655,941
Shares to be issued as part of the share purchase plan	207,692
Shares to be issued as part of the Incentive Schemes ¹	49,166
Total shares	912,799

Source: IncentiaPay

Note 1: Calculated as the sum of the shares to be issued under the Incentive Schemes as set out in Section 4.8, breakdown as follows:

- i. Under the LFS – 38.8 million ordinary shares which will be issued upon shareholder approval but held in escrow.
- ii. Under the ESS – 7.5 million ordinary shares which we have assumed the performance hurdles are met. Any alternative reasonable assessment of the probability in meeting the performance hurdles would not impact our conclusion on the fairness and reasonableness of the Proposed Transaction.
- iii. Under the Gift Plan – 2.9 million ordinary shares based on an expected issue of \$92,000 at the current 5-day VWAP of \$0.032.

6.8 Assessed Value Before the Proposed Transaction

Summary

The preceding analysis leads to an assessed value of an IncentiaPay share before the Proposed Transaction, on a control basis, of between 2.9 cents and 3.6 cents as set out in the following table:

Table 14: Assessed value of an IncentiaPay share before the Proposed Transaction

Equity value (control basis) (\$'000)		
	Low	High
Enterprise value	20,230	25,663
Surplus assets	3,580	4,701
Non-operating liabilities	(3,431)	(3,431)
Surplus cash	6,369	6,369
Equity value	26,747	33,301
Ordinary shares on issue ('000)	912,799	912,799
Assessed value per ordinary share on a control basis (\$)	0.029	0.036

Source: Leadenhall analysis

Sensitivity analysis

This valuation is sensitive to a number of key assumptions as set out in the following figure:

Figure 11: Sensitivity analysis



Source: Leadenhall analysis

6.9 Analysis of Share Trading Cross-Check

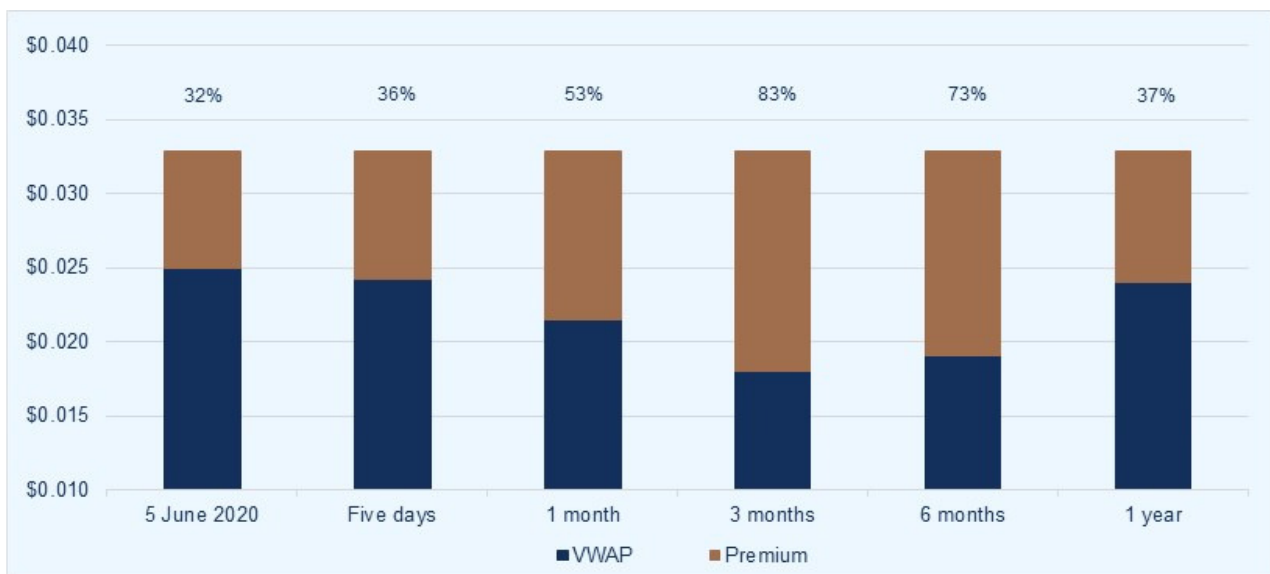
Market trading in IncentiaPay shares prior to the announcement of the Proposed Transaction on 5 June 2020 provides an indication of the market's assessment of the value of IncentiaPay on a minority basis. We have presented an analysis of recent trading in IncentiaPay shares in Section 4.9 above. When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ IncentiaPay shares are closely held. Therefore, daily values traded over the past two years are approximately \$56,000 on average, with the average declining to approximately \$24,000 over the recent year. This level is below the level at which many institutional investors may wish to trade and may be seen as a deterrent for other significant investors.

- ◆ IncentiaPay is a listed company with continuous disclosure obligations under the ASX Listing Rules, thus the market is reasonably informed about its activities. However, there is uncertainty regarding its ability to continue as a going concern. Investing in IncentiaPay may therefore be perceived as speculative.

As a result of these factors, we consider the market trading to be reasonably well-informed but only moderately liquid. We have therefore undertaken only a high level analysis of share market trading by assessing the level of control premium implied by our mid-point valuation range compared to the VWAP of an IncentiaPay share over the year leading up to the announcement of the Proposed Transaction (which we note is near the date of our valuation analysis), as set out in the figure below.

Figure 12: Implied control premium to market trading prices



Source: S&P Capital IQ and Leadenhall analysis

The generally observed range for control premiums is between 20% and 40%. In addition, the average takeover premium observed for transactions in the information technology sector in Australia between 2007 and 2017 ranged from 1% to 100%. Further information on observed control premiums and takeover premiums is included in Appendix 5.

The control premium implied by our assessed value of an IncentiaPay share is within the generally observed range as well as transaction premiums observed in the information technology sector. This provides support for our primary discounted cash flow value of IncentiaPay before the Proposed Transaction.

6.10 Conclusion on Value Before the Proposed Transaction

Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay of between 2.9 cents and 3.6 cents, on a control basis as at the valuation date of 5 November 2020.

7 VALUATION OF INCENTIAPAY AFTER THE PROPOSED TRANSACTION

7.1 Introduction

If the Proposed Transaction is approved, the Non-Associated Shareholders will continue to own a share in IncentiaPay. However, RG111.25 requires an independent expert to evaluate an issue of securities under s611 as if it was a takeover offer.

Accordingly, the value of an IncentiaPay share after the Proposed Transaction has been assessed on a minority interest basis (i.e. excluding a control premium) as the Non-Associated Shareholders will own a minority stake in IncentiaPay should the Proposed Transaction proceed.

7.2 Assessed Value After the Proposed Transaction

In order to assess the value of an IncentiaPay share after the Proposed Transaction, we have assessed:

- ◆ The enterprise value of IncentiaPay before the Proposed Transaction on a control basis (Section 6).
- ◆ Adjustments for non-operating assets and liabilities in relation to the expected impacts associated with the Proposed Transaction.
- ◆ A discount for lack of control as the Non-Associated Shareholders would own a minority stake in IncentiaPay should the Proposed Transaction proceed.
- ◆ The number of shares expected to be on issue after the Proposed Transaction, assuming full conversion of the convertible note facility.

The value of an IncentiaPay share after the Proposed Transaction is as follows:

Table 15: Assessed value of an IncentiaPay share after the Proposed Transaction

Equity value (minority basis) (\$'000)		
	Low	High
Calculated enterprise value on a control basis	20,230	25,663
Surplus assets	3,580	4,701
Non-operating liabilities	(3,431)	(3,431)
Surplus cash	16,197	16,197
Assessed equity value on a control basis	36,576	43,129
Discount for lack of control (25%)	(9,144)	(10,782)
Equity value on a liquid minority basis	27,432	32,347
Ordinary shares on issue ('000)	1,129,805	1,129,805
Assessed value per ordinary share on a minority basis (\$)	0.024	0.029

Source: Leadenhall analysis

Enterprise value of IncentiaPay on a control basis

As discussed in Section 6, we have assessed the enterprise value of IncentiaPay before the Proposed Transaction on a control basis to be between \$20.2 million and \$25.7 million.

Surplus cash after the Proposed Transaction

From discussions with Suzerain, we understand it is intending to convert its debt into ordinary shares shortly after the Proposed Transaction. If the convertible note facility is fully drawn down prior to conversion, Suzerain's shareholding in IncentiaPay would potentially increase from 70% to beyond 75% (assuming all else remains constant, the conversion price falls below 3.1 cents and Suzerain participates in the share purchase plan in proportion to its current shareholding), giving it the ability to pass special resolutions. Accordingly, we have assumed a full conversion of the convertible note drawn down to its facility limit of \$9.825 million which is equivalent to an additional draw down of \$6.625 million from the balance as at 30 September 2020.

The surplus cash position for IncentiaPay as at 30 September 2020 under the Proposed Transaction is set out in the table below:

Table 16: Surplus cash summary

Description (\$'000)	
Cash	4,980
Cash proceeds from the share purchase plan	5,400
Cash proceeds from additional note draw down	6,625
Borrowings ¹	(808)
Surplus cash	16,197

Source: Leadenhall analysis

Note 1: We have assumed book value is representative of fair market value for all borrowings. Borrowings after the Proposed Transaction include the interest-bearing loan provided by Suzerain of \$0.5 million and transformational capital facility plus line fees of \$0.3 million.

Discount for lack of control

As Non-Associated Shareholders would retain their IncentiaPay shares if the Proposed Transaction proceeds, they would continue to own a minority stake in IncentiaPay. Consistent with the requirements of RG 111, the value of the consideration must be determined on a minority interest basis. In order to estimate the value of a minority interest it is necessary to apply a DLOC to the value of a 100% equity interest in the business. This discount takes into account the lack of control that a minority shareholder has over the affairs of a company and is described in more detail in Appendix 5.

A DLOC is effectively the inverse of a control premium. Australian studies have indicated that control premiums generally range from 20% to 40%. This implies a range for DLOC of approximately 17% to 29%. In selecting a suitable DLOC, we have considered:

Table 17: Factors affecting DLOC

DLOC considerations	
Factors indicative of lower DLOC	Factors indicative of higher DLOC
<ul style="list-style-type: none"> The Board currently comprises an independent Chairman and three non-executive directors, two of whom are associated with Suzerain. The existence of independent directors would tend to reduce the level of DLOC. 	<ul style="list-style-type: none"> The Proposed Transaction would potentially increase Suzerain's shareholding in IncentiaPay from 70% to beyond 75% if the convertible note facility is fully drawn down prior to conversion (assuming all else remains constant, the conversion price falls below 3.1 cents and Suzerain participates in the share purchase plan in proportion to its current shareholding). Thus, Suzerain's degree of control at a shareholder level is significant and would be able to pass special resolutions on its own. This would imply a higher DLOC. IncentiaPay shares are closely held by Suzerain and apart from Citicorp Nominees Pty Ltd (who hold approximately 6% of the shares in IncentiaPay prior to the Proposed Transaction), shares are dispersed over a large number of holders. A wider dispersion of other holdings increases the DLOC. IncentiaPay does not pay dividends. A low dividend pay-out typically produces a higher DLOC.

Source: Leadenhall analysis

As a result of these considerations, we have selected a DLOC of 25%. The assumed DLOC does not impact our conclusion on the Proposed Transaction.

Shares on issue after the Proposed Transaction

In our consideration of the number of shares after the Proposed Transaction, we have included:

- ◆ 912.8 million ordinary shares on issue before the Proposed Transaction as set out in Section 6.7
- ◆ 217.0 million ordinary shares to be issued assuming full conversion of the convertible note facility limit of \$9.825 million, at the conversion price of \$0.0453 (based on the current 30-day VWAP plus 20%).

The number of shares outstanding after the Proposed Transaction is set out in the table below:

Table 18: Shares outstanding after the Proposed Transaction

Description ('000)	
Shares outstanding before the Proposed Transaction	912,799
Shares to be issued upon full conversion of loan	217,005
Total shares	1,129,805

Source: IncentiaPay

7.3 Analysis of Share Trading Cross-Check

Market trading in IncentiaPay shares since the announcement of the Proposed Transaction may provide an indication of the market's assessment of the value of IncentiaPay after the Proposed Transaction (on a minority basis). When assessing market trading, it is necessary to consider whether the market is informed and liquid. In this regard, we note:

- ◆ Average daily values traded have increased to approximately \$77,000 since announcement of the Proposed Transaction.
- ◆ IncentiaPay has released its annual report on 18 September 2020 with an emphasis of matter raised by KPMG regarding its ability to continue as a going concern. Investing in IncentiaPay therefore continues to remain being perceived as speculative.
- ◆ On 29 September 2020, IncentiaPay provided the market with further updates on the Proposed Transaction, announcing the conversion price which is the greater of \$0.0275 per share or the 30-day VWAP prior to conversion plus an additional 20%.

As a result of these factors, we consider the market trading to be reasonably well-informed but only moderately liquid. After the announcement of the Proposed Transaction, IncentiaPay shares have traded in the range of 2.5 cents and 4.4 cents with a VWAP of 3.8 cents. This is broadly consistent with our assessed valuation.

7.4 Conclusion on Value After the Proposed Transaction

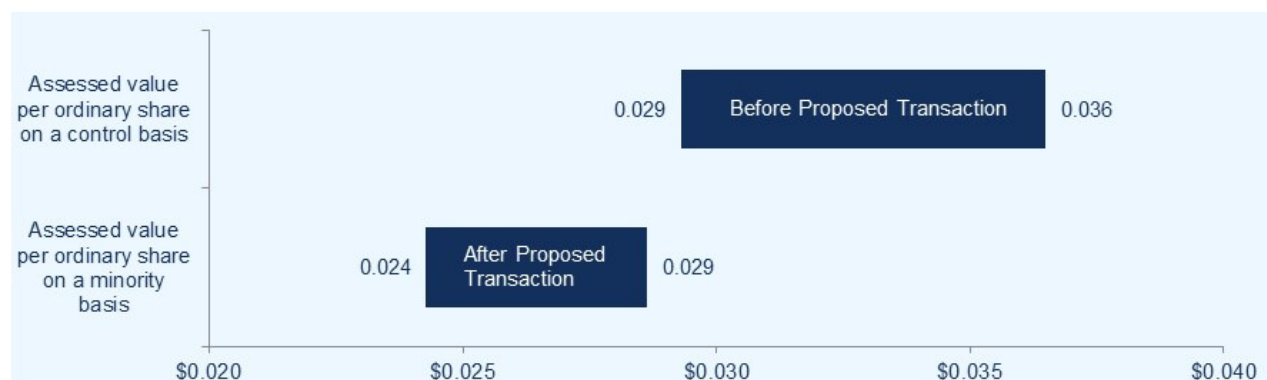
Based on our discounted cash flow analysis and share trading cross-check, we have selected a valuation range for a share in IncentiaPay after the Proposed Transaction of between 2.4 cents and 2.9 cents, on a minority basis as at the valuation date of 5 November 2020.

8 EVALUATION

8.1 Fairness

We have assessed the Proposed Transaction as fair if the fair market value of an IncentiaPay share before the Proposed Transaction on a control basis is less than or equal to the fair market value of an IncentiaPay share after the Proposed Transaction on a minority basis. This comparison is shown in the following figure:

Figure 13: Assessment of fairness



Source: IncentiaPay and Leadenhall analysis

Note: Comparison is made on a fully diluted basis.

As the value of an IncentiaPay share after the Proposed Transaction (on a minority basis) is less than the assessed value of an IncentiaPay share before the Proposed Transaction (on a control basis), we have assessed the Proposed Transaction as being not fair.

8.2 Reasonableness

In accordance with ASIC guidelines, we have defined the Proposed Transaction as reasonable if it is fair, or if despite not being fair, the advantages to Non-Associated Shareholders outweigh the disadvantages. We have therefore considered the following advantages and disadvantages of the Proposed Transaction to Non-Associated Shareholders.

Advantages

Lower interest rates

If the Proposed Transaction is not approved, the per annum interest rate for the convertible note and the transformational capital facility will increase from 10% to 14% and from 12.5% to 14% respectively as compensation for the absence of collateral. Therefore, the lower interest rates under the Proposed Transaction are an advantage to Non-Associated Shareholders. As shareholders already rank behind unsecured creditors, the granting of security has no incremental cost to Non-Associated Shareholders.

Conversion price above 30-day VWAP

As the loan is convertible at the greater of \$0.0275 per share or the 30-day VWAP prior to conversion plus an additional 20%, the conversion price is always greater than the market price for IncentiaPay shares and is also currently higher than our assessed, mid-point value for a minority shareholder. Thus, conversion is value accretive to Non-Associated Shareholders, notwithstanding they will not receive a full control premium.

Limited alternatives available

IncentiaPay management has explored alternative sources of capital to fund its restructure plan, working capital and business operations' needs. However, other shareholders and potential lenders have not offered the same level of financial support as Suzerain. As at the date of this report, no alternative long-term financing proposals existed.

Impact on share price

Since the Proposed Transaction was announced, market trading in IncentiaPay shares increased significantly. IncentiaPay shares have since traded in the range of 2.5 cents and 4.4 cents with a VWAP of 3.8 cents and at a one-year high of 4.4 cents on 27 August 2020. If the Proposed Transaction is not approved, we consider it likely the IncentiaPay share price would fall below current levels due to uncertainty associated with Suzerain remaining committed in continuing its support.

Disadvantages

Dilution of interests

Interests of Non-Associated Shareholders would be further diluted upon conversion of the convertible note. If the convertible note facility is fully drawn down prior to conversion (assuming all else remains constant), Suzerain would potentially increase its shareholding to beyond 75% and would be able to pass special resolutions on its own. Therefore, Suzerain would obtain a significant amount of control and may not always act in the best interests of minority shareholders, subject to compliance with relevant laws and regulations.

Given the current shareholding structure, this provides little difference to the practical level of control already enjoyed by Suzerain.

Conclusion on reasonableness

In considering the reasonableness of the Proposed Transaction, in particular:

- ◆ **in converting the Suzerain convertible note** – we consider the advantage of the conversion price being greater than the market price and our assessed, mid-point value for a minority shareholder to be more significant than the marginal increase in Suzerain's effective level of control.
- ◆ **as security for the Suzerain convertible note** – we consider the lower interest rate to be a significant advantage for Non-Associated Shareholders in the interim before Suzerain converts its debt into ordinary shares. As shareholders already rank behind creditors, the provision of security has little impact on their position.
- ◆ **as security for the transformational capital facility** – we consider the lower interest rate to be a significant advantage to shareholders. As noted above, the granting of security makes little difference to the shareholders' position.
- ◆ **in solidifying the commitment of Suzerain** – approval of the Proposed Transaction will likely solidify Suzerain's commitment to IncentiaPay which we consider is an important factor to the long-term viability of the business.

We have therefore assessed the Proposed Transaction as being reasonable.

8.3 Opinion

The Proposed Transaction is not fair but reasonable to Non-Associated Shareholders.

An individual shareholder's decision in relation to the Proposed Transaction may be influenced by their own particular circumstances. If in doubt, the shareholder should consult an independent financial adviser.

APPENDIX 1: GLOSSARY

Term	Meaning
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
AUD	Australian Dollar
BPS	BPS Technology Ltd
CAGR	Compound Annual Growth Rate
CAPM	Capital Asset Pricing Model
Chapter 2E	Chapter 2E of the Corporations Act 2001
Corporations Act	The Corporations Act 2001
DLOC	Discount for lack of control
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ESS	An employee share scheme for senior executives
Fair market value	The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arms' length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts
FSG	Financial Services Guide
FY	Financial year
Gift Plan	A gift plan for eligible staff
IncentiaPay	IncentiaPay Limited
Incentive Schemes	The collective LFS, ESS and Gift Plan
IPO	Initial public offering
Item 7	Item 7 of Section 611 of the Corporations Act
Leadenhall	Leadenhall Corporate Advisory Pty Ltd
LFS	A new loan funded share plan for the Chief Executive Officer and the Chief Operating Officer
Non-Associated Shareholders	IncentiaPay shareholders not associated with Suzerain
Paywith	Paywith Worldwide Inc.
Proposed Transaction	Collectively, the conversion of the Suzerain convertible note, granting of security for the Suzerain convertible note and granting of security for the transformational capital facility
RG111	Regulatory Guide 111: Content of Expert Reports
RG74	Regulatory Guide 74: Acquisitions Approved by Members
s606	Section 606 of the Corporations Act 2001
s611	Section 611 of the Corporations Act 2001
Skybound	Skybound Fidelis Credit Fund
Suzerain	Suzerain Investments Holdings Limited
VWAP	Volume weighted average price
WACC	Weighted Average Cost of Capital

APPENDIX 2: VALUATION METHODOLOGIES

In preparing this report we have considered valuation methods commonly used in practice and those recommended by RG 111. These methods include:

- ◆ The discounted cash flow method
- ◆ The capitalisation of earnings method
- ◆ Asset based methods
- ◆ Analysis of share market trading
- ◆ Industry specific rules of thumb

The selection of an appropriate valuation method to estimate fair market value should be guided by the actual practices adopted by potential acquirers of the company involved.

Discounted Cash Flow Method

Description

Of the various methods noted above, the discounted cash flow method has the strongest theoretical standing. It is also widely used in practice by corporate acquirers and company analysts. The discounted cash flow method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A discounted cash flow valuation requires:

- ◆ A forecast of expected future cash flows
- ◆ An appropriate discount rate

It is necessary to project cash flows over a suitable period of time (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite life project or asset this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue growth, future margins, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current day terms using the discount rate selected.

The discounted cash flow method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All of these assumptions can be highly subjective sometimes leading to a valuation conclusion presented as a range that is too wide to be useful.

Use of the Discounted Cash Flow Method

A discounted cash flow approach is usually preferred when valuing:

- ◆ Early stage companies or projects
- ◆ Limited life assets such as a mine or toll concession
- ◆ Companies where significant growth is expected in future cash flows
- ◆ Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example if there is a lack of reliable evidence to support a capitalisation of earnings approach. However, it may not be appropriate if:

- ◆ Reliable forecasts of cash flow are not available and cannot be determined
- ◆ There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

Capitalisation of Earnings Method

Description

The capitalisation of earnings method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a discounted cash flow, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The capitalisation of earnings methodology involves the determination of:

- ◆ A level of future maintainable earnings
- ◆ An appropriate capitalisation rate or multiple.

A multiple can be applied to any of the following measures of earnings:

Revenue – most commonly used for companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA - most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA - in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business.

EBIT - whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation).

NPAT - relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g. financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company.

The multiple selected to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money all wrapped up in a single number. Multiples can be derived from three main sources. Using the guideline public company method, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business and that are actively traded on a free and open market, such as the ASX. The merger and acquisition method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business. It is also possible to build a multiple from first principles.

Use of the Capitalisation of Earnings Method

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. This method is less appropriate for valuing companies or assets if:

- ◆ There are no suitable listed company or transaction benchmarks for comparison
- ◆ The asset has a limited life
- ◆ Future earnings or cash flows are expected to be volatile
- ◆ There are negative earnings or the earnings of a business are insufficient to justify a value exceeding the value of the underlying net assets

Asset Based Methods

Description

Asset based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset based methods including:

- ◆ Orderly realisation
- ◆ Liquidation value
- ◆ Net assets on a going concern basis
- ◆ Replacement cost
- ◆ Reproduction cost

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

The asset / cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than an economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset approach would be the most appropriate method.

Use of Asset Based Methods

An asset-based approach is a suitable valuation method when:

- ◆ An enterprise is loss making and is not expected to become profitable in the foreseeable future
- ◆ Assets are employed profitably but earn less than the cost of capital
- ◆ A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- ◆ It is relatively easy to enter the industry (for example, small machine shops and retail establishments)

Asset based methods are not appropriate if:

- ◆ The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- ◆ A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

Analysis of Share Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

Industry Specific Rules of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as eyeballs for internet businesses, numbers of beds for hotels etc. These methods are typically fairly crude and are therefore usually only appropriate as a cross-check to a valuation determined using an alternative method.

APPENDIX 3: DISCOUNT RATE

The selected discount rate applied in our discounted cash flow analysis for IncentiaPay has been determined using the weighted average cost of capital. We have estimated the cost of equity component with the capital asset pricing model.

Post-tax cost of equity (K_e)

The CAPM is based on the assumption that investors require a premium for investing in equities rather than in risk-free investments (such as government bonds). The cost of equity, K_e , is the rate of return that investors require to make an equity investment in a firm.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta \times (R_m - R_f) + \alpha$$

The components of the CAPM formula are:

Table 19: Components of CAPM

Input	Definition
K_e	The required post-tax return on equity
R_f	The risk-free rate of return
R_m	The expected return on the market portfolio
EMRP	The market risk premium ($R_m - R_f$)
β	The beta, the systematic risk of a stock (this is an equity or levered beta)
α	The specific company risk premium

Each of the components in the above equation is discussed below.

Risk-free rate (R_f)

The relevant risk-free rate of return is the return on a risk-free security, typically over a long-term period. In practice, long dated government bonds are an acceptable benchmark for the risk-free security. We have selected a risk-free rate of 0.86%, being the yield on 10-year Australian Government bonds as at 30 September 2020.

Equity market risk premium (EMRP)

The EMRP ($R_m - R_f$) represents the additional return that investors expect from an investment in a well-diversified portfolio of assets (such as a market index). It is the excess return above the risk-free rate that investors demand for their increased exposure to risk, when investing in equity securities.

Leadenhall undertakes a review of the EMRP at least every six months, taking account of market trading levels and industry practice at the time. Our most recent analysis of the implied EMRP in Australia was as at August 2020. As a result, we are currently recommending an EMRP of 7.25% to 7.75% for Australia.

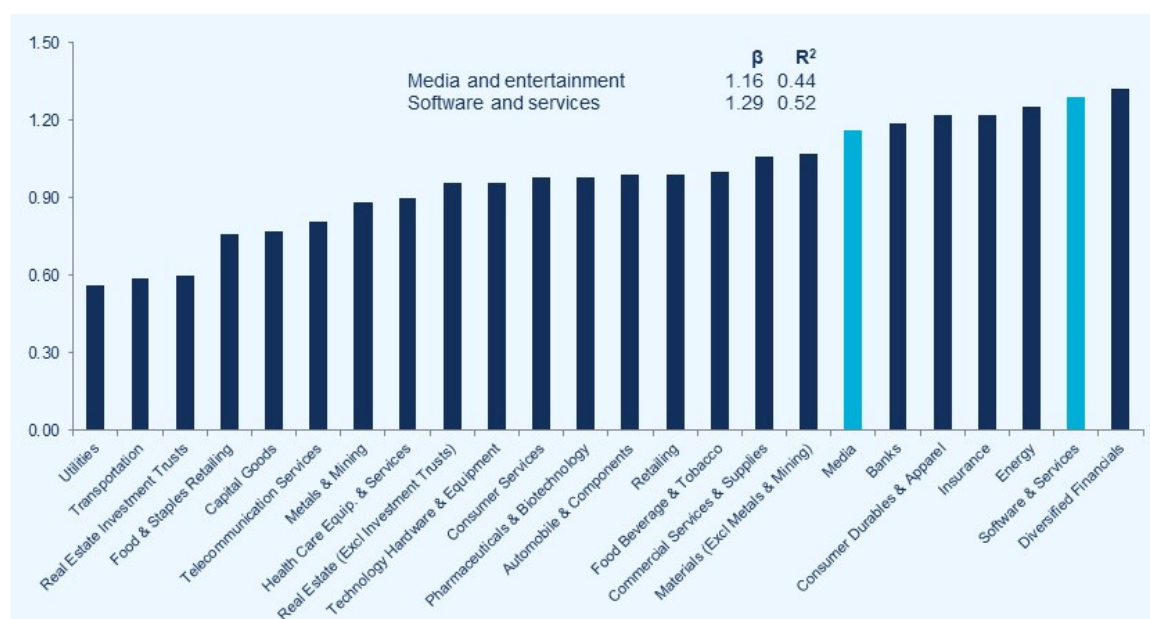
Beta estimate (β)

Description

The beta factor is a measure of the risk of an investment or business operation, relative to a well-diversified portfolio of assets. The only risks that are captured by beta are those risks that cannot be eliminated by the investor through diversification. Such risks are referred to as systematic, undiversifiable or uninsurable risk.

Beta is a measure of the relative riskiness of an asset in comparison to the market as a whole – by definition the market portfolio has an equity beta of 1.0. The equity betas of various Australian industries listed on the Australian Stock Exchange are reproduced below. Given the significant unusual market movements driven by COVID-19 in early 2020, we have based our beta estimates on data up to December 2019.

Figure 14: Industry betas



Source: SIRCA as at 31 December 2019

Betas derived from share market observations represent equity betas, which reflect the degree of financial gearing of the company. In order to eliminate the impact of differing capital structures, analysts often 'unlever' observed betas to calculate an asset beta. The selected asset beta is then 'relevered' with a target level of debt. The asset betas of companies comparable to IncentiaPay are included in the following table.

Table 20: Comparable company betas

Company	Country	Market Cap (A\$m)	Gearing D/EV	Asset Beta			R ²	CIQ	LH
				SIRCA	CIQ	LH			
Australian Loyalty & Payment Solutions Providers									
EML Payments Limited	Australia	1,477	-26%	1.59	1.53	1.51	0.12	0.12	0.12
RooLife Group Ltd	Australia	12	-35%	2.36	1.20	0.99	0.01	0.02	0.01
Mobecom Limited	Australia	11	6%	(0.35)	(0.55)	(0.63)	0.13	0.01	0.01
Crowd Media Holdings Limited	Australia	5	23%	(0.29)	(0.06)	(0.43)	-	0.00	0.00
Invigor Group Limited	Australia	4	50%	(0.06)	0.22	0.31	-	0.00	0.00
REFFIND Ltd	Australia	3	-44%	(0.13)	0.44	0.03	-	0.00	0.00
Rewardle Holdings Limited	Australia	2	-6%	3.52	2.77	3.34	0.19	0.14	0.18
Average		252	-4%	1.59	1.36	1.25			
Median		5	-6%	1.59	1.36	1.25			
International Loyalty & Payment Solutions Providers									
Shopify Inc.	Canada	65,599	-8%	n/a	1.11	1.36	n/a	0.11	0.18
Pinduoduo Inc.	China	62,573	nmf	n/a	0.88	1.43	n/a	0.05	0.10
Expedia Group, Inc.	United States	22,302	7%	n/a	0.72	0.90	n/a	0.15	0.14
Rakuten, Inc.	Japan	16,600	-23%	n/a	0.87	0.98	n/a	0.15	0.20
Alliance Data Systems Corporation	United States	7,355	67%	n/a	0.76	0.82	n/a	0.42	0.44
Yelp Inc.	United States	3,480	-24%	n/a	1.09	1.29	n/a	0.08	0.11
Groupon, Inc.	United States	1,921	-40%	n/a	0.68	0.91	n/a	0.02	0.04
Quotient Technology Inc.	United States	1,249	-19%	n/a	0.84	0.85	n/a	0.04	0.05
Snipp Interactive Inc.	Canada	5	-8%	n/a	2.54	2.94	n/a	0.07	0.10
Average		22,635	-6%	n/a	0.87	1.07			
Median		7,355	-14%	n/a	0.86	0.94			
Average - Overall			-5%	1.59	0.97	1.10			
Median - Overall			-8%	1.59	0.88	0.98			

Source: S&P Capital IQ as at 31 December 2019; SIRCA as at 31 December 2019

Notes:

1. Gearing levels represent the five-year average gearing levels.

2. The outliers are highlighted in grey and have been excluded from the average and median calculations.

Selected beta (β)

In selecting an appropriate beta for IncentiaPay, we have considered the following:

- ◆ The outbreak of COVID-19 in early 2020 has introduced significant noise into beta estimation. The impact of the pandemic varies across industries and there is presently no reason to expect underlying beta has changed for any specific industry. We have therefore used pre-COVID data as at 31 December 2019 for our estimation.
- ◆ The industry equity betas for the Australian Media and Entertainment and Software and Services industries are 1.16 and 1.29 respectively.
- ◆ The average and median asset beta for comparable Australian loyalty and payment solutions providers is between 1.25 and 1.59, excluding outliers.
- ◆ The average asset beta for comparable international loyalty and payment solutions providers is between 0.87 and 1.07 while the median asset beta is between 0.86 and 0.94, excluding outliers.
- ◆ The overall average asset beta is between 0.97 and 1.59 while the median asset beta is between 0.88 and 1.59, excluding outliers.
- ◆ In terms of operations, Yelp Inc. and Groupon Inc. are considered broadly similar to IncentiaPay. Yelp Inc. operates a platform that connects consumers with local businesses in different locations globally and offers consumers the ability to purchase discounted deals and gift certificates. Yelp Inc. is significantly larger in size than IncentiaPay with a more diversified range of service offerings that include restaurant reservations and data analytics solutions for business owners. Groupon Inc. is a marketplace that connects consumers to merchants through its mobile applications and websites, offering discounts and coupons for consumers and acts as an advertiser for merchants. Groupon Inc. is also significantly larger in size than IncentiaPay with active operations in multiple countries. As IncentiaPay has less diversified operations with a predominant exposure to the Australian market, it inherently has a higher risk profile than the broadly comparable companies.
- ◆ We note the R-squared for Yelp Inc. and Groupon Inc. are relatively low, ranging from 0.02 to 0.11, which indicates that the betas presented are driven by company specific factors and therefore the actual betas could be different from the betas presented and do not provide a good indication of their risks.
- ◆ The industry equity betas are less directly relevant in terms of business models than the comparable company betas.

As a result of these considerations we have selected an asset beta between 0.95 and 1.05 for IncentiaPay which equates to an equity beta of 1.12 to 1.23 after applying our selected gearing level of 20%. Our selected gearing level takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Specific company risk premium (α)

Size premium

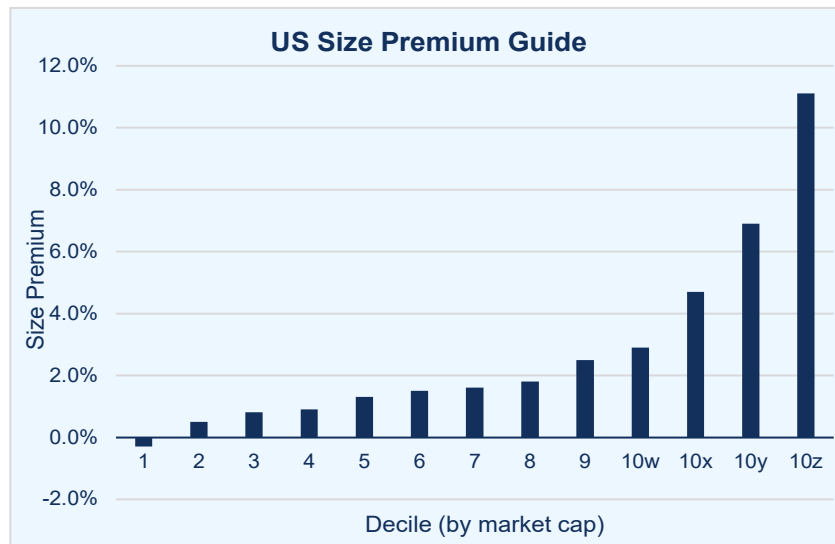
The size premium is the additional return that investors require for the risks of investing in small businesses. To date, whilst it has not been possible to isolate the specific causes of size premiums (other than simply size), many factors have been suggested, including:

- | | |
|---|---|
| ◆ Depth of management | ◆ Reliance on key suppliers |
| ◆ Reliance on key personnel | ◆ Lack of geographic diversification |
| ◆ Weak market position | ◆ Limited access to technology |
| ◆ Reliance on key customers | ◆ Absence of broker analysis |
| ◆ Reduced access to capital | ◆ Supplier concentration |
| ◆ Deeper pool of investors for larger companies | ◆ Investors in large companies often more diversified |

The size premium can be observed in earnings multiples of listed companies, with large companies trading on higher multiples than small companies, all else being equal. Size premiums are observed consistently across time, across different markets and across a very wide range of company values.

A number of studies have been undertaken attempting to measure the size premium, in particular in the US. The Duff & Phelps Cost of Capital Navigator is an online application that provides guidance in estimating cost of capital. It contains calculations of the size premium for each decile of market capitalisation. As the size premium is most significant for very small companies, the tenth decile is then further divided into four equal segments. The following chart summarises the size premium data from the Duff & Phelps Cost of Capital Navigator.

Table 21: Evidence of size premium



Source: Duff & Phelps Cost of Capital Navigator, data through 31 December 2018

Note: The first decile represents the largest companies while the 10z decile represents the smallest companies by market capitalisation.

As mentioned above, the existence of the size premium has been well documented. However, there are limited studies setting out the appropriate bands of size premium and the quantum of size premium applicable to each band. For this reason, the above table should be taken as broad support for the size effect and not an exact guide to the extent of any particular discount or premium that should be applied.

Although there is considerable evidence from the US, in the Australian context, the relatively small size of the Australian equity market makes it more difficult to observe the existence of this phenomenon.

Leadenhall and others have conducted a number of high-level studies which have confirmed the existence of the size effect in the Australian market. However, we are not aware of any Australian studies that have been performed with the same detail and rigour as the US studies, such as the Duff & Phelps data presented above. Based on the evidence from US studies and our knowledge of prices actually paid in Australian transactions, from which a discount rate can be implied, we believe the size premium ranges in the below table are appropriate. This table should be taken as a guide to the appropriate size premium for a given business and needs to be considered in conjunction with the specific circumstances of a particular business.

Table 22: Leadenhall size premium bandings

Size Premium Guide for Australia				
Size	Mkt Cap Range (AU\$m)		Size Premium	
	Low	High	Low	High
Largest	4,000	Above	-	-
Large	1,000	4,000	-	1.0%
Mid-cap	300	1,000	1.0%	2.0%
Low-cap	100	300	2.0%	3.0%
Small-cap	50	100	3.0%	5.0%
Micro-cap	10	50	5.0%	8.0%
Medium private ¹	5	10	8.0%	11.0%
Small private ¹	2	5	11.0%	15.0%
Smallest ¹	-	2	15.0%	20.0%

Source: Leadenhall analysis

Note 1: We do not generally consider the CAPM model to be reliable for entities of this size as they often do not meet the background assumptions underpinning the CAPM. In particular investors are often not diversified, and it is rarely possible to lend or borrow stock of entities this size (i.e. a market for shorting these stocks). These suggested size premiums are therefore presented as an approximate guide only as alternate models, studies and rules of thumb are commonly utilised for these types of companies.

Based on its market capitalisation of \$22 million as at 30 September 2020, IncentiaPay would be considered a micro-cap public company and as such a size premium of between 5% and 8% would generally apply. Accordingly, we have selected a size premium of 6.5% to 7.5%.

Other company specific risks

The specific company risk premium adjusts the cost of equity for company specific factors, including unsystematic risk factors such as reliance on key customers, reliance on key suppliers, existence of contingent liabilities etc that are not already factored into the size premium. We consider that these factors are reflected in either the cash flow forecasts or adjustments to size premium discussed above for IncentiaPay. We have therefore not applied a specific risk premium for the Proposed Transaction valuation.

Dividend Imputation

Since July 1987, Australia has had a dividend imputation system in place, which aims to remove the double taxation effect of dividends paid to investors. Under this system, domestic equity investors receive a taxation credit (franking credit) for any tax paid by a company. The franking credit attaches to any dividends paid out by a company and the franking credit offsets personal tax. To the extent the investor can utilise the franking credit to offset personal tax, then the corporate tax is now not a real impost. It is best considered as a withholding tax for personal taxes. It can therefore be argued that the benefit of dividend imputation should be added to any analysis of value.

However, in our view, the evidence relating to the value that the market ascribes to imputation credits is inconclusive. There are diverse views as to the value of imputation credits and the appropriate method that should be employed to calculate this value. Due to the uncertainty surrounding the extent to which acquirers of assets factor in dividend imputation, we have not factored in dividend imputation.

Conclusion on cost of equity

The following table sets out our cost of equity estimate for IncentiaPay based on the assumptions and inputs discussed above:

Table 23: Estimated cost of equity for IncentiaPay

Components	Low	High
Risk free rate (R_f)	0.86%	0.86%
Asset beta (β_A)	0.95	1.05
Equity beta (β_E)	1.12	1.23
Equity market risk premium (EMRP)	7.25%	7.75%
Size premium (α_{size})	6.5%	7.5%
Specific risk premium (α_c)	0.0%	0.0%
Assessed cost of equity (k_e)	15.4%	17.9%

Source: Leadenhall analysis

Post-tax weighted average cost of capital (WACC)

WACC reflects the rate of return expected for an asset, adjusted for its underlying funding structure, such as relative components of debt and equity, calculated as follows:

$$WACC = (K_e \times E/V) + (K_d \times D/V + (1 - t_c))$$

The components of the WACC formula are:

Table 24: Components of WACC

Input	Definition
WACC	The post-tax weighted average cost of capital
K_e	The required post-tax return on equity
t_c	The corporate tax rate
K_d	The required pre-tax return on debt
D	The market value of debt
E	The market value of equity
V	The market value of business, where $V = D + E$

Each of the components in the above equation is discussed below.

Cost of equity (K_e)

The required post-tax return on equity as assessed in the preceding section.

Corporate tax rate (t_c)

The corporate tax rate in Australia is 30% and we have adopted this rate in calculating the WACC for IncentiaPay.

Cost of debt capital (K_d)

The cost of borrowing is the expected future borrowing cost of the relevant project and/or business. We have assessed the cost of debt capital for IncentiaPay to be between 5.5% and 6.5%, based on current indicative lending rates for businesses of similar size as IncentiaPay.

Debt and equity mix

The selection of an appropriate capital structure is a subjective exercise. The tax deductibility of the cost of debt means that the higher the proportion of debt, the lower the WACC for a given cost of equity. However, at significantly higher levels of debt, the marginal cost of borrowing would increase due to the greater risk which debt holders are exposed to. In addition, the cost of equity would also be likely to increase due to equity investors requiring a higher return given the higher degree of financial risk that they have to bear.

Ultimately for each company there is likely to be a level of debt/equity mix that represents the optimal capital structure for that company. In estimating the WACC, the debt/equity mix assumption should reflect what would be the optimal or target capital structure for the relevant asset. We have selected a debt to enterprise value of 20.0% which takes into consideration IncentiaPay's long-term need for leverage to fund its growth and maximise returns to shareholders, constrained by the lack of ability to support significant levels of debt given its poor profitability and cash flow generation. The selected gearing level is within the range of the comparable companies' gearing levels.

Calculation of WACC

The table below summarises the post-tax, nominal discount rate we have derived for IncentiaPay, based on the assumptions and inputs discussed above.

Table 25: Estimated WACC for IncentiaPay

Components	Low	High
Assessed cost of equity (k_e)	15.4%	17.9%
Cost of debt (K_d)	5.5%	6.5%
Gearing (D/V)	20.0%	20.0%
Tax rate (t)	30.0%	30.0%
Calculated WACC	13.1%	15.2%
Selected WACC	13.0%	15.0%

Source: Leadenhall analysis

APPENDIX 4: COMPARABLE COMPANIES

The following company descriptions are extracted from descriptions provided by S&P Capital IQ.

Company	Description
Alliance Data Systems Corporation	Alliance Data Systems Corporation provides data-driven marketing and loyalty solutions in the United States, Canada, Europe, the Middle East, Africa, the Asia Pacific, and others.
Crowd Media Holdings Ltd	Crowd Media Holdings Limited sells information, entertainment, and content and utility services for mobile phones and tablets in Australasia, Europe, Latin America, and internationally.
EML Payments Ltd	EML Payments Limited provides prepaid payment services in Australia, Europe, and North America.
Expedia Group, Inc.	Expedia Group, Inc. operates as an online travel company worldwide.
Groupon, Inc.	Groupon, Inc. operates online local commerce marketplaces that connect merchants to consumers by offering goods and services at a discount in North America and internationally.
Invigor Group Ltd	Invigor Group Limited, a B2B data intelligence and solution company, provides data analytics solutions to the retail and service industries in Australia, Germany, Singapore, and internationally.
Mobecom Ltd	Mobecom Limited provides customer engagement technology that delivers end-to-end technology solutions for businesses to engage with their customers in Australia, Singapore, and South Africa.
Pinduoduo Inc.	Pinduoduo Inc., through its subsidiaries, operates an e-commerce platform in the People's Republic of China.
Quotient Technology Inc.	Quotient Technology Inc. is a digital marketing company that provides technology and services such as power integrated digital promotions and media programs for consumer-packaged goods brands and retailers.
Rakuten, Inc.	Rakuten, Inc. offers Internet services in Japan, the Americas, Europe, rest of Asia, and internationally.
REFFIND Ltd	REFFIND Ltd develops cloud-based SaaS that provides loyalty and employee engagement solutions in Australia and internationally.
Rewardle Holdings Ltd	Rewardle Holdings Limited, together with its subsidiaries, provides digital customer engagement platform for SME merchants.
RooLife Group Ltd	RooLife Group Limited, together with its subsidiaries, provides integrated digital marketing and customer acquisition services with a focus on driving online sales of products and services for its clients in Australia and China.
Shopify Inc.	Shopify Inc., a commerce company, provides a cloud-based multi-channel commerce platform for small and medium-sized businesses in Canada, the United States, the United Kingdom, Australia, and internationally.
Snipp Interactive Inc.	Snipp Interactive Inc., a loyalty and promotions technology company, provides mobile marketing, rebates, and loyalty solutions in the United States, Canada, Ireland, and internationally.
Yelp Inc.	Yelp Inc. operates a platform that connects consumers with local businesses in the United States, Canada, and internationally.

Source: S&P Capital IQ

APPENDIX 5: CONTROL PREMIUM

The outbreak of COVID-19 and the consequential general decline in share prices is likely to have an impact on implied control premiums in the current environment. Although there is anecdotal evidence from previous economic downturns of control premiums being higher than the long-term average in times of economic distress, it is difficult to quantify the impact of the current environment on long-term estimates based on currently available data. We have therefore presented our analysis of control premiums prior to the outbreak of COVID-19 noting that any reasonable range of control premiums does not impact our conclusion on the Proposed Transaction.

Background

The difference between the control value and the liquid minority value of a security is the control premium. The inverse of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders agreements and other legal constraints), including the ability to:

- ◆ Appoint or change operational management
- ◆ Appoint or change members of the board
- ◆ Determine management compensation
- ◆ Determine owner's remuneration, including remuneration to related party employees
- ◆ Determine the size and timing of dividends
- ◆ Control the dissemination of information about the company
- ◆ Set strategic focus of the organisation, including acquisitions, divestments and any restructuring
- ◆ Set the financial structure of the company (debt / equity mix)
- ◆ Block any or all of the above actions

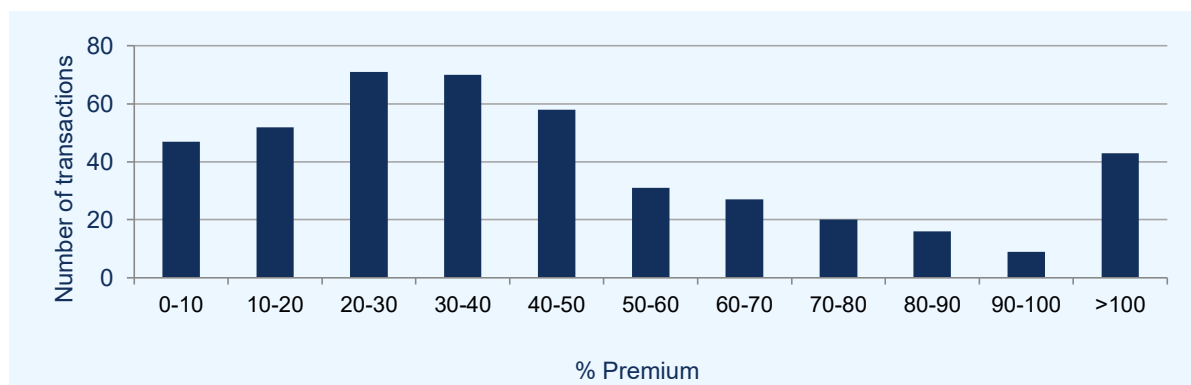
The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Takeover Premiums

Dispersion of premiums

The following chart shows the spread of premiums paid in takeovers between 2007 and 2017. We note that these takeover premiums may not be purely control premiums, for example the very high premiums are likely to include synergy benefits, while the very low premiums may be influenced by share prices rising in anticipation of a bid.

Figure 15: Takeover premium by size



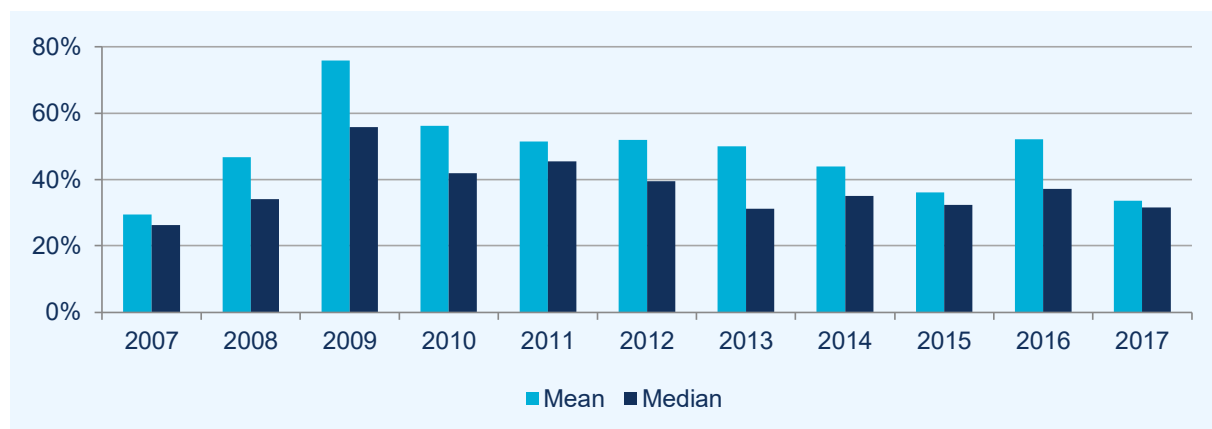
Sources: S&P Capital IQ, Leadenhall analysis

This chart highlights the dispersion of premiums paid in takeovers. The chart shows a long tail of high premium transactions, although the most common recorded premiums are in the range of 20% to 40%, with approximately 65% of all premiums falling in the range of 0% to 50%.

Premiums over time

The following chart shows the average premium paid in completed takeovers compared to the price one month before the initial announcement.

Figure 16: Average takeover premium (1 month)



Sources: S&P Capital IQ, Leadenhall analysis

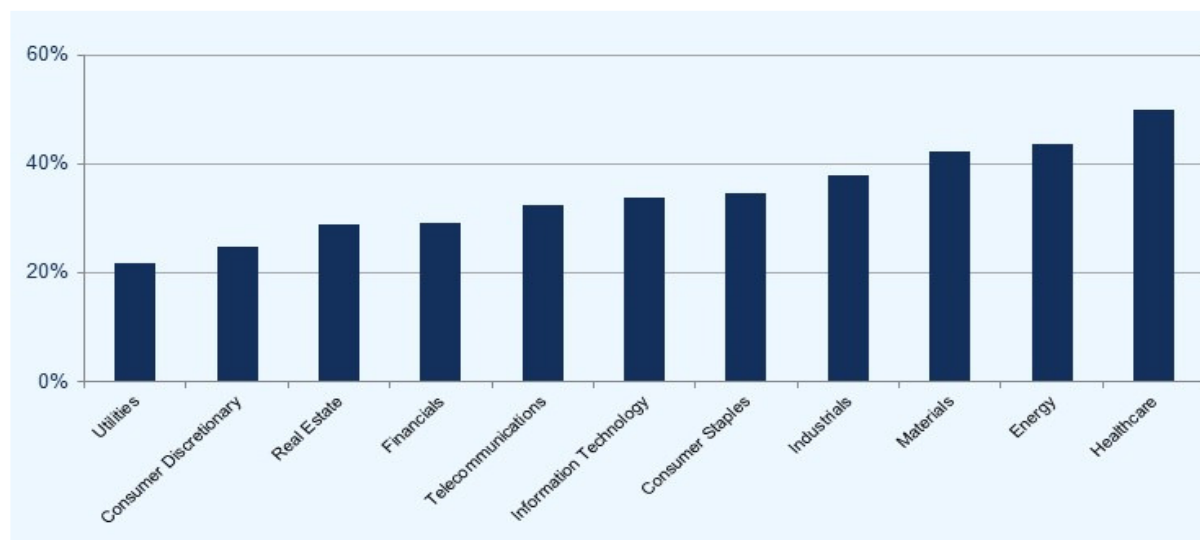
Note: The average premiums presented above exclude transactions with implied control premiums below zero and transactions which we consider to be outliers.

The chart indicates that while premiums vary over time, there is no clearly discernible pattern. The mean is higher than the median due to a small number of high premiums.

Premiums by industry

The following chart shows the average takeover premium by industry, compared to the share price one month before the takeover was announced. Most industries show an average premium of 20% to 40%.

Figure 17: Average takeover premium (2007 to 2017)



Sources: S&P Capital IQ, Leadenhall analysis

Note: The average premiums presented above exclude specific transactions with implied control premiums below zero or over 100% which we consider to be outliers.

Key factors that generally lead to higher premiums being observed include:

- ◆ Competitive tension arising from more than one party presenting a takeover offer.
- ◆ Favourable trading conditions in certain industries (e.g. recent mining and tech booms).
- ◆ Significant synergistic special or strategic value.
- ◆ Scrip offers where the price of the acquiring entity's shares increases between announcement and completion.

Industry Practice

In Australia, industry practice is to apply a control premium in the range of 20% to 40%, as shown in the following list quoting ranges noted in various independent experts' reports.

- ◆ Deloitte - 20% to 40%
- ◆ Ernst & Young - 20% to 40%
- ◆ Grant Samuel - 20% to 35%
- ◆ KPMG - 25% to 35%
- ◆ Lonergan Edwards - 30 to 35%
- ◆ PwC - 20% to 40%

The range of control premiums shown above is consistent with most academic and professional literature on the topic.

Alternative View

Whilst common practice is to accept the existence of a control premium in the order of 20% to 40%, certain industry practitioners (particularly in the US) disagree with the validity of this conclusion. Those with an alternate view point to the fact that very few listed companies are acquired each year as evidence that 100% of a company is not necessarily worth more than the proportionate value of a small interest. Those practitioners agree that the reason we see some takeovers at a premium is that if a company is not well run, there is a premium related to the difference in value between a hypothetical well-run company and the company being run as it is.

Impact of Methodologies Used

The requirement for an explicit valuation adjustment for a control premium depends on the valuation methodology and approach adopted and the level of value to be examined. It may be necessary to apply a control premium to the value of a liquid minority value to determine the control value. Alternatively, in order to estimate the value of a minority interest, it may be necessary to apply a minority discount to a proportional interest in the control value of the company.

Discounted cash flow

The discounted cash flow methodology generally assumes control of the cash flows generated by the assets being valued. Accordingly, such valuations reflect a premium for control. Where a minority value is sought a minority discount must therefore be applied. The most common exception to this is where a discounted dividend model has been used to directly determine the value of an illiquid minority holding.

Capitalisation of earnings

Depending on the type of multiple selected, the capitalisation of earnings methodology can reflect a control value (transaction multiples) or a liquid minority value (listed company trading multiples).

Asset based methodologies

Asset based methodologies implicitly assume control of the assets being valued. Accordingly, such valuations reflect a control value.

Intermediate Levels of Ownership

There are a number of intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- ◆ 90% - can compulsory purchase remaining shares if certain conditions are satisfied
- ◆ 75% - power to pass special resolutions
- ◆ > 50% - gives control depending on the structure of other interests (but not absolute control)
- ◆ > 25% - ability to block a special resolution
- ◆ 20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- ◆ < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

> 50%

For all practical purposes, a 50% interest confers a similar level of control to holdings of greater than 50%, at least where the balance of the shares are listed and widely held. Where there are other significant holders, such as in a 50/50 joint venture, 50% interests involve different considerations depending upon the particular circumstances.

Strategic parcels do not always attract a control premium. In fact, if there is no bidder, the owner may be forced to sell the shares through the share market, usually at a discount to the prevailing market price. This reflects the fact that the sale of a parcel of shares significantly larger than the average number of shares traded on an average day in a particular stock generally causes a stock overhang, therefore there is more stock available for sale than there are buyers for the stock and in order to clear the level of stock available, the share price is usually reduced by what is referred to as a blockage discount.

20% to 50%

Holdings of less than 50% but more than 20% can confer a significant degree of influence on the owner. If the balance of shareholders is widely spread, a holding of less than 50% can still convey effective control of the business. However, it may not provide direct ownership of assets or access to cash flow. This level of holding has a strategic value because it may allow the holder significant influence over the company's management, possibly additional access to information and a board seat.

< 20%

Holdings of less than 20% are rarely considered strategic and would normally be valued in the same way as a portfolio interest given the stake would not be able to pass any ordinary or special resolution on their own if they were against the interests of the other shareholders. Depending on the circumstances, a blockage discount may also apply.

As explained above, the amount of control premium or minority discount that would apply in specific circumstances is highly subjective. In relation to the appropriate level of control premium, Aswath Damodaran notes "the value of controlling a firm has to lie in being able to run it differently (and better)". A controlling shareholder will be able to implement their desired changes. However, it is not certain that a non-controlling shareholder would be able to implement changes they desired. Thus, following the logic of Damodaran and the fact that the strategic value of the holding typically diminishes as the level of holding decreases, the appropriate control premium for a non-controlling shareholder should be lower than that control premium for a controlling stake.

Key factors in determining a reasonable control premium

Key factors to consider in determining a reasonable control premium include:

- ◆ **Size of holding** – generally, larger stakes attract a higher control premium
- ◆ **Other holdings** – the dispersion of other shareholders is highly relevant to the ability for a major shareholder to exert control. The wider dispersed other holdings are, the higher the control premium
- ◆ **Industry premiums** – evidence of premiums recently paid in a given industry can indicate the level of premium that may be appropriate
- ◆ **Size** – medium sized businesses in a consolidating industry are likely to be acquired at a larger premium than other businesses
- ◆ **Dividends** – a higher dividend pay-out generally leads to a lower premium for control
- ◆ **Gearing** – a company that is not optimally geared may attract a higher premium than otherwise, as the incoming shareholder has the opportunity to adjust the financing structure
- ◆ **Board** – the ability to appoint directors would increase the control premium attaching to a given parcel of shares. The existence of independent directors would tend to decrease the level of premium as this may serve to reduce any oppression of minority interests and therefore support the level of the illiquid minority value
- ◆ **Shareholders' agreement** - the existence and contents of a shareholder's agreement, with any protection such as tag along and drag along rights offered to minority shareholders lowers the appropriate control premium.

APPENDIX 6: QUALIFICATIONS, DECLARATIONS AND CONSENTS

Responsibility and purpose

This report has been prepared for Non-Associated Shareholders for the purpose of assessing the fairness and reasonableness of the Proposed Transaction. Leadenhall expressly disclaims any liability to any shareholder, or anyone else, whether for our negligence or otherwise, if the report is used for any other purpose or by any other person.

Reliance on information

In preparing this report we relied on the information provided to us by IncentiaPay being complete and accurate and we have assumed it has been prepared in accordance with applicable Accounting Standards and relevant national and state legislation. We have not performed an audit, review or financial due diligence on the information provided. Drafts of our report were issued to IncentiaPay's management for confirmation of factual accuracy.

Prospective information

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Leadenhall's consideration of this information consisted of enquiries of IncentiaPay's personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with Australian Auditing Standards, or any other standards. Nothing has come to our attention as a result of these enquiries to suggest that the financial projections for IncentiaPay, when taken as a whole, are unreasonable for the purpose of this report.

We note that the forecasts and projections supplied to us are, by definition, based upon assumptions about events and circumstances that have not yet transpired. Actual results in the future may be different from the prospective financial information of IncentiaPay referred to in this report and the variation may be material, since anticipated events frequently do not occur as expected. Accordingly, we give no assurance that any forecast results will be achieved. Any future variation between the actual results and the prospective financial information utilised in this report may affect the conclusions included in this report.

Market conditions

Leadenhall's opinion is based on prevailing market, economic and other conditions as at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon the conclusion reached in this report.

As a valuation is based upon expectations of future results it involves significant judgement. Although we consider the assumptions used and the conclusions reached in this report are reasonable, other parties may have alternative expectations of the future, which may result in different valuation conclusions. The conclusions reached by other parties may be outside Leadenhall's preferred range.

Indemnities

In recognition that Leadenhall may rely on information provided by IncentiaPay and their officers, employees, agents or advisors, IncentiaPay has agreed that it will not make any claim against Leadenhall to recover any loss or damage which it may suffer as a result of that reliance and that it will indemnify Leadenhall against any liability that arises out of Leadenhall's reliance on the information provided by IncentiaPay and their officers, employees, agents or advisors or the failure by IncentiaPay and their officers, employees, agents or advisors to provide Leadenhall with any material information relating to this report.

Qualifications

The personnel of Leadenhall principally involved in the preparation of this report were Richard Norris, BA (Hons), FCA, M.App.Fin, F.Fin; Nathan Timosevski, BBus, Grad Dip App Fin, BV Specialist, CA, A.FINSIA; Simon Dalgarno, B.Ec, FCA, F.FINSIA; and Bruce Li, BCom., CA, CA BV Specialist.

This report has been prepared in accordance with “APES 225 – Valuation Services” issued by the Accounting Professional & Ethical Standards Board and this report is a valuation engagement in accordance with that standard and the opinion is a Conclusion of Value.

Independence

Leadenhall has acted independently of IncentiaPay. Compensation payable to Leadenhall is not contingent on the conclusion, content or future use of this report.

LODGE YOUR VOTE



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Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474

LODGE A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given above by **10:00am (AEDT) on Monday, 14 December 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE
www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Annual General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

NAME SURNAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5
ADDRESS LINE 6



X99999999999

PROXY FORM

I/We being a member(s) of IncentiaPay Ltd and entitled to attend and vote hereby appoint:

APPOINT A PROXY



the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name

Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **10:00am (AEDT) on Wednesday, 16 December 2020** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a virtual meeting and you can participate by logging in online at <https://agmlive.link/INP20> (refer to details in the Virtual Meeting Online Guide and Notice of Meeting).

Important for Resolution 2: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 2, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

	For	Against	Abstain*		For	Against	Abstain*
2 Adoption of Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval of issue of Shares under the Convertible Loan Deed	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Stephen Harrison as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval of amendment to the Loan Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4A Ratification of prior issue of equity securities: Loan Funded Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval of entry into Skybound Loan Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4B Ratification of prior issue of equity securities: Gift Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5A Approval of employee incentive scheme: Loan Funded Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5B Approval of employee incentive scheme: Employee Share Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
5C Approval of employee incentive scheme: Gift Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
6 Approval of capacity to issue securities under Listing Rule 7.1A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				



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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

INP PRX2001N