

18 October 2017

For immediate release to the market

LODGMENT OF BIDDER'S STATEMENT

In accordance with item 5 of section 633(1), Corporations Act 2001 (**Corporations Act**), please find enclosed a copy of the bidder's statement (including the offer document) in relation to Future Fibre Technologies Limited's (**FFT**) off-market takeover bid for all the ordinary shares in MaxSec Group Limited ACN 000 029 265 (**MaxSec**) (**Bidder's statement**).

The Bidder's statement has been lodged with the Australian Securities and Investments Commission and has been served on MaxSec today.

Pursuant to section 633(4) Corporations Act, FFT gives notice that 18 October 2017 is the date which has been set, in accordance with section 633(2) and 633(3) of the Corporations Act, for the purpose of determining the persons to whom the Bidder's Statement is to be sent.

Kim Clark
Company Secretary

ENDS

BIDDER'S STATEMENT

OFFER BY

FUTURE FIBRE TECHNOLOGIES LIMITED

ACN 064 089 318

to acquire all of your shares in

MAXSEC GROUP LIMITED

ACN 000 029 265

for

1 FFT Share for every 4 of your MaxSec Shares

ACCEPT

This Bidder's Statement is dated 18 October 2017.

The Offer is dated [BLANK IN LODGED VERSION] 2017 and will close at 7.00pm Sydney time on [BLANK IN LODGED VERSION] 2017, unless extended.

Please call 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) if you require assistance with your acceptance.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible

LEGAL ADVISERS

Lawyers | **McCullough
Robertson**

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Important notices

Key Dates

| | |
|--|--------------------------------|
| Announcement Date | 25 August 2017 |
| Bidder's Statement lodged with ASIC | 18 October 2017 |
| Date of Offer | [BLANK IN LODGED VERSION] 2017 |
| Close of Offer Period (unless extended or withdrawn) | [BLANK IN LODGED VERSION] 2017 |

You should read this Bidder's Statement in its entirety. A copy of this Bidder's Statement was lodged with ASIC on 18 October 2017. Neither ASIC, nor any of its officers, take any responsibility for the content of this Bidder's Statement. A copy of this Bidder's Statement was also provided to ASX on 18 October 2017. Neither ASX, nor any of its officers, take any responsibility for the content of this Bidder's Statement.

This Bidder's Statement is given by Future Fibre Technologies Limited ACN 064 089 318 (**FFT**) under part 6.5 Corporations Act and sets out certain disclosures required by the Corporations Act together with the terms of the Offer to acquire your shares in MaxSec Group Limited ACN 000 029 265 (**MaxSec**).

This Bidder's Statement is dated 18 October 2017. It includes an Offer dated [BLANK IN LODGED VERSION] 2017 on the Offer Terms set out in Schedule 1.

Investment decisions

This Bidder's Statement constitutes only general advice and does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Offer for your MaxSec Shares.

Forward looking statements

This Bidder's Statement contains certain forward looking statements and statements of current intention. The forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement. Such statements are only predictions and are subject to inherent risks and uncertainties. The risks this Offer is subject to are discussed in detail under Section 9.

You should be aware that those statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of FFT, its officers or any person named in this Bidder's Statement with their consent or involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You should not place undue reliance on those statements. Matters as yet not known to FFT or not currently considered material by FFT may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this document is qualified by this cautionary statement

Information regarding MaxSec

The information contained in this Bidder's Statement on MaxSec and MaxSec Shares has been prepared by FFT using publicly available information.

None of that information has been independently verified by FFT. Accordingly, FFT does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to MaxSec's business may be included in the Target's Statement, which MaxSec must provide to its shareholders in response to this Bidder's Statement.

Notice for U.S. Shareholders

This Bidder's Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The securities described herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, such securities may not be offered or sold, directly or indirectly, to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This Bidder's Statement may not be forwarded, distributed or reproduced in whole or in part in any jurisdiction where it would be unlawful, including the United States.

The Offer is being made for shares of an Australian company and is subject to the laws of Australia. It is important for U.S. shareholders to be aware that the transaction is subject to takeover and disclosure laws and regulations in Australia that are different from those in the United States. Certain of the U.S. federal securities laws applicable to tender offers will not apply to the transaction and you may not have the same rights or protections applicable to equivalent transactions conducted in the United States. It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since FFT is located in Australia, and some or all of its officers and directors may be residents of Australia.

Notice to all other foreign shareholders outside the U.S., New Zealand, and Singapore

This Bidder's Statement and the Offer are subject to Australian disclosure requirements which may be different from those applicable in other jurisdictions. This Bidder's Statement and the Offer do not constitute an offer in any place which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 14 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretations as in the Corporations Act.

Privacy statement

FFT has collected your information from the register of MaxSec Shareholders. The Corporations Act permits information to be made available to certain persons, including FFT. Your information may also be disclosed on a confidential basis to FFT's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. You can contact us for details of information held by us about you.

How to accept

Acceptances for the Offer must be received before the close of the Offer Period.

There are different ways to accept the Offer depending on how you hold your MaxSec Shares. You should read Section 3 for full details on how to accept the Offer.

For CHESS Holdings

Before the end of the Offer Period:

- (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
- (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or
- (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf.

For Issuer Sponsored Holdings

Complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so that it is received before the end of the Offer Period to:

BY HAND

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
AUSTRALIA

BY MAIL (a reply paid envelope is enclosed)

Boardroom Pty Limited
MaxSec Group Limited Takeover
GPO Box 3993
SYDNEY NSW 2001

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer for your MaxSec Shares.

Enquiries

If you are in any doubt how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser.

If you have any questions about the Offer or how to accept it, please call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to Friday.

Offers to Foreign Shareholders

If you are a Foreign Shareholder, unless FFT otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with FFT Shares on acceptance of the Offer; and
- (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories New Zealand, or Singapore,

you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares.

If you are a Foreign Shareholder and you accept the Offer, or your MaxSec Shares are compulsorily acquired, you will not receive FFT Shares, and will instead receive the cash amount calculated under clause 5.3 of Schedule 1 as part of the nominee process explained in Section 13.12.

Further information about the entitlement of a Foreign Shareholder is set out in Section 13.12.

Letter from the Chairman

Future Fibre Technologies Ltd
10 Hartnett Close, Mulgrave
Victoria 3170, Australia
www.fftsecurity.com
ABN 67 064 089 318
P +61 3 9590 3100

Dear MaxSec Shareholder

The Future Fibre Technologies Offer

On behalf of Future Fibre Technologies Limited (**FFT**), we are pleased to present FFT's Offer to acquire all of your shares in MaxSec Group Limited (**MaxSec**).

The Offer Consideration is 1 FFT Share for every 4 MaxSec Shares you own. This represents a premium of 35% on MaxSec's share price on 17 October 2017 and 9.3% based on MaxSec's one month VWAP¹.

We encourage you to read this Bidder's Statement for more details about the Offer and about FFT. If you have any questions on the Offer, please contact your legal, financial or other professional adviser or call the Shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) on weekdays between 9.00am and 5.00pm or visit the FFT website at www.fftsecurity.com.

About FFT

FFT is a leading developer and manufacturer of fibre optic intrusion detection security systems. Deployed by some of the most security conscious industrial, military and government organisations in the world, FFT's advanced security systems:

- detect and locate perimeter intrusions;
- identify third-party interference on oil and gas pipelines; and
- protect sensitive data network communications cables.

With over 1,500 systems installed in more than 65 countries, FFT has established a solid reputation for delivering highly intelligent, reliable, and award winning intrusion detection solutions.

Benefits of the Offer

The directors of FFT believe that a merger of MaxSec and FFT would be in the interests of the shareholders of both companies. The increased size, scale and geographical footprint of a merged business as well as potential synergies and operational benefits² could see a re-rating of the merged business. We believe shareholders will also benefit from improved liquidity that might come from the increase in market capitalisation and the number of shares on issue in the merged business.

¹ VWAP means the volume weighted average price of a security.

² Assumes FFT attains a 100% interest in MaxSec. At the date of this Bidder's Statement, FFT is not able to reliably estimate the quantum or timing of potential synergies (or potential one-off costs which may need to be incurred in order for FFT to obtain such synergies) resulting from a merger with MaxSec.

FFT's Offer represents value for your investment in MaxSec. If you accept the Offer and the Offer becomes or is declared unconditional, this will result in you immediately receiving benefits from the 11.6% premium implied in our Offer³ relative to the three month VWAP of MaxSec Shares prior to the Announcement Date as well as participating in any upside from the merged business.

MaxSec Board support

The Independent Directors⁴ of the MaxSec Board unanimously recommend that MaxSec Shareholders accept the Offer and have indicated their intention to do so for the MaxSec Shares that they hold or control, unless there is a Superior Proposal.

Conditions of the Offer

The Offer is subject to a number of Defeating Conditions, including an 80 percent minimum acceptance condition. The terms of the Offer, including the Defeating Conditions, are set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

We encourage you to read this Bidder's Statement for more details about the Offer and about FFT. The Offer is open for your acceptance until 7.00pm Sydney time on [BLANK IN LODGED VERSION] 2017, unless extended. If you wish to accept the Offer, please complete the acceptance steps in the manner described in Section 3.

I look forward to your acceptance and welcoming you as a shareholder of Future Fibre Technologies Limited.

Yours sincerely



Mr Terence Winters
Chairman

³ Based on the 3 month VWAP for FFT up to 24 August 2017 versus the 3 month VWAP for MaxSec up to 24 August 2017. The value of the Offer will continue to change during the Offer Period as the FFT Share price changes.

⁴ Independent Directors of MaxSec means all of MaxSec's non-conflicted directors. The Independent Directors are identified in Section 13.7 of this Bidder's Statement.

1 Why you should accept FFT's Offer

1.1 MaxSec Board support for the Offer

The MaxSec Independent Directors⁵ have unanimously recommended that you accept the Offer and have indicated their intention to do so for the MaxSec Shares that they own or control, unless a Superior Proposal emerges.

1.2 The Offer represents a premium to historic MaxSec Share prices

The Offer provides substantial value to MaxSec Shareholders as it represents a highly attractive premium over the historical market price of MaxSec Shares

The Offer is equivalent to approximately \$0.034 per MaxSec Share compared to the closing price of MaxSec Shares the trading day before the Bidder's Statement of \$0.025 and represents:

- (a) a 9.3% premium to the VWAP of MaxSec Shares for one month before the Bidder's Statement;
- (b) a 3.8% premium to the VWAP of MaxSec Shares for three months before the Bidder's Statement; and
- (c) a 6.3% premium to the VWAP of MaxSec Shares for six months before the Bidder's Statement date.

By way of comparison, this is equivalent to approximately \$0.03 per MaxSec Share compared to the closing price of MaxSec Shares the trading day before the Announcement Date of \$0.044 and represents:

- (a) a 2% discount to the VWAP of MaxSec Shares for one month before the Announcement Date;
- (b) an 11.6% premium to the VWAP of MaxSec Shares for three months before the Announcement Date; and
- (c) a 20.4% premium to the VWAP of MaxSec Shares for six months before the Announcement Date.

The implied value of the Offer will fluctuate with the FFT share price. Accordingly, if the FFT share price falls, the value of the Offer will also fall. Likewise, if the FFT share price rises, the value of the Offer will rise.

1.3 You will have an on-going interest in the merged FFT and MaxSec business⁶

The merging of the businesses' may lead to⁷:

- MaxSec gaining access to FFT's strategic relationships with leading Systems Integrators and distributors;

⁵ Independent Directors of MaxSec means all of MaxSec's non-conflicted directors. The Independent Directors are identified in Section 13.7 of this Bidder's Statement.

⁶ Assumes FFT attains a 100% interest in MaxSec.

⁷ Realising synergies is a potential major benefit of merging FFT and MaxSec, however, at the date of this Bidder's Statement, FFT is not able to reliably estimate the quantum or timing of potential synergies (or potential one-off costs which may need to be incurred in order for FFT to obtain such synergies) resulting from a merger with MaxSec. Potential synergies may not be realisable unless FFT attains a 100% interest in MaxSec.

- An expanded customer base and product and service range, increased sales channels and increased opportunities to cross-sell products and services creating a platform for significant further expansion;
- Improved utilisation of existing facilities and infrastructure;
- Consolidation of shared services (finance, administration and customer care); and
- Reduced governance and compliance costs.

1.4 A larger combined shareholder base and a significantly increased market capitalisation which may provide increased liquidity for both FFT and MaxSec shareholders

The merger of MaxSec and FFT could result in a significantly increased market capitalisation. This may provide increased liquidity for both FFT and MaxSec shareholders.

The increased market capitalisation may also benefit MaxSec's business performance by improving AVA Global's (a division of MaxSec) access to market opportunities with potential customers that have asset based compliance hurdles.

1.5 The merger will combine two of Australia's leading security companies, well-positioned to actively participate in further consolidation of the global security industry

The merger of MaxSec and FFT is a logical extension of an effective collaboration already in place between the two companies. MaxSec and FFT already share sales facilities, staff and activities in countries including the U.S. and Singapore. A strong mutual understanding and alignment exists through cross company management interactions and senior appointments (notably Mr Robert Broomfield as Chairman of MaxSec and Chief Executive Officer of FFT, and Mr Christopher Fergus as Executive Director of MaxSec and Non-executive Director of FFT).

1.6 Capital gains tax relief

Capital gains tax rollover relief may be available for MaxSec Shareholders in respect of the FFT Shares that they receive under the Offer. This relief may be available if FFT increases its holding to at least 80 percent of the MaxSec Shares on issue as a result of the Offer. See Section 11 for a discussion of the tax consequences where CGT rollover relief is not available.

1.7 There is no brokerage on accepting the Offer

On acceptance of this Offer, you will exchange your MaxSec shares for FFT shares without incurring brokerage fees. Any such costs will be borne by FFT.

If you choose not to accept the Offer, should you wish to exchange your MaxSec Shares for FFT shares, you may be required to sell your shares on market, and use the proceeds to purchase FFT shares. You may ordinarily be required to pay brokerage fees on both the sale and the purchase of shares.

1.8 There may be adverse consequences associated with not accepting the Offer

If you choose not to accept the Offer, you should be aware that:

- if FFT becomes entitled to compulsorily acquire your MaxSec Shares, it intends to do so and if your MaxSec Shares are compulsorily acquired, you will still receive the Offer Consideration for your MaxSec Shares but at a later date than you would have received it if you had accepted the Offer;
- if FFT obtains control of MaxSec, it intends, subject to compliance with the Corporations Act and Listing Rules, to seek removal of MaxSec from the official list of ASX; and

- (c) while there are many factors that will influence the market price of MaxSec Shares, in the absence of the Offer or a competing bid it is possible that the MaxSec Share price will fall below the value implied by the Offer.

2 Frequently asked questions about the Offer

| Question | Answer |
|---|---|
| Important Notice | The information set out in this Section is a summary only of FFT's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement. You should read the entire Bidder's Statement and the Target's Statement before deciding whether to accept the Offer. |
| Who is FFT? | Future Fibre Technologies Limited (FFT) is a public company listed on the ASX. For more information about FFT, please see Section 4.1. |
| What is the Offer? | FFT is making an offer to acquire all your MaxSec Shares. If you accept the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 1 FFT Share for every 4 MaxSec Shares you own. |
| Do the MaxSec Directors support the Offer? | Yes, all Independent Directors have recommended that MaxSec Shareholders accept the Offer and have indicated their intention to do so for the MaxSec Shares that they own or control within seven days of the date of MaxSec's Target's Statement, unless there is a Superior Proposal. |
| How long is the Offer open for? | The Offer opens on [BLANK IN LODGED VERSION] 2017 and is scheduled to close at 7.00pm Sydney time on [BLANK IN LODGED VERSION] 2017 (unless extended). |
| What are the conditions of the Offer? | <p>The Offer is subject to the following Defeating Conditions:</p> <ul style="list-style-type: none"> (a) 80 percent minimum acceptance condition; (b) no Prescribed Occurrences; (c) no material regulatory action; (d) Regulatory Approvals; (e) no Material Adverse Change; (f) appropriately dealing with the MaxSec Options; and (g) all other approvals of a third party which are necessary. <p>This is only a summary of the key conditions. The conditions are set out in full in Schedule 2.</p> <p>FFT may choose to waive certain Defeating Conditions in accordance with the Offer Terms.</p> <p>If the conditions are not satisfied or waived then the Offer will not proceed.</p> |
| Do I have to pay any fees? | <p>No brokerage, charges or stamp duty will be payable by you on acceptance of the Offer.</p> <p>If you choose to sell your MaxSec Shares on market, you may incur brokerage costs and GST on those costs.</p> |
| What should I do? | <p>To accept the Offer, you should:</p> <ul style="list-style-type: none"> (a) read this Bidder's Statement in full; (b) read MaxSec's Target's Statement in full; (c) consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the Offer; and (d) accept the Offer in the manner described in Section 3. <p>If you have any queries about the Offer, you may also call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to</p> |

| Question | Answer |
|---|--|
| How do I accept the Offer? | <p>Friday.</p> <p>The Offer may only be accepted for all of your MaxSec Shares.</p> <p>The manner in which you accept the Offer depends on whether you hold your MaxSec Shares in an Issuer Sponsored Holding, a CHES Holding, or if you are a Broker or a Non-Broker Participant.</p> <p>Full details on how to accept the Offer are set out in Section 3.</p> <p>For CHES Holdings</p> <p>Before the end of the Offer Period:</p> <ul style="list-style-type: none"> (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules; (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf. <p>For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period. A reply paid envelope (not able to be used by MaxSec Shareholders outside Australia) is enclosed for your convenience.</p> <p>Mailing and delivery addresses</p> <p>If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement.</p> <p>The delivery address is:</p> <p>Boardroom Pty Limited MaxSec Group Limited Takeover Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 AUSTRALIA</p> <p>The mailing address is:</p> <p>Boardroom Pty Limited MaxSec Group Limited Takeover GPO Box 3993 Sydney NSW 2001 AUSTRALIA</p> |
| If I accept the Offer, when will I receive consideration for my MaxSec Shares? | <p>Provided that the necessary transfer documents accompany your Acceptance Form, you will be issued FFT Shares within one month of the later of:</p> <ul style="list-style-type: none"> (a) the date you accept the Offer; and (b) the date the Offer becomes unconditional. <p>In any event, you will receive the consideration you are entitled to within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p> |

| Question | Answer |
|--|--|
| What rights will my FFT Shares have? | <p>The FFT Shares issued under the Offer will be fully paid and will rank equally for dividends and other rights with existing FFT Shares.</p> <p>A detailed explanation of the rights and liabilities attaching to FFT Shares is set out in Section 13.3.</p> |
| Will my FFT Shares be listed on ASX? | <p>An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. Quotation of the FFT Shares to be issued under the Offer will not be automatic but will depend on ASX exercising its discretion to admit them to the official list.</p> <p>However, FFT is already admitted to the official list of ASX and shares in FFT in the same class or on the same terms as those to be issued under the Offer are already quoted.</p> |
| What happens if I accept the Offer? | <p>If you accept the Offer and it becomes or is declared unconditional, you will be issued FFT Shares within the time specified above.</p> <p>Once you accept the Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your MaxSec Shares on market or otherwise deal with the Rights attaching to your MaxSec Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p> |
| What happens if I do not accept the Offer? | <p>If you do not accept the Offer, you will remain a MaxSec Shareholder and will not be issued FFT Shares.</p> <p>However, if FFT becomes entitled to compulsorily acquire your MaxSec Shares, it intends to do so. If this occurs, you will still receive the Offer Consideration for your MaxSec Shares but at a later date than you would have received it if you had accepted the Offer.</p> |
| What are the tax implications of accepting the Offer? | <p>A general description of the taxation treatment for certain Australian resident MaxSec Shareholders accepting the Offer is set out in Section 11.</p> <p>You should not rely on that description as advice for your own affairs. You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the Offer for your MaxSec Shares.</p> <p>MaxSec Shareholders should be aware that if FFT does not acquire ownership of 80 percent of MaxSec Shares, then rollover relief will not be available to MaxSec Shareholders in respect of any capital gain that is made on the receipt of FFT Shares as consideration.</p> |
| What are the significant risks of the Offer? | <p>You should carefully consider the risk factors that could affect the performance of FFT and the Merged Group before deciding whether to accept the Offer. Many of these risks are outside the control of FFT and its Directors, and cannot be mitigated. A summary of the key risks is set out in Section 9.</p> |
| What happens if I exercise my MaxSec Options? | <p>The Offer extends to MaxSec Shares that are issued before the end of the Offer Period on the exercise of MaxSec Options. If you exercise your MaxSec Options, you can accept the Offer for the MaxSec Shares received from the exercise of those Options.</p> |
| Further information | <p>If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the shareholder information line on 1300 737 760 (or +61 2 9290 9600 for overseas domiciled holders) between 9.00am and 5.00pm Monday to Friday.</p> |

3 How to accept the Offer

3.1 Issuer Sponsored Holdings

If you hold your MaxSec Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and deliver it or send it by post so that it is received by FFT's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with this Bidder's Statement.

3.2 CHESS Holdings

If you hold your MaxSec Shares in a CHESS Holding:

- (a) instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
- (b) complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or
- (c) complete, sign and return the Acceptance Form in accordance with the instructions on it so that FFT is authorised to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

3.3 Brokers or Non-Broker Participants

If you are a Broker or a Non-Broker Participant, you will need to initiate acceptance of the Offer under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

4 Profile of FFT

4.1 Overview of FFT and its principal activities

Future Fibre Technologies Limited (FFT) is a public company incorporated in Australia and listed on the ASX (ASX Code: FFT). The market capitalisation of FFT as at the date of this Bidder's Statement is approximately \$16.7 million.

Established in 1994, FFT's technology has grown to become the technology of choice for many perimeter protection applications. With over 1,500 systems deployed in more than 65 countries, FFT has established a reputation for delivering advanced and cost-effective perimeter intrusion detection solutions.

FFT systems have been adopted by airports, governments, military, defence, oil and gas industries, as well as a broad range of commercial organisations.

Using its patented advanced technologies, FFT manufactures and markets a range of fibre optic intrusion detection and location systems for perimeter, pipeline and network security that are, effective solutions for securing high value assets and critical infrastructure.

FFT has established itself as a global leader in its field and with its track record of delivering highly intelligent, reliable, and award-winning intrusion detection solutions for the protection of critical sites and infrastructures.

As at the date of this Bidder's Statement, FFT had a Relevant Interest in 61,500,000 MaxSec Shares, representing voting power in MaxSec of approximately 13%.

4.2 Directors and senior management

The directors of FFT are set out below:

Mr Terence Winters – Chairman

Mr Winters serves as Chairman and Non-Executive Director on the Boards of a number of charities and public and private companies in Australia, Asia and the UK. He is widely recognised throughout the Information Technology and Communications (ITC) industries for his track record of leading early stage technology companies through the various phases of capitalisation, commercialisation and international development. He is currently Chairman of Intelledox Pty Ltd, Converge International Pty Ltd and TasmaNet Pty Ltd, and is a Director of Redflex Holdings Limited. He is a Fellow of the Australian Institute of Company Directors (FAICD).

Mr Robert Broomfield – Chief Executive Officer

Mr Broomfield is an experienced business executive with more than 20 years of management experience including the past 18 years in senior positions within companies operating in the security industry. Prior to joining FFT, he was with Vision Systems Limited, where he served as the General Manager of Asia Pacific for their Fire and Security systems. In addition to his international sales and marketing success, Mr Broomfield has extensive experience in operations management, including product engineering, procurement, manufacturing and operations. He has previously had 10 years experience with IBM in Australia and the United States. He is currently chairman of Maxsec Group Limited an Australian listed company.

Dr Frederick Davis – Non-executive Director

Dr Davis is an experienced leader and manager of technology innovation businesses having worked for the last 20 years in senior management positions. Prior to joining the FFT Board as a Non-executive Director, Fred was COO and an Executive Director for FFT, led Business and New Product Development for Universal Biosensors Inc., and was Managing Director and CEO for Invetech Pty Ltd, a leading contract product development and manufacturing firm that played a pivotal role in the success of ASX listed Vision Systems Limited. Dr Davis' specialist experience includes strategic management, business development, and advanced technology development and manufacturing. He has studied at the Strategic Management Institute, Harvard and Mt. Eliza Business Schools, and is a Graduate Member of the Australian Institute of Company Directors.

Mr Christopher Fergus – Non-executive Director

Mr Fergus is currently Executive Director & SVP Strategy & Business Development, MaxSec and CEO of its secure international logistics division, AVA Global. Based in Dubai, Christopher is a UK national and has extensive experience within the security integration and services sectors, having previously worked for the FTSE 100 and world's leading security services provider, G4S, for over 20 years. Joining the company as a graduate trainee in 1994, he worked across a number of continents in a number of roles, most recently as Regional Managing Director, Middle East, managing a portfolio of Security & FM joint ventures.

Mr Mark Stevens – Non-executive Director

With more than 30 years of experience in senior management roles with multi-national corporations, Mr Stevens is a seasoned executive with broad experience in sales and general management in the information technology and telecommunications sectors. Mr Stevens has held senior positions with Nortel Networks Inc., Aircom International Limited, ECI Telecom Ltd, Transmode Systems AB, and more recently Infinera Corporation. He has lived and worked in Europe, the United States, Singapore and Australia. He holds a Master of Business Administration from the University of Melbourne, a Bachelor of Engineering degree from Monash University and is a Graduate Member of the Australian Institute of Company Directors.

The members of senior management of FFT are set out below:

Leigh Davis – Chief Financial Officer and Company Secretary

Leigh is a CPA with more than 20 years finance and accounting experience across a range of industries including energy, technology and telecommunications. Leigh has served as Chief Financial Officer and Company Secretary of both ASX listed and unlisted companies, and has previously held Commercial Finance and Corporate Reporting roles in Australia, the United Kingdom and Europe for NYSE, NASDAQ and FTSE listed companies. Leigh holds a Bachelor of Business (Accounting) degree and a MBA from London Business School. He is also a graduate of the Australian Institute of Company Directors (GAICD).

Mark Horton – Global Sales and Marketing Director

Mark has nearly 30 years of experience in the electronic security sector across a wide range of regions including Europe, the Middle East, North Africa, and Asia Pacific. Mark has held a number of senior positions in the security industry, most recently as the Regional Sales Director Middle East for G4S where he had responsibility for developing a diverse portfolio of security and FM joint ventures with a total revenue of USD \$1bn with a focus on developing the groups regional and global technology strategies. Mark is responsible for driving the sales strategy to position FFT as the market leader in fibre optic solutions for perimeter, pipeline and data network security.

Kim Clark – Joint Company Secretary

Kim is an experienced business professional with 21 years' experience in the Banking and Finance industries and 6 years as a Company Secretary (in-house) of an ASX300 company. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance and governance. Kim currently acts as Company Secretary to various ASX listed and unlisted companies in Australia and is the Head of Corporate Services for Boardroom Pty Limited's Queensland office.

4.3 Financial profile of FFT

The financial report for FFT for the year ended 30 June 2017 as contained in FFT's Annual Report for the year ended 30 June 2017, was lodged with ASX on 30 August 2017.

FFT's financial position as at 30 June 2017 can be summarised as follows:

- Total assets of \$20,226,000
- Net assets of \$16,866,000
- Cash and Cash Equivalents net of debt of \$6,930,000

For the year ended 30 June 2017, the following results were recorded:

- Sales revenues of \$12,896,000
- Net loss of \$7,820,00 which included a \$1,364,000 provision for impairment of receivables and foreign exchange losses of \$811,000.

4.4 Publicly available information

FFT is a company listed on ASX (Code: FFT) and is subject to the continuous and periodic disclosure requirements of the ASX Listing Rules and the Corporations Act. FFT has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it becomes aware concerning FFT which a reasonable person would expect to have a material effect on the price or value of FFT Shares.

A substantial amount of information on FFT is publicly available and may be accessed by referring to FFT on www.asx.com.au.

This Bidder's Statement incorporates by reference some of the content of FFT's Annual Report for the year ended 30 June 2017.

A list of announcements made by FFT to ASX between 1 July 2017 and the date of this Bidder's Statement is set out in Schedule 3. This information may be relevant to your assessment of the Offer. Copies of the announcements are available from ASX.

4.5 Further information

Further information about FFT can be found on FFT's website: www.fftsecurity.com.

5 Information about FFT Shares

5.1 Issued securities

At the date of this Bidder's Statement, the following FFT Securities are on issue:

- 124,028,440 FFT Shares; and
- 8,810,000 FFT Options.

5.2 Substantial holders

At the date of this Bidder's Statement the substantial holders in FFT are:

| Substantial holder | Interest | Substantial holding |
|--|------------------|----------------------------|
| HSBC Custody Nominees (Australia) Limited | 27,195,664 | 21.9% |
| Citicorp Nominees Pty Ltd | 20,120,009 | 16.2% |
| Bell Potter Nominees Ltd (BB Nominees A/C) | 14,093,182 | 11.4% |
| Pierce Group Asia Pte Limited | 19,229,940 | 15.5% |
| | 80,38,795 | 65.0% |

5.3 FFT Share price

- The VWAP of FFT Shares on ASX for the one month before the date of this Bidder's Statement was 11.7 cents (compared to 12.9 cents if calculated on the day before the Announcement Date).
- The VWAP of FFT Shares on ASX for the five trading days before the date of this Bidder's Statement was 11.4 cents (compared to 13.6 cents if calculated on the day before the Announcement Date).
- The closing price of FFT Shares on ASX on 17 October 2017 (being the last trading day that FFT Shares traded prior to the date of this Bidder's Statement) was 13.5 cents (compared to 12.0 cents if calculated on the day before the Announcement Date).
- The highest recorded sale price of FFT Shares on ASX in the four months before the date this Bidder's Statement was lodged with ASIC was 18.5 cents on 25 August 2017.
- The lowest recorded sale price of FFT Shares on ASX in the four months before this Bidder's Statement was lodged with ASIC was 11.0 cents on multiple dates, and most recently 17 October 2017.

5.4 Rights and liabilities attached in the FFT Shares offered

- The FFT Shares issued as consideration under the Offer will be fully paid and rank equally with existing FFT Shares from the date of their issue.
- FFT Shares are quoted on ASX under the code 'FFT'.
- An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. Quotation is not guaranteed or automatic on such an application to ASX. Nothing in this Bidder's Statement will be taken to state or imply that the FFT Shares issued under this Offer will be quoted on ASX, but

quotation is expected in the ordinary course as FFT is already admitted to the Official List of ASX.

The rights and restrictions attaching to the FFT Shares which will be issued as the consideration, or part of the consideration, under the Offer are primarily set out in the FFT Constitution and in the Corporations Act and are subject to statutory, common law and ASX Listing Rule requirements.

5.5 FFT Options

The table below provides key details of FFT Options on issue as at the date of the Bidder's Statement. In addition, FFT has agreed to award 200,000 options to Christopher Fergus with an exercise price of \$0.21 and an expiry date of 3 years from grant date, being a date on which shareholder approval is obtained at a general meeting of shareholders. The issue is yet to be approved at a meeting of shareholders.

| Option Holder | Grant Date | Expiry Date | Exercise Price | Vested and Exercisable |
|--|-------------------|--------------------|-----------------------|-------------------------------|
| KTM Capital | 11/05/2015 | 11/05/2018 | \$0.875 | 3,400,000 |
| R. Broomfield | 15/03/2015 | 15/03/2020 | \$0.230 | 1,500,000 |
| F. Davis | 18/07/2014 | 18/07/2019 | \$0.233 | 1,200,000 |
| L. Davis | 15/03/2015 | 15/03/2018 | \$0.350 | 900,000 |
| T. Winters | 15/03/2015 | 15/03/2018 | \$0.350 | 200,000 |
| M. Stevens | 15/03/2015 | 15/03/2018 | \$0.350 | 200,000 |
| M. Horton | 28/04/2017 | 28/04/2020 | \$0.230 | 600,000 |
| Options held by other employees of FFT | 15/03/2015 | 15/03/2018 | \$0.350 | 810,000 |
| | | | | 8,810,000 |

6 Profile of MaxSec

6.1 Disclaimer

The following information on MaxSec has been prepared by FFT using publicly available information, and has not been independently verified. Accordingly, FFT does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information about MaxSec in this Bidder's Statement should not be considered comprehensive.

In addition, the Corporations Act requires MaxSec to provide a Target's Statement to MaxSec Shareholders in response to this Bidder's Statement, setting out certain material information concerning MaxSec.

6.2 Overview of MaxSec and its principal activities

MaxSec Group Limited (**MSP**), is a public company incorporated in Australia and listed on the ASX (ASX Code: MSP). The market capitalisation of MSP as at the date of this Bidder's Statement is approximately \$11.8 million.

MSP, through its divisions BQT Solutions (**BQT**) and Ava Global (**Ava**), is a leading designer, developer, and global provider of integrated security and turnkey solutions and a global provider of secure logistics and storage services.

BQT has an experienced research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers.

The product portfolio of BQT consists of quality, reliable and secure smart card based access control, biometric solutions, and electromechanical locking devices, which are installed in thousands of locations globally.

Ava provides secure international logistics of high value cargo on a fully insured door to door basis. Ava offers a truly global service capability, delivered from its own, strategically located offices (New York, London, Frankfurt, Dubai, and Singapore) with support from a network of strategic partners.

In addition, Ava provides secure custodial storage facilities for bullion and precious metals traded on the market. Ava also has a dedicated risk manager and risk management team to provide consultancy services including feasibility studies to support supply chain management.

A range of industries use Ava's solutions, including mining, refineries, financial institutions, bullion traders, government and central banks.

6.3 Directors and senior management

Mr Robert Broomfield – Non-executive Chairman

Refer to Section 4.2.

Mr Geoffrey Cleaves – Chief Executive Officer, Executive Director and Company Secretary

Mr Cleaves has over 25 years' experience in finance and operations management within the property, media, print, manufacturing, oil and gas and investment sectors, last 20 years in senior management positions with both listed and unlisted corporations. During Geoff's career he has held senior management positions with organisations such as Stockland Group, Chase Corporation, Milton Corporation, Trafalgar Corporate Group, Australian Petroleum Fund and the Independent Print Media Group. Geoff is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr Christopher Fergus – Executive Director

Refer to Section 4.2.

Mr Johan Landsberg – Non-executive Director

Mr Landsberg was born in 1969 in South Africa. He served as an Officer in the South African Defence Force before starting his professional career in the services industry. Mr. Landsberg migrated to Australia in 1999. He joined the security industry as a senior executive in various capacities in the successful implementation of large technology deployments in Australia. He has broad experience in related areas including distribution, contract, and risk management. Mr. Landsberg was previously a senior executive of MaxSec Group Limited and returns with both a good understanding of the Company's history and a wealth of experience gained in the industry. Mr. Landsberg is currently contracted to the public sector providing commercial and technical guidance on the deployment of technologies in large scale implementations. Mr. Landsberg holds no positions on Boards of other Australian listed companies.

Jared Pearson – Company Secretary

Mr Jared Pearson is a Chartered Accountant, who was appointed on 29 July 2015. He has been involved in public practice for 12 years and has considerable experience in accounting, taxation law and business practices.

6.4 Financial profile of MaxSec

The financial report for MaxSec for the year ended 30 June 2017 as contained in MaxSec's Preliminary Final Report for the year ended 30 June 2017, was lodged with ASX on 24 August 2017.

MaxSec's financial position as at 30 June 2017 can be summarised as follows:

- Total assets of \$7,118,000
- Net assets of \$4,813,000
- Cash and Cash Equivalents net of debt of \$1,587,000

For the year ended 30 June 2017, the following results were recorded:

- Sales revenues of \$7,429,000
- Net loss of \$3,435,000

6.5 Important note on sources of information

FFT has relied on the information in financial reports issued by MaxSec to prepare the financial information for MaxSec contained in this Bidder's Statement. Financial information relating to MaxSec has been sourced from its Annual Report for the year ended 30 June 2017, which was lodged with ASX on 27 September 2017.

FFT does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

6.6 Publicly available information

MaxSec is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Listing Rules and the Corporations Act. A substantial amount of information on MaxSec is publicly available and may be accessed by referring to MaxSec on www.asx.com.au.

6.7 Further information

Further information about MaxSec can be found on MaxSec's website: www.maxsec.com.

6.8 Recent price performance of MaxSec Shares

MaxSec Shares are quoted on ASX under the code MSP.

The closing price of MaxSec Shares on ASX on the last trading day before the Announcement Date was \$0.044. The closing price of MaxSec Shares on ASX on 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.025.

The highest recorded closing price of MaxSec Shares on ASX in the three months before 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.046 on 24 August 2017. The lowest recorded closing price of MaxSec Share on ASX in the three months before 17 October 2017, being the last trading day before the date of this Bidder's Statement, was \$0.024 on 12 October 2017.

7 Profile of Merged Group

7.1 Introduction

The profile of the Merged Group will vary depending on the outcome of the Offer. Unless otherwise indicated, the description of the Merged Group in this Section 7 assumes that MaxSec is a wholly-owned subsidiary of FFT. If FFT is not entitled to compulsorily acquire MaxSec Shares during the Offer Period, some of the benefits that would otherwise accrue to FFT if MaxSec were to become a wholly-owned subsidiary of FFT may not be fully realised.

7.2 Overview of the Merged Group

The Merged Group would be publicly listed on the ASX. It would operate three divisions, Future Fibre Technologies, BQT Solutions, and Ava Global, making it a leading designer, developer, and global provider of integrated perimeter security and access control solutions and a global provider of secure logistics and storage services.

The Merged Group would have larger operations and greater geographic spread than FFT currently has. This will assist it to reach more customers and provide the Merged Group with additional buying power and resources. In addition, it is envisaged that the Merged Group will be able to realise other economies of scale.

7.3 Pro forma balance sheet assuming FFT acquires 100 percent of MaxSec

Summary of information

The information included in this Section 7 is pro forma financial information for the Merged Group comprising FFT and MaxSec as at 30 June 2017 and assuming two scenarios. The first is that FFT acquires 100 percent of MaxSec and the second scenario is that FFT acquires 80 percent of MaxSec. FFT's offer is conditional on obtaining 80 percent acceptances. The unaudited pro forma combined balance sheet of the Merged Group as at 30 June 2017 (**Pro Forma Balance Sheet**) presented below has been produced with reference to the audited financial report for FFT as at 30 June 2017 and the audited final report of MaxSec as at 30 June 2017. It is adjusted to account for subsequent events deemed material to the Merged Group. The unaudited pro forma combined income statement of the Merged Group for the year ended 30 June 2017 (**Pro Forma Income Statement**) presented below has also been produced with reference to the audited financial report for FFT as at 30 June 2017 and the audited final report of MaxSec as at 30 June 2017. It is adjusted to account for subsequent events deemed material to the Merged Group.

The financial information reflects the latest publicly available information for MaxSec that is capable of being compared.

The pro forma financial information does not represent what the Merged Group would look like on a consolidated basis, since it is not possible to produce this information from publicly available information. No adjustments for potential synergy benefits have been included as the exact timing and amount of those benefits cannot be reliably estimated. However, the Pro Forma Balance Sheet does reflect the issue of new FFT shares to MaxSec Shareholders, and other adjustments required as a result of this Offer.

The Pro Forma Balance Sheet is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Offer. In addition, the Pro Forma Balance Sheet is presented in a summary format and therefore does not contain all the disclosures required under the Corporations Act.

Financial information relating to MaxSec has been sourced from its audited financial reports for the full year ended 30 June 2017. FFT has relied on the information in financial reports issued by MaxSec to prepare the financial information for MaxSec contained in this document.

FFT does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

FFT has had limited access to the independent directors, management and staff of MaxSec and to any working papers, accounting records or other documents for the purposes of preparing this financial information.⁸ Therefore, it has not been possible to independently verify any of the financial information relating to MaxSec used in this document, for providing pro forma financial information.

The pro forma financial information presented in this section should also be read in conjunction with the risks set out in Section 9, other information contained in this Bidder's Statement, and the accounting policies of FFT and MaxSec as disclosed in their most recent financial reports.

No forward looking financial statements

This document does not provide revenue or profit projections for the Merged Group. FFT does not believe that it has reasonable grounds to include revenue or profit forecasts in this Bidder's Statement. FFT believes that the inclusion of revenue or profit forecasts would be unduly speculative and potentially misleading for MaxSec Shareholders.

⁸ Procedures have been established by both FFT and MSP to ensure the applicable common directors' were able to uphold their legal and fiduciary obligations to each company, including excluding those directors from discussions in relation to the Offer.

Pro Forma Balance Sheet 100% of MaxSec

Set out below is the Pro Forma Balance Sheet.

| A\$'000 (thousand) | FFT 30 June 2017 | % of Pro forma | MSP 30 June 2017 | % of Pro forma | Adjust- ments | % of Pro forma | Pro forma 30 June 2017 |
|----------------------------------|------------------------|----------------------|------------------------|----------------------|------------------|----------------------|------------------------------------|
| <i>Current Assets:</i> | | | | | | | |
| Cash and cash equivalents | 6,945 | 81% | 1,587 | 19% | - | 0% | 8,532 |
| Trade and other receivables | 4,985 | 79% | 1,907 | 30% | (542) | -9% | 6,350 |
| Inventories | 4,206 | 79% | 1,102 | 21% | - | 0% | 5,308 |
| Other current assets | 320 | 78% | 90 | 22% | - | 0% | 410 |
| Total current assets | 16,456 | 80% | 4,686 | 23% | (542) | -3% | 20,600 |
| <i>Non-current assets:</i> | | | | | | | |
| Plant and equipment | 1,012 | 91% | 97 | 9% | - | 0% | 1,109 |
| Intangibles | 2,758 | 54% | 2,335 | 46% | - | 0% | 5,093 |
| Goodwill | - | 0% | - | 0% | 9,307 | 100% | 9,307 |
| Total non-current assets | 3,770 | 24% | 2,432 | 16% | 9,307 | 60% | 15,509 |
| Total assets | 20,226 | 56% | 7,118 | 20% | 8,765 | 24% | 36,109 |
| <i>Current liabilities:</i> | | | | | | | |
| Trade and other payables | 2,220 | 59% | 2,070 | 55% | (542) | -14% | 3,748 |
| Provisions | 1,089 | 85% | 195 | 15% | - | 0% | 1,284 |
| Borrowings | 15 | 100% | - | 0% | - | 0% | 15 |
| Total current liabilities | 3,324 | 66% | 2,265 | 45% | (542) | -11% | 5,047 |
| <i>Non-current liabilities:</i> | | | | | | | |
| Provisions | 36 | 47% | 40 | 53% | - | 0% | 76 |
| Borrowings | - | 0% | - | 0% | - | 0% | - |
| Total non-current liabilities | 36 | 47% | 40 | 53% | - | 0% | 76 |
| Total liabilities | 3,360 | 66% | 2,305 | 45% | (542) | -11% | 5,123 |
| Net assets | 16,866 | 54% | 4,813 | 16% | 9,307 | 30% | 30,986 |
| <i>Equity:</i> | | | | | | | |
| Issued capital | 44,183 | 76% | 66,857 | 115% | (53,002) | -91% | 58,038 |
| Reserves | 625 | 70% | 23,951 | 2691% | (23,686) | - 2661% | 890 |
| Accumulated losses | (27,942) | 100% | (85,995) | 308% | 85,995 | -308% | (27,942) |
| Total equity | 16,866 | 54% | 4,813 | 16% | 9,307 | 30% | 30,986 |

Pro Forma Income Statement 100% of MaxSec

Set out below is the Pro Forma Income Statement.

| A\$'000 (thousand) | FFT FY2017 | % of Pro forma | MSP FY2017 | % of Pro forma | Adjust- ments | % of Pro forma | Pro forma FY2017 |
|-----------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|---------------------------------|
| Sales revenue | 12,896 | 68% | 7,429 | 39% | (1,316) | -7% | 19,009 |
| Other revenue | 247 | 39% | 392 | 61% | 0 | 0% | 639 |
| Total revenue | 13,143 | 67% | 7,821 | 40% | (1,316) | -7% | 19,648 |
| Cost of goods sold | (6,030) | 64% | (4,663) | 50% | 1,316 | -14% | (9,377) |
| Gross profit | 7,113 | 69% | 3,158 | 31% | 0 | 0% | 10,271 |
| Employee benefit expenses | (7,483) | 65% | (4,015) | 35% | 0 | 0% | (11,498) |
| Other operating expenses | (7,135) | 76% | (2,265) | 24% | 0 | 0% | (9,400) |
| EBITDA | (7,505) | 71% | (3,122) | 29% | 0 | 0% | (10,627) |
| Depreciation & amortisation | (826) | 71% | (330) | 29% | 0 | 0% | (1,156) |
| EBIT | (8,331) | 71% | (3,452) | 29% | 0 | 0% | (11,783) |
| Finance costs | (15) | 83% | (3) | 17% | 0 | 0% | (18) |
| Interest received | 526 | 96% | 20 | 4% | 0 | 0% | 546 |
| Profit Before Tax | (7,820) | 69% | (3,435) | 31% | 0 | 0% | (11,255) |
| Income tax | 0 | 0% | 0 | 0% | 0 | 0% | 0 |
| Profit After Tax | (7,820) | 69% | (3,435) | 31% | 0 | 0% | (11,255) |

Pro Forma Balance Sheet 80% of MaxSec

Set out below is the Pro Forma Balance Sheet.

| A\$'000 (thousand) | FFT 30 June 2017 | % of Pro forma | MSP 30 June 2017 | % of Pro forma | Adjust- ments | % of Pro forma | Pro forma 30 June 2017 |
|--|------------------------|----------------------|------------------------|----------------------|------------------|----------------------|------------------------------------|
| <i>Current Assets:</i> | | | | | | | |
| Cash and cash equivalents | 6,945 | 81% | 1,587 | 19% | - | 0% | 8,532 |
| Trade and other receivables | 4,985 | 79% | 1,907 | 30% | (542) | -9% | 6,350 |
| Inventories | 4,206 | 79% | 1,102 | 21% | - | 0% | 5,308 |
| Other current assets | 320 | 78% | 90 | 22% | - | 0% | 410 |
| Total current assets | 16,456 | 80% | 4,686 | 23% | (542) | -3% | 20,600 |
| <i>Non-current assets:</i> | | | | | | | |
| Plant and equipment | 1,012 | 91% | 97 | 9% | - | 0% | 1,109 |
| Intangibles | 2,758 | 54% | 2,335 | 46% | - | 0% | 5,093 |
| Goodwill | - | 0% | - | 0% | 9,307 | 100% | 9,307 |
| Total non-current assets | 3,770 | 24% | 2,432 | 16% | 9,307 | 60% | 15,509 |
| Total assets | 20,226 | 56% | 7,118 | 20% | 8,765 | 24% | 36,109 |
| <i>Current liabilities:</i> | | | | | | | |
| Trade and other payables | 2,220 | 59% | 2,070 | 55% | (542) | -14% | 3,748 |
| Provisions | 1,089 | 85% | 195 | 15% | - | 0% | 1,284 |
| Borrowings | 15 | 100% | - | 0% | - | 0% | 15 |
| Total current liabilities | 3,324 | 66% | 2,265 | 45% | (542) | -11% | 5,047 |
| <i>Non-current liabilities:</i> | | | | | | | |
| Provisions | 36 | 47% | 40 | 53% | - | 0% | 76 |
| Borrowings | - | 0% | - | 0% | - | 0% | - |
| Total non-current liabilities | 36 | 47% | 40 | 53% | - | 0% | 76 |
| Total liabilities | 3,360 | 66% | 2,305 | 45% | (542) | -11% | 5,123 |
| Net assets | 16,866 | 54% | 4,813 | 16% | 9,307 | 30% | 30,986 |
| <i>Equity:</i> | | | | | | | |
| Issued capital | 44,183 | 80% | 66,857 | 121% | (55,773) | -101% | 55,267 |
| Reserves | 625 | 70% | 23,951 | 2691% | (23,686) | -2661% | 890 |
| Accumulated losses | (27,942) | 100% | (85,995) | 308% | 85,995 | -308% | (27,942) |
| <i>Equity attributable to equity holders of the parent</i> | <i>16,866</i> | <i>60%</i> | <i>4,813</i> | <i>17%</i> | <i>6,536</i> | <i>23%</i> | <i>28,215</i> |
| Non-controlling interests | - | 0% | - | 0% | 2,771 | 100% | 2,771 |
| Total equity | 16,866 | 54% | 4,813 | 16% | 9,307 | 30% | 30,986 |

Pro Forma Income Statement 80% of MaxSec

Set out below is the Pro Forma Income Statement.

| A\$'000 (thousand) | FFT FY2017 | % of Pro forma | MSP FY2017 | % of Pro forma | Adjust- ments | % of Pro forma | Pro forma FY2017 |
|------------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|--------------------------|-------------------------------|---------------------------------|
| Sales revenue | 12,896 | 68% | 7,429 | 39% | (1,316) | -7% | 19,009 |
| Other revenue | 247 | 39% | 392 | 61% | 0 | 0% | 639 |
| Total revenue | 13,143 | 67% | 7,821 | 40% | (1,316) | -7% | 19,648 |
| Cost of goods sold | (6,030) | 64% | (4,663) | 50% | 1,316 | -14% | (9,377) |
| Gross profit | 7,113 | 69% | 3,158 | 31% | 0 | 0% | 10,271 |
| Employee benefit expenses | (7,483) | 65% | (4,015) | 35% | 0 | 0% | (11,498) |
| Other operating expenses | (7,135) | 76% | (2,265) | 24% | 0 | 0% | (9,400) |
| EBITDA | (7,505) | 71% | (3,122) | 29% | 0 | 0% | (10,627) |
| Depreciation & amortisation | (826) | 71% | (330) | 29% | 0 | 0% | (1,156) |
| EBIT | (8,331) | 71% | (3,452) | 29% | 0 | 0% | (11,783) |
| Finance costs | (15) | 83% | (3) | 17% | 0 | 0% | (18) |
| Interest received | 526 | 96% | 20 | 4% | 0 | 0% | 546 |
| Profit Before Tax | (7,820) | 69% | (3,435) | 31% | 0 | 0% | (11,255) |
| Income tax | 0 | 0% | 0 | 0% | 0 | 0% | 0 |
| Profit After Tax | (7,820) | 69% | (3,435) | 31% | 0 | 0% | (11,255) |
| <i>Attributable to:</i> | | | | | | | |
| Equity holders of the parent (FFT) | (7,820) | 74% | (2,748) | 26% | 0 | 0% | (10,568) |
| Non-controlling interests | 0 | 0% | (687) | 100% | 0 | 0% | (687) |

7.4 Pro forma adjustments and transaction assumptions

The following key assumptions have been made in producing the Pro Forma financial statements:

General

The pro forma information has been prepared using Australian Accounting Standards, and International Financial Report Standards and reflects the accounting policies of FFT. It has not been audited. Amounts presented have been rounded.

The pro forma information has been prepared by aggregating the balance sheets of FFT and MaxSec as at 30 June 2017.

The pro forma information excludes the impact of general trading and other non-recurring transactions which have occurred since 30 June 2017, but are not considered to materially impact the financial position presented in the Pro Forma Balance Sheet.

MaxSec acquisition

Financial information about MaxSec has been obtained from publicly available sources. FFT is not aware of any events subsequent to the MaxSec balance date of 30 June 2017 which would materially alter the Pro Forma Balance Sheet.

The Pro Forma Balance Sheet assumes the acquisition of MaxSec by FFT had been completed by that date. The actual date of the acquisition will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date. Accordingly, FFT will assess the fair value of identifiable net assets of MaxSec on completion of the acquisition.

The calculation of purchase consideration payable by FFT of 1 FFT Share for every 4 MaxSec Shares was calculated applying the closing price of FFT's shares on the trading day immediately before the Bidder's Statement Date.

The Pro Forma Balance Sheet is based on the assumption that the fair value of assets (other than intangible assets) and liabilities of MaxSec are equal to their book value. A full purchase price allocation exercise will be undertaken post acquisition, and the fair value of the assets will be more accurately assessed at that time. This will not impact on the valuation of the business, but may impact the classification between tangible, identifiable intangible assets and goodwill.

Identifiable intangible assets recognised on acquisition may need to be amortised over the period of their economic benefit to the Merged Group and those amortisation charges will reduce future reported earnings. Due to limited public information available on MaxSec, it is not possible for FFT to identify all of the intangible assets and consequent amortisation charges at this stage.

It is assumed that all MaxSec Options are cancelled and FFT Options equal to their fair value are issued to MaxSec Option holders as part of the acquisition (subject to approval for any issue to a director of FFT).

For fair value accounting purposes, each FFT Share issued under the Offer is assumed to have an issue price of \$0.135 (being the closing price of FFT Shares on ASX on the trading day immediately before the Bidder's Statement Date). The actual fair value of FFT Shares to be issued under the Offer is determined by the market price of FFT Shares at the actual date of acquisition of MaxSec.

The accounting policies of FFT and MaxSec are similar and consistent in all material aspects.

It is assumed that FFT will not recognise a deferred tax asset for MaxSec's or its own existing tax losses due to the uncertainty of realisation of the tax assets, as both companies have reported

tax losses in their most recent two financial years. Neither company has recognised a deferred tax asset in their financial accounts as at 30 June 2017.

7.5 Prospective financial information of the Merged Group

FFT has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information on the Merged Group. The board of directors of FFT has concluded that providing forecast financial information would be misleading. A reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering the effect that variations in key inputs may have on future earnings performance.

8 FFT's intentions

8.1 Introduction and important note

This section sets out FFT's current intentions for:

- (a) the continuation of MaxSec's business;
- (b) any major changes to be made to MaxSec's business, including any redeployment of the fixed assets of MaxSec; and
- (c) the future employment of the present employees of MaxSec.

FFT's current intentions for MaxSec have been formed following a review of facts, information and circumstances about MaxSec that were either publicly available at the date of this Bidder's Statement or provided by MaxSec during the course of limited due diligence enquiries. That review by FFT did not provide FFT with sufficient facts, information and circumstances necessary to finally determine its intentions for MaxSec. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.

Following the close of the Offer, it is FFT's intention to undertake a further detailed review of the operations, assets, structure and employees of MaxSec. The objective of the detailed review will be to:

- (a) evaluate the performance, prospects and strategic relevance of the MaxSec business and assets to FFT;
- (b) evaluate how the assets of the MaxSec business can be best utilised to achieve sales growth for the combined business; and
- (c) evaluate opportunities for more efficient utilisation of assets for the combined business.

This review may result in the modification or curtailment of some of MaxSec's existing projects and activities.

Only upon completion of the detailed review, and in light of all material facts and circumstances will FFT finally determine its intentions for MaxSec and will take the action as it considers desirable to achieve optimum integration and synergies.

8.2 Intentions upon acquisition of 90 percent or more of MaxSec Shares

This section sets out FFT's current intentions if it acquires 90 percent or more of the MaxSec Shares and is entitled to proceed to compulsory acquisition of the outstanding MaxSec Shares.

Compulsory acquisition

If it becomes entitled to do so, FFT intends to compulsorily acquire any outstanding MaxSec Shares under section 661B Corporations Act.

In those circumstances, FFT is also entitled to acquire MaxSec Shares issued after the Offer closes but before the compulsory acquisition notice is given (under section 661A(4)(b) Corporations Act) and on exercise of the MaxSec Options, up to six weeks after the notices are given (under section 661A(4)(c) Corporations Act).

FFT also has the right, under part 6A.2 Corporations Act, to seek to compulsorily acquire any of the MaxSec Options which it has not acquired or have not been exercised if FFT:

- (a) achieves 90 percent voting power in MaxSec; and
- (b) holds full beneficial interests in at least 90 percent by value of all securities of MaxSec that are either MaxSec Shares or convertible into MaxSec Shares.

Any MaxSec Options will be dealt with pursuant to the option exchange arrangements summarised in Section 13.2.

Amendment of MaxSec's constitution

FFT intends to amend the constitution of MaxSec to reflect its status as a wholly-owned subsidiary of FFT.

ASX listing

After conclusion of the compulsory acquisition process, FFT intends to procure that MaxSec be removed from the official list of ASX.

Directors

FFT intends to replace members of the MaxSec Board and of the board of any company on which MaxSec has nominee directors with FFT nominee directors and retain directors who already serve on the FFT board.

FFT's present intention is to appoint Mr Terence Winters, Dr Frederick Davis and Mr Mark Stevens to the MaxSec Board. Profiles for each of the proposed directors are set out in Section 4.2.

Operations

FFT will perform a detailed review of MaxSec's operations post merger to determine the best approach to managing the operations of MaxSec and maximising their long term value. FFT's current intention is to continue operations of both BQT and AVA and to explore opportunities that are available to the Merged Entity to accelerate sales growth in a profitable manner.

Employees

With the benefit of a detailed review post merger, FFT will consider the best allocation of MaxSec employees to continuing and new roles. The review of MaxSec operations may result in redundancies or additional staff recruitment.

FFT's current intention is to continue the employment of the majority of MaxSec present employees.

If any employees are made redundant, they will receive their full entitlements at law.

8.3 Intentions upon acquisition of between 50 percent and 90 percent of MaxSec Shares

This section sets out FFT's current intentions if, by virtue of acceptance of the Offer, it was to gain effective control of MaxSec but was not entitled to proceed to compulsory acquisition of the outstanding MaxSec Shares.

Compulsory acquisition

If FFT does not become entitled to compulsorily acquire MaxSec Shares under section 661B Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under part 6A.2 Corporations Act in the future. FFT intends to exercise that power over the MaxSec Shares if it becomes entitled to do so.

ASX listing

ASX guidance indicates that ASX would likely approve an application for MaxSec to be removed from the official list of ASX without the need for shareholder approval if an application is made within a month of the end of the Offer period if:

- (a) at the end of the Offer, FFT owns or controls at least 75% of the MaxSec Shares and the Offer remained open for at least two weeks after FFT attained ownership or control of at least 75% of the MaxSec Shares; and
- (b) the number of MaxSec Shareholders (other than FFT) having holdings with a value of at least \$500 is fewer than 150.

In addition, ASX guidance indicates that ASX would likely approve an application for MaxSec to be removed from the official list of ASX with shareholder approval, and where such removal is sought later than 12 months after the close of the Offer, FFT would be entitled to vote on the resolution approving the removal. FFT intends to apply to ASX for MaxSec to be removed from the official list of the ASX if it is able to make such an application to the ASX and it is approved.

Directors

Depending on the level of ownership achieved, it is FFT's intention to replace some or all of the members of the MaxSec Board (and the board of any company on which MaxSec has nominee directors) with FFT nominee directors. FFT would ensure that there remains strong independent board representation in those circumstances.

Intentions generally (including about matters at Section 8.2 above)

If, following the close of the Offer, MaxSec becomes a controlled entity but not a wholly owned subsidiary of FFT, it is the present intention of FFT to procure that the new MaxSec Board implements the objectives and goals outlined in Section 8.2 to the extent possible and appropriate.

Limitations on intentions

To the extent that MaxSec is not a wholly owned subsidiary of FFT and there are minority shareholders of MaxSec, FFT intends to ensure that the FFT nominees appointed to the board of MaxSec will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent the particular objective being achieved.

8.4 Intentions upon acquisition of less than 50 percent of MaxSec Shares

FFT will endeavour to implement its intentions as it has outlined in Section 8.3 to the extent to which it is able to do so, subject to the limitations identified in Section 8.3.

8.5 Intentions generally

Except for the changes and intentions set out in this Section 8, FFT intends, based on the information presently known to it:

- (a) to continue the business of MaxSec;
- (b) not to make any major changes to the business of MaxSec or the deployment of MaxSec assets; and
- (c) to continue the employment of the majority of MaxSec employees.

To the extent that FFT does not obtain at least 90% of MaxSec Shares, it reserves its rights to potentially conduct a further takeover bid for the remaining MaxSec Shares at a future date.

9 Risks

Before deciding whether to accept the Offer, you should read this entire Bidder's Statement carefully.

MaxSec Shareholders will receive FFT Shares as consideration under the Offer. The value of FFT Shares will depend on the future performance of FFT and the market price of FFT Shares from time to time. The future performance of FFT may be influenced by factors associated with investing in both the technology hardware and equipment industry and listed securities generally which are beyond the control of FFT.

MaxSec Shareholders should be aware of the following key risks that may affect the performance of the Merged Group and the value of FFT Shares issued as the Offer Consideration.

9.1 Specific business risks associated with FFT

Set out below are examples of risks associated with FFT. In determining these risks, the Directors have concentrated on risks attaching specifically to an investment in FFT as compared to risks of the technology hardware and equipment industry and MaxSec, to which MaxSec Shareholders are already exposed.

Funding risk

Whilst FFT does not currently expect to need additional funding to undertake its operating plan there can be no guarantee that FFT will not need to source additional funding or that FFT is able to source funding on commercially-acceptable terms.

Debt covenants

FFT, at the date of this Bidder's Statement, has an unused debt facility which is subject to a number of covenants including a tangible net worth test and capital ratio. In the event of unforeseen fluctuations in asset values, FFT may be in breach of its loan covenants and would not be able to draw funds under the facility.

Relationships with key customers and suppliers

Although FFT has a diverse customer base, there may be a material adverse effect on FFT's financial position and performance if a number of high value customers experience difficulties or do not perform to expectations, or if their contracts were terminated or these relationships did not continue.

FFT's business is dependent on the continuation of a number of agreements. As with any contractual arrangement, parties to those arrangements may default in the performance of their obligations, become insolvent or seek to amend the terms of the arrangements without the consent of FFT, or necessary regulatory approvals may be withdrawn or not issued.

To retain flexibility and maximise supplier price competition, FFT does not have fixed supply agreements for many of the components and services that it uses. FFT instead relies on its commercial relationships with certain suppliers and the diverse supply options for ongoing supply. The Directors have no reason to believe that these relationships will break down. However, if the relationships do not continue, there may be a material adverse effect on FFT's financial position and performance.

Management of future growth

FFT aims to increase the number of its employees and offices and the scope of its supporting infrastructure. This growth is likely to result in new and increased responsibilities for management and could place a significant strain on FFT's management.

FFT will be required to continue to implement and improve its systems in a timely manner in order to accommodate the increased number of transactions and customers and the increased size of its operations. A failure to do so may adversely affect FFT's revenue and profitability. Failure to expand into the pipeline and data network markets as planned could also impact FFT's future growth.

Shortage of personnel

The success and growth strategy of FFT depends in part upon its ability to attract and retain appropriate management and sales, technological and operating personnel. There is a risk that FFT will not be able, or has not budgeted sufficient amounts, to attract and retain appropriate staff to meet its future requirements.

Regulatory changes

Changes in laws, regulations or industry or government bodies' policies and practices (or the interpretation or application of those laws, regulations or policies) may have a material adverse effect on FFT's financial position or performance.

Competition

There are other companies that sell security intrusion detection solutions for perimeters, pipeline and networks applications, some based on fibre-optics and some based on different technologies. There are other large organisations that provide complex security solutions that have developed in-house perimeter intrusion detection solutions. The convergence of IT and security has, and is expected to continue to rapidly evolve, with new entrants and large players releasing new offerings in specific areas, that are adjacent to, or may influence End User's adoption of technology solutions.

FFT expects to face competition from such organisations, some of which will have greater financial, technical and marketing resources. Increased competition could result in margin reductions, underutilisation of employees, reduced operating margins and loss of market share. Any of these occurrences could materially adversely affect FFT's business, operating results and financial condition.

While FFT is aware of companies offering perimeter intrusion detection solutions, there is little public information available about potential competitors in the emerging pipeline and data network markets.

Although the Directors believe FFT has priced its products competitively, there can be no assurance that existing or new competitors will not duplicate FFT's strategy.

Export licence

FFT has a Defence Export Controls Outreach program (DECO) export licence. If that licence was terminated it would severely restrict the ability of FFT to operate. The Directors have no reason to believe that the licence will be revoked or have conditions attached to it that would be capable of impacting adversely on the operations of FFT.

Termination of material contracts

There are a number of existing contracts which are material to FFT's business. Further contracts will likely be entered into by FFT which will also be material to FFT's business.

Many of these contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual uncertainties and costs of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on FFT's ability to enforce its contracts and may have a significant adverse effect more generally on FFT's business and profitability.

Apart from that, FFT is exposed to the potential of third party insolvency. If a third party with whom FFT has dealings becomes insolvent, this may also have a significant adverse effect on FFT and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

Cancellation or delay of an infrastructure project

FFT's products are often specified by System Integrators as part of a tender in large construction or installation projects. The cancellation or delay of a project where FFT has been specified as the security system provider could have adverse implications on FFT's expected revenue. This risk is mitigated by the fact that the cancellation of a project would free up financial resources necessary to pursue other sales opportunities for other projects.

Product liability

FFT's contracts with its clients generally contain provisions drafted to limit FFT's exposure to product liability claims. However, it is possible that the limitation of liability provisions may not be effective in certain jurisdictions. Hence there can be no assurance that FFT will not be subject to such claims.

Intellectual property risk

FFT has patents and trademarks protecting some of its intellectual property. Know-how contained in confidential documentation and software source code associated with FFT intellectual property may be appropriated by a third party to the detriment of FFT. There are risks associated with theft or misuse of the source codes which could materially impact on FFT's business.

FFT's confidential engineering documentation and proprietary source codes used in the FFT products are protected by restricted access of internal networks and hard copy documentation. External access to electronic documentation and source code is restricted by controlled passwords and firewalls. All network data is protected from loss by secure backup processes and remote secure storage.

Exchange rates

FFT operates internationally and in several currencies. Accordingly, fluctuations in prevailing exchange rates affect FFT's profitability and financial position. Currently, most of FFT's revenues are in US dollars and the majority of its costs are in Australian dollars. However, the mix of currencies in which FFT pays its costs and earns its revenues is changing over time. As that mix changes, there may be a greater impact on profitability in Australian dollar terms.

FFT's financial statements are prepared and presented in Australian dollars, and any appreciation in the Australian dollar against other currencies in which FFT transacts may adversely impact its financial performance and position.

Global nature

FFT has supplied products to End Users in, and provides products and services to companies in multiple jurisdictions across the world. FFT primarily sells through System Integrators, while also providing its own commissioning services into many of these jurisdictions. Changes in local policies, regulations and legislations can affect FFT in ways that are hard to predict.

Government policies and procedures regulating security solutions approvals and certification may change over time resulting in local laws and practices that are time consuming and resource-intensive to comply with, or which are unclear. Required approvals may be difficult to obtain. Some of the jurisdictions in which FFT operates in the future may experience sudden civil unrest or major political change.

FFT's operations may be adversely affected by the risks associated with operating in such jurisdictions, which may impact on its ability to grow the business in overseas markets.

As a supplier of security solutions that are subject to oversight and approval by the Australian Government's Department of Defence's Defence Export Controls, FFT can be restricted in the countries and companies that it can sell to, and these restrictions may vary with time and impact FFT's market access.

More generally, FFT will have to adapt to local business and contract customs in jurisdictions where it currently operates and where it plans to operate. This may result in FFT operating on less profitable terms than it has operated on historically, or ceasing to operate in such jurisdictions, which may adversely affect FFT's results or operations.

Supply chain risk

FFT sources a number of key technology components such as laser and optical devices, and some complete products that make up its total solution. These devices are manufactured by third parties, which also manufacture devices for other companies (including on-sellers and distributors, who may also sell those products) through their own direct channels. These devices contain electronic components that are used in other devices manufactured for other businesses that have more purchasing power than FFT.

The global supply of these components has limitations and demand for these components is growing. If other companies were to order more of these components than can be manufactured in a timely fashion then this may disrupt or delay device orders made by FFT. FFT may not be able to satisfy requests by End Users or System Integrators for more devices.

This would likely have a material adverse effect on FFT's ability to generate revenue. If disruptions were prolonged, they could have a material adverse effect on FFT's ability to continue to grow its business.

Litigation and Disputes

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. There is a risk that material or costly disputes or litigation could impact on the financial performance and the value of FFT.

9.2 General risks

Changes in Accounting Policy

FFT must report and prepare financial statements in accordance with prevailing accounting standards and policies. There may be changes in these accounting standards and policies in the future which may have an adverse impact on FFT's reported financial performance and financial position.

Economic conditions

The price at which FFT Shares trade on ASX may be determined by a range of factors including movements in local and international equity and bond markets, general investor sentiment in those markets, inflation, interest rates, general economic conditions and outlooks and changes in the supply of, and demand for, technology hardware and equipment industry securities.

Share market conditions

The market for FFT Shares may also be affected by a wide variety of events and factors including variations in FFT's operating results, recommendations by securities analysts, and the operating and trading price performance of other listed technology hardware and equipment industry entities that investors consider to be comparable to FFT. Some of these factors could affect FFT's share price regardless of FFT's underlying operating performance.

Currency Risk

FFT securityholders who reside outside of Australia, or who rely on funding denominated in a currency other than the Australian dollar, should be aware of the impact that fluctuations in exchange rates may have on the value of their investments in, and returns from, FFT.

Forward looking statements

Certain information in this Bidder's Statement constitutes forward looking information that is subject to risks and uncertainties and a number of assumptions, which may cause the actual expenditure and achievement of milestones and other outcomes of the combined group to be different from the expectations expressed or implied in this Bidder's Statement.

9.3 Specific business risks associated with the Merged Group

Implementation risks

The respective boards of FFT and MaxSec have assumed a successful integration of FFT and MaxSec. Integration risks include possible differences in management culture, failure to achieve expected synergies and savings and loss of key personnel. There is no guarantee that integration will be successful, or that it will be achieved within the expected time frame and cost. Inability to effectively manage integration may adversely affect the performance of the Merged Group and its future prospects.

Diversification

As holders of FFT Shares following implementation of the Offer, MaxSec Shareholders will be exposed to a more diversified organisation than MaxSec. That diversification may continue in the future. A more diverse business may mean MaxSec Shareholders are exposed to a more diverse range of risks.

FFT Shares

Under the Offer, MaxSec Shareholders are issued with FFT Shares in consideration for the transfer of MaxSec Shares. The share price performance of a listed company, such as FFT, is subject to general fluctuations in the share market. These fluctuations can result from a wide variety of factors, some of which are beyond the control of FFT, such as:

- (a) general economic conditions, including changes in inflation rates, interest rates and exchange rates;
- (b) variations in the domestic and international markets for listed stocks;
- (c) changes to government policy, legislation or regulation; and

- (d) inclusion or removal from market indices.

In particular, the share prices for many companies may reflect a diverse range of issues which are not specific to the company concerned, such as acts of terrorism and the general state of the economy. These market fluctuations may adversely affect the price of the FFT Shares. An investment in FFT Shares therefore carries risks that the share price may fall and no guarantee can be made about the declaration of any dividends or returns of capital.

Market for shares in FFT

There can be no guarantee that a liquid market in FFT Shares will exist after implementation of the Offer. There may be relatively few, or many, potential buyers or sellers of FFT Shares on ASX at any given time. This may affect the prevailing market price at which Shareholders are able to sell their shares.

9.4 Offer specific risks

Conditions of the Offer

As described in Schedule 2 of the Bidder's Statement, the Offer is subject to a number of conditions.

Subject to any statutory withdrawal rights that may be available, MaxSec Shareholders who accept the Offer whilst it still remains conditional will no longer be able to trade their MaxSec Shares on the ASX or withdraw their acceptance of the Offer. MaxSec Shareholders should be aware that the market price of MaxSec Shares may exceed the implied price under the Offer during the Offer Period.

For those MaxSec Shareholders who accept the Offer and the conditions remain unsatisfied at the end of the Offer Period, and are not otherwise waived by FFT, there is no obligation on FFT to issue FFT Shares to you as consideration for your MaxSec Shares. In those circumstances, any acceptances of the Offer will be void and you would then be free to deal with your MaxSec Shares.

Limited withdrawal rights

MaxSec Shareholders may only withdraw their acceptance of the Offer in limited circumstances. Otherwise, MaxSec Shareholders will be unable to withdraw their acceptances, even if the value of the FFT Shares to be issued to MaxSec Shareholders as consideration varies from the date of their acceptance.

Issue of FFT Shares as the Offer consideration

MaxSec Shareholders are being offered consideration under the Offer that comprises a specified number of FFT Shares, rather than a number of FFT Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the FFT Shares. Furthermore, if current FFT Shareholders or current MaxSec Shareholders who accept the Offer do not wish to hold shares in the Merged Group and seek to sell their shares, this may have a material adverse effect on the Merged Group and the market price of FFT Shares.

Accordingly, the market value of the FFT Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer. This may result in the value of the consideration to MaxSec Shareholders increasing as well as decreasing.

Less than 100 percent ownership

It is possible that FFT may not acquire all MaxSec Shares under the Offer. The impact upon FFT of acquiring less than 100 percent will depend upon the final level of ownership acquired. However, the existence of minority shareholders in MaxSec could have an impact on FFT's intentions regarding MaxSec (refer to Sections 8.2 to 8.5).

Assumed financial information for MaxSec

There is a risk that the publicly available financial information provided by MaxSec and utilised by FFT in formulating the Offer and preparing this Bidder's Statement is not materially correct.

Taxation risks

FFT cannot give advice on the tax consequences of the Offer, which will depend on the specific circumstances of each MaxSec Shareholder.

A criteria for the availability of CGT rollover relief is that FFT increases its holding of MaxSec Shares to at least 80 percent as a result of the Offer. There is a risk that FFT will not receive sufficient acceptances under the Offer to meet this criterion and, in these circumstances, CGT rollover relief will not be available to MaxSec Shareholders.

FFT will notify all MaxSec Shareholders if it receives sufficient acceptances to satisfy this requirement.

Reporting risks

FFT has assumed that MaxSec has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.

Dilution risks

As the consideration payable for the Offer consists partly of FFT Shares, the interests of existing FFT Shareholders (which may include MaxSec Shareholders following completion of the Offer) will be diluted to some degree.

10 Sources of Offer Consideration

10.1 Offer Consideration

The consideration for the acquisition of MaxSec Shares under the Offer is to be satisfied by the issue of FFT Shares. The Offer Consideration is 1 FFT Share for every 4 MaxSec Shares.

The relative amount of FFT Shares to be issued will depend on the number of MaxSec Shares that FFT acquires under the Offer.

The calculations in this section on the maximum consideration to be paid by FFT assume that, as a result of the Offer, FFT acquires all MaxSec Shares on issue at the date of this Bidder's Statement.

10.2 Maximum number of FFT Shares

The maximum number of FFT Shares which are required to be issued under the Offer if acceptances are received for all the MaxSec Shares on issue at the date of this Bidder's Statement is approximately 102,627,732 (excluding rounding adjustments).

While not anticipated, if all MaxSec Option holders convert their MaxSec Options into MaxSec Shares before the end of the Offer Period and accept the Offer, an additional 5,300,000 FFT Shares would be required to be issued (excluding rounding adjustments).

FFT Shares issued under the Offer are exempt from ASX Listing Rule 7.1 (which prohibits issues exceeding 15 percent of a company's share capital in any 12 month period). Accordingly, FFT has the capacity to issue the maximum number of FFT Shares that may be required under the Offer.

11 Tax considerations

11.1 Introduction

The following is a summary of the potential Australian income tax and capital gains tax (**CGT**) consequences generally applicable to MaxSec Shareholders who dispose of MaxSec Shares under the Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every MaxSec Shareholder. In particular this summary is only applicable to MaxSec Shareholders that are Australian residents for income tax purposes and hold their MaxSec Shares on capital account for investment purposes and only considers the Australian tax position.

This summary does not apply to MaxSec Shareholders:

- who hold their MaxSec Shares as trading stock or as revenue assets;
- who acquired their MaxSec Shares as part of an employee share scheme operated by MaxSec;
- that may be subject to special tax rules, such as financial institutions, insurance companies, partnerships (except where expressly stated), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are subject to the taxation of financial arrangements rules in relation to gains and losses on their MaxSec shares.

All MaxSec Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident MaxSec Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their MaxSec Shares.

11.2 CGT consequences on the disposal of MaxSec Shares

A MaxSec Shareholder that accepts the Offer and whose MaxSec Shares are subsequently transferred to FFT, is taken to have disposed of their MaxSec Shares for Australian CGT purposes. Shareholders make a capital gain equal on disposal of their MaxSec Shares to the extent that the market value of the Offer consideration exceeds the tax cost base of the MaxSec Shareholders' MaxSec Shares (subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain).

The capital proceeds received for the disposal of the MaxSec Shares should be calculated by reference to the market value of FFT Shares that each MaxSec Shareholder will receive.

The sum of all capital gains incurred by a MaxSec Shareholder in the year in which the transaction occurs, reduced by any capital loss incurred during that year, or carried forward from prior years (known as the net capital gain), should be included in the assessable income of the MaxSec Shareholder.

Alternatively, a MaxSec Shareholder will make a capital loss on the transfer of their shares to FFT, equal to the amount by which the reduced cost base of their MaxSec Shares is more than the capital proceeds (i.e. value of shares in FFT) they receive under the Offer. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year (subject to the satisfaction of certain loss recoupment tests which apply if the MaxSec Shareholder is a company or trust).

Cost base of MaxSec Shares generally

Generally, the cost base of MaxSec Shares should be equal to the amount paid to acquire the MaxSec Shares. Other incidental costs incurred by a MaxSec Shareholder in respect of their acquisition or ownership of MaxSec Shares (such as brokerage and un-deducted borrowing costs) may also be included in the cost base of the MaxSec Shares they own.

11.3 CGT rollover

Where FFT acquires 80% of the Shares in MaxSec, a MaxSec Shareholder may be eligible to choose for scrip for scrip CGT rollover relief in respect of the disposal of MaxSec Shares, so that any CGT payable on the disposal of their MaxSec Shares is deferred.

If a MaxSec Shareholder elects for CGT rollover relief to apply, any capital gain that they would otherwise make on the disposal of their MaxSec Shares will be disregarded, as the only consideration that MaxSec Shareholders will receive in respect of their MaxSec Shares are replacement shares in FFT.

The benefit of choosing scrip for scrip rollover relief will depend on the individual circumstances of each MaxSec Shareholder and therefore MaxSec Shareholders should discuss this with their tax advisers.

Where rollover relief is chosen, the tax cost base of the FFT Shares received by the MaxSec Shareholders should equal the tax cost base of the MaxSec Shares disposed of. This tax cost base will be allocated on a proportionate basis across the FFT Shares received. This cost base will be relevant in determining any future CGT liability on the subsequent disposal of the FFT Shares.

For the purposes of determining whether the CGT discount applies on any subsequent disposal of the FFT Shares, the date on which the MaxSec Shareholders will be deemed to have acquired the FFT Shares will be the day they acquired their original MaxSec Shares.

Generally, where MaxSec Shareholders prepare their income tax return on the basis that scrip for scrip rollover has been applied, this will be sufficient evidence of making the choice to obtain rollover relief.

In certain circumstances, it may be necessary for FFT to make a joint election with MaxSec Shareholders in order for CGT rollover relief to apply. To the extent a joint election is necessary for rollover relief to apply then, at the request of the MaxSec Shareholder and provided the MaxSec Shareholder has informed FFT in writing of the cost base of their MaxSec Shares, FFT may make the joint election. FFT confirms that it will not make any choice or election under the CGT rollover provisions that would prevent MaxSec Shareholders from obtaining CGT rollover relief where available.

However, if the FFT Offer becomes unconditional and FFT does not increase its holding to at least 80 percent of the MaxSec Shares on issue as a result of the Offer, CGT rollover relief will not be available for any MaxSec Shareholders.

11.4 CGT discount

Any MaxSec Shareholder who is an individual, the trustee of a trust or a complying superannuation entity that does not choose CGT rollover relief may be entitled to a 'CGT discount' in calculating the net capital gain to be included in their assessable income.

MaxSec Shareholders will be eligible for CGT discount provided that:

- (a) the MaxSec Shares were acquired at least 12 months before disposal to FFT;
- (b) the MaxSec Shareholder did not choose to index the cost base of their MaxSec Shares;
and

- (c) the CGT discount is applied to the capital gain after any available capital losses are first applied to reduce the capital gain.

The CGT discount allows a MaxSec Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 percent, including only the remaining 50 percent of the capital gain in the taxable income of that individual or trust.

A MaxSec Shareholder that is a complying superannuation entity may discount the capital gain by 33⅓ percent and include 66⅔ percent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to a MaxSec Shareholder that is a company.

11.5 Stamp duty

Neither the sale of MaxSec Shares, nor the issue of FFT Shares should give rise to any stamp duty liability for existing MaxSec Shareholders.

11.6 Goods and Services Tax (GST)

The sale of MaxSec Shares by existing shareholders as contemplated will not attract GST. Similarly, no GST will be payable on the acquisition of FFT Shares.

Where shareholders are registered or required to be registered for GST, any GST incurred on expenses that relate to the sale of existing shares or acquisition of new shares may not be recoverable if the individual shareholder exceeds the financial acquisitions threshold as set out in the relevant GST legislation. However, a reduced input tax credit equal to 75% of the GST incurred may still be available if the acquisition constitutes a reduced credit acquisition.

Where MaxSec Shareholders are not registered, or required to be registered for GST, no GST implications should arise in relation to the Offer.

11.7 Obtain your own taxation advice

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, FFT does not accept any responsibility for tax implications for individual MaxSec Shareholders.

FFT is not a registered tax agent under the *Tax Agent Services Act 2009* (Cth) and cannot provide tax advice to specific MaxSec Shareholders. MaxSec Shareholders should obtain tax advice from a registered tax agent on the consequences of accepting the Offer.

12 Important documents

12.1 Bid Implementation Agreement

On 24 August 2017, FFT and MaxSec entered into a Bid Implementation Agreement for the proposed takeover bid by FFT for all the MaxSec Shares.

The terms of the Bid Implementation Agreement include:

- (a) MaxSec Independent Directors recommend that MaxSec Shareholders accept the Offer, unless there is a Superior Proposal;
- (b) until the end of the Offer Period, MaxSec must comply with the no shop, no due diligence, no talk and no termination conditions; and
- (c) a mutual break fee is payable in certain circumstances in amount of 1% of the market value of MaxSec*.

Break fee

MaxSec has agreed to pay FFT a break fee of 1% of the market value of MaxSec*, if:

- (a) at any time during the Offer Period:
 - (i) any director of MaxSec makes any public statement to the effect that he or she does not support (or no longer supports) the takeover bid; or
 - (ii) any Independent director fails to recommend the Offer or, having done so, publicly withdraws or varies his or her favourable recommendation of the Offer (or any part of it);
 - (iii) any MaxSec Director publicly recommends, promotes or otherwise endorses a Competing Proposal;
 - (iv) a Superior Proposal is announced or is open for acceptance;
 - (v) any person other than FFT (or its Associates) acquires a Relevant Interest in more than 20% of the MaxSec Shares; or
- (b) MaxSec breaches a term of the Bid Implementation Agreement and that breach results in a valid termination of the Bid Implementation Agreement.

FFT has agreed to pay MaxSec a break fee of 1% of the market value* of MaxSec if the takeover bid has not occurred on or before the End Date as a direct result of the failure by FFT to perform or satisfy any of its material obligations under the Bid Implementation Agreement.

Exclusivity and other limitations

MaxSec has agreed not to:

- (a) take any action which may lead to a Competing Proposal (no shop condition); or
- (b) negotiate or enter into discussions about a Competing Proposal or respond to a Competing Proposal (no talk condition).

* Based on the Offer Consideration using the closing price of FFT's Shares of 24 August 2017 being the trading day immediately before the Announcement Date.

MaxSec can enter into discussions or negotiations in response to any unsolicited proposal, if MaxSec's financial adviser reasonably considers it could lead to a Superior Proposal and MaxSec's legal adviser considers that failing to respond to the proposal would be contrary to the fiduciary duties of the MaxSec Directors.

12.2 Deed of variation to Bid Implementation Agreement

On 16 October 2017, FFT and MaxSec entered into a deed of variation of the Bid Implementation Agreement to:

- (a) change the minimum acceptance threshold from 90% to 80%;
- (b) update the indicative timetable for the takeover bid; and
- (c) clarify that the Independent Directors are the MaxSec Directors recommending that MaxSec Shareholders accept the Offer, unless there is a Superior Proposal.

13 Additional information

13.1 FFT is a disclosing entity

As FFT is offering FFT Shares as consideration for the acquisition of MaxSec Shares, the Corporations Act requires that this Bidder's Statement includes all information that would be required for a prospectus for an offer of FFT Shares under sections 710 to 713 Corporations Act. FFT does not need to issue a separate prospectus for the offer of the FFT Shares as the offer occurs under a takeover bid.

FFT is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 Corporations Act that is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, FFT is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of FFT's securities.

FFT Shares have been quoted on ASX during the 12 months before the date of this Bidder's Statement. For this reason, FFT is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where FFT's shares are continuously quoted securities the prospectus is only required to contain information on the effect of the Offer on FFT and the rights and liabilities attaching to the FFT Shares. It is not necessary to include general information on all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company unless that information has been excluded from a continuous disclosure notice in accordance with the Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of those matters and the rights and liabilities attaching to the FFT Shares.

Information that is already in the public domain is not reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete. FFT, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC by FFT (not being documents referred to in section 1274(2)(a) Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - (i) the financial statements of FFT for the 12 months ended 30 June 2017 (being the annual financial report most recently lodged by FFT with ASIC);
 - (ii) the half-year financial report lodged for the six months ended 31 December 2016 lodged with ASIC by FFT; and
 - (iii) all continuous disclosure notices given by FFT after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

If you would like to receive a copy of any of these documents or publications, please contact FFT's bid information line weekdays between 9.00am and 5.00pm on 1300 737 760 (Australia only) or +61 2 9290 9600 (outside Australia).

Copies of all documents lodged with ASIC in relation to FFT can be inspected at the registered office of FFT during normal office hours. A list of announcements made by FFT on ASX between 1 July 2017 and the date of this Bidder's Statement as it appears in Schedule 3.

Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules and is information that a MaxSec Shareholder or a professional adviser to a MaxSec Shareholder would reasonably require for the purposes of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of FFT; or
- (b) the rights and liabilities attaching to the FFT Shares.

None of the information referred to in this Section 13.1 is incorporated by reference into this Bidder's Statement or is included with this Bidder's Statement.

13.2 Capital structure of FFT

Current

The total number of FFT Shares on issue is 124,028,440 listed shares.

FFT has granted 8,810,000 options over unissued shares in FFT on the following terms:

| Tranche | Number of options | Exercise Price | Expiry Date |
|---------|-------------------|----------------|---------------|
| 1 | 1,200,000 | \$0.23 | 18 July 2019 |
| 2 | 1,500,000 | \$0.23 | 15 March 2020 |
| 3 | 2,110,000 | \$0.35 | 15 March 2018 |
| 4 | 3,400,000 | \$0.875 | 11 May 2018 |
| 5 | 600,000 | \$0.23 | 28 April 2020 |

Future events

FFT has agreed to award 200,000 unlisted options to Christopher Fergus with an exercise price of \$0.21 and an expiry date of 3 years from grant date, being a date on which shareholder approval is obtained at a general meeting of shareholders. The issue is yet to be approved at a meeting of shareholders.

The effect of this Offer on FFT's capital structure is set out in Section 7.

Options

It is proposed that a total of 21,200,000 MaxSec Options on issue (which comprises all of the MaxSec Options currently on issue) will be cancelled in exchange for being issued options in FFT (**FFT Options**) on the following terms:

- (a) the FFT Options will be issued with no issue price;
- (b) the FFT Options will be fully vested at grant date;
- (c) the FFT Options will have the same expiry date as the corresponding MaxSec Options;
- (d) the optionholders will receive one FFT Option for every four MaxSec Options; and
- (e) the FFT Options will have an equivalent exercise price (after taking into account the difference between the value of the FFT Shares and the MaxSec Shares).

FFT and MaxSec will enter into tripartite option exchange agreements (**Option Exchange Agreements**) with the relevant optionholders in due course to formalise these arrangements. The Option Exchange Agreements are subject to the Offer being declared unconditional.

One of the MaxSec optionholders is Mr Robert Broomfield, who is a common director of both MaxSec and FFT. The Option Exchange Agreement sought to be entered into with Mr Broomfield provides that the issue of FFT Options to him will be subject to FFT obtaining shareholder approval to do so. If shareholders of FFT do not approve the issue, all MaxSec Options held by Mr Broomfield will be cancelled in exchange for a cash payment by FFT of \$0.01 per MaxSec Option held by Mr Broomfield.

MaxSec has made an application to ASX for a waiver from Listing Rule 6.23.2 for the purposes of the MaxSec Options. Absent the waiver sought, Listing Rule 6.23.2 requires Shareholders approval to be obtained for the cancellation of MaxSec Options for consideration. The waiver sought is consistent with ASX Guidance Note 17 in relation to a standard waiver to permit a listed entity to cancel unquoted options for consideration without the approval of the holders of ordinary securities, where the cancellation is pursuant to a takeover bid. ASX granted the waiver on 10 October 2017 subject to the following conditions:

- (a) the Offer being declared unconditional by FFT in compliance with the Corporations Act;
- (b) full details of the cancellation of MaxSec Options being included in the Bidder's Statement and Target's Statement; and
- (c) FFT acquiring voting power in MaxSec of at least 50.1%.

13.3 Rights and liabilities attaching to FFT Shares

The rights and liabilities attaching to ownership of the FFT Shares arise from a combination of FFT's constitution, statute, the Listing Rules and general law.

A summary of the significant rights and liabilities attaching to FFT's Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of FFT Shareholders.

Voting at a general meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of FFT or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid FFT Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

Meeting of members

Each FFT Shareholder is entitled to receive notice of, attend and vote at meetings of FFT and to receive all notices, accounts and other documents required to be sent to FFT Shareholders under FFT's constitution, the Corporations Act and the Listing Rules.

Dividends

The Directors may authorise the payment to members of dividends as and when permitted by the Corporations Act. Dividends are payable on all FFT Shares in proportion to the amount of the total issue price paid or credited as paid for the FFT Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the FFT Shares. If a fully paid share is on issue for part only of the period in respect of which a dividend is payable, the dividend for that share will be apportioned and paid according to the proportion that the part of that period for which the share is on issue and is fully paid is of the total period for which the dividend is payable.

Transfer of FFT Shares

FFT Shares may be transferred by a proper transfer effected under the ASX Settlement Operating Rules, or by a written instrument of transfer in any usual form or in any other form approved by the Directors.

The Directors may only decline to register a transfer of FFT Shares (other than a proper transfer under the ASX Settlement Operating Rules) where permitted or required to do so under the Listing Rules. If the Directors refuse to register a transfer, FFT must, within five Business Days after the transfer is lodged with FFT, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of FFT Shares when required by the Corporations Act or the Listing Rules.

Issue of further FFT Shares

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares in FFT on terms as they see fit. However, the Directors must act in accordance with the restrictions imposed by FFT's constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

Winding-up

If FFT is wound up, then, subject to any special rights attaching to any class of shares, FFT Shareholders will be entitled to participate in any surplus assets of FFT in proportion to the amount paid up (or which ought to have been paid up) on their FFT Shares when the winding-up begins.

Share buy-back

Subject to the provisions of the Corporations Act and the Listing Rules, FFT may buy back FFT Shares on terms and at times determined by the Directors.

Variation of class rights

Unless otherwise provided by FFT's constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- (a) with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- (b) with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

In either case, the holders of not less than ten percent of the votes in the class of shares, the rights of which have been varied or abrogated, may apply to a court of competent jurisdiction to exercise its discretion to set aside that variation or abrogation.

Dividend reinvestment plan and bonus share plan

FFT's constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by FFT be reinvested by way of subscription for shares in FFT) and bonus share plans (whereby any member may elect to forego any dividends that may be payable on all or some of the FFT Shares held by that member and to receive instead FFT Shares).

Indemnities

To the extent permitted by law, FFT indemnifies every officer and former officer of FFT against a liability incurred by the person acting in that capacity. In addition, every officer is indemnified out of the assets of FFT against any liability incurred in defending any civil or criminal proceedings in which judgment is given in favour of the officer, or in which the officer is acquitted.

Alteration of FFT's constitution

FFT's constitution can only be amended by special resolution passed by at least 75% of FFT Shareholders present and voting at a general meeting of FFT. FFT must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

13.4 Capital structure of MaxSec

- (a) FFT's Offer is to acquire all of the issued MaxSec Shares that it does not already own.
- (b) At the date of this Bidder's Statement, there are 472,010,928 MaxSec Shares on issue.

13.5 Details of FFT's relevant interests in MaxSec Shares

At the date of this Bidder's Statement, the number of MaxSec Shares in which FFT had a Relevant Interest is set out below:

| Class of securities | Total number in class | % of MaxSec Shares on issue |
|---------------------|---------------------------------------|-----------------------------|
| MaxSec Shares | 61,500,000 MaxSec Shares ⁹ | 13.0% |

As at the date of this Bidder's Statement FFT has voting power of 13.0% in MaxSec.

⁹ As announced by FFT on 25 August 2017, FFT was issued 61,500,000 MaxSec Shares at an issue price of \$0.03 per MaxSec Shares.

FFT reserves the right to purchase MaxSec Shares outside the Offer at any time during the Offer Period, subject to the Corporations Act.

13.6 Details of FFT's Directors' relevant interests in MaxSec Shares

At the date of this Bidder's Statement, the following Directors of FFT have a Relevant Interest in MaxSec Shares:

| Director | Class of securities | Total number in class | % of MaxSec Shares on issue |
|--------------------|---------------------|--------------------------|-----------------------------|
| Robert Broomfield | MaxSec Shares | 5,625,000 MaxSec Shares | 0.91% |
| Robert Broomfield | MaxSec Options | 1,000,000 MaxSec Options | N/A |
| Christopher Fergus | MaxSec Shares | 12,000,000 MaxSec Shares | 2.92% |

13.7 Independent Directors of MaxSec

FFT understands that Mr Robert Broomfield and Mr Christopher Fergus consider it inappropriate that they make a recommendation about the Offer, on the basis that they are common directors of FFT and MaxSec. Accordingly, the Independent Directors are:

- (a) Mr Geoffrey Cleaves; and
- (b) Mr Johan Landsberg.

13.8 Offer extends to new MaxSec Shares

The Offer extends to MaxSec Shares that come into existence during the period from the Register Date to the end of the Offer Period due to a conversion of or exercise of rights or convertible securities including unexercised MaxSec Options on issue as at the Register Date.

If a holder of MaxSec Options exercises those options, he or she can accept the Offer for the MaxSec Shares received from the exercise of those options.

13.9 Valuation of MaxSec Shares for purposes of the minimum bid price rule

FFT may rely on the provisions of ASIC Corporations (Minimum Bid Price) Instrument 2015/1068. That Instrument provides relief from the requirement in section 621(4) of the Corporations Act and allows a bidder up to five business days before the date of the takeover bid to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of FFT's bid consideration at least equals the maximum value of consideration paid by FFT for MaxSec Shares in the four months prior to the date of the Offer (described in section 13.5 above).

Relying on that relief, FFT may value FFT Shares to be provided under the Offer at any date nominated by FFT (**Valuation Date**) up to five business days before the date of the Offer. The valuation is determined by calculating the VWAP of FFT Shares in the ordinary course of trading on ASX during two full trading days before the Valuation Date.

Under section 621(4A) (as inserted in the Corporations Act by ASIC Corporations (Minimum Bid Price) Instrument 2015/1068) the following information is provided:

- (a) valuation of FFT Shares under section 621(4A): \$[BLANK IN LODGED VERSION] per FFT Share

- (b) Valuation Date: [BLANK IN LODGED VERSION] 2017
- (c) trading days on which valuation is based: [BLANK IN LODGED VERSION] 2017 and [BLANK IN LODGED VERSION] 2017

The value of the Offer Consideration per MaxSec Share for the purposes of section 621 of the Corporations Act using this valuation is therefore A\$[BLANK IN LODGED VERSION].

The value exceeds the maximum value of consideration paid by FFT for MaxSec Shares in the four months prior to the date of Offer (described in Section 13.5 above).

FFT Shares can fall as well as rise and may be subject to varied and unpredictable influences. Accordingly there is no guarantee that 1 FFT Share will continue to be worth equal to or above \$[BLANK IN LODGED VERSION]. The highest and lowest closing prices of FFT Shares on the ASX in the four months before the Valuation Date were \$0.185 and \$0.110 respectively.

13.10 Inducing benefits given during previous four months

Except as set out in this Bidder's Statement, neither FFT nor any of its Associates has, during the period of four months before the date of the Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- (a) accept an Offer; or
- (b) dispose of MaxSec Shares,

which benefit was not offered to all MaxSec Shareholders under the Offer.

13.11 Miscellaneous matters

ASIC relief

ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including FFT, about the operation of chapter 6 Corporations Act. FFT may rely on this class order relief.

FFT has relied on the modification to section 636(3) Corporations Act in paragraph 5(d) of ASIC Class Order 13/521 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and ASX without obtaining the consent of the persons to whom those statements are attributed.

As required by Class Order 13/521, FFT will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to MaxSec Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) MaxSec Shareholders should contact the shareholder information line on 1300 737 760 (Australia only) or +61 2 9290 9600 (outside Australia) between 9.00am and 5.00pm Monday to Friday.

ACCC approval

From publically available information in relation to MaxSec's operations, FFT believes that the ACCC will not have concerns in relation to, or propose to intervene in, the Offer. As a result, FFT has not sought, and does not propose to seek, clearance from the ACCC in relation to the Offer.

ASX confirmations

FFT has received confirmation from ASX that Listing Rules 11.1.2 and 11.1.3 do not apply to the Offer.

MaxSec has obtained a waiver of Listing Rule 6.23.2 from ASX for the purposes of the MaxSec Options. Listing Rule 6.23.2 requires that shareholder approval of MaxSec be obtained for the cancellation of options for consideration.

Other regulatory matters

FFT is not aware of any other Regulatory Approval which is required for it to acquire control or ownership of MaxSec.

13.12 Foreign Shareholders

If you are a Foreign Shareholder, unless FFT otherwise determines that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to make the Offer to you and to issue you with FFT Shares on acceptance of the Offer; and
- (b) it is not unlawful for you to accept the Offer by the law of the relevant place outside Australia, its external territories or New Zealand,

you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares.

Instead, FFT will:

- (a) arrange for the issue to the Nominee of the number of FFT Shares to which you and all other Foreign Shareholders would have been entitled but for clause 2.2 of the Offer Terms (Schedule 1); and
- (b) cause the Nominee to offer for sale those FFT Shares within five Business Days after the end of the Offer Period in the manner, at the price and on other terms as are determined by the Nominee; and
- (c) pay to you the amount ascertained under the formula in clause 5.3 of the Offer Terms (Schedule 1).

Notwithstanding anything else contained in this Bidder's Statement, FFT is not under any obligation to spend any money or undertake any action to satisfy itself of the eligibility of Foreign Shareholders to receive FFT Shares.

13.13 Consents

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by MaxSec or announced on the company announcements platform of ASX by MaxSec. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

- (a) McCullough Robertson has given and have not, before the lodgement of this Bidder's Statement with ASIC, withdrawn their written consent to being named in this Bidder's

Statement as legal advisers to FFT in respect of the Offer in the form and context in which they are named.

- (b) Boardroom Pty Limited has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to FFT in respect of the Offer in the form and context in which it is named.
- (c) Each of McCullough Robertson and Boardroom Pty Limited:
 - (i) does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

13.14 Fees and benefits payable to Directors and advisers

Other than as set out below or elsewhere in this Bidder's Statement, no:

- (a) Director or proposed director of FFT;
- (b) person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- (c) promoter of FFT,

has, or had within two years before the date of this Bidder's Statement, any interest in:

- (d) the formation or promotion of FFT;
- (e) any property acquired or proposed to be acquired by FFT in connection with its formation or promotion or in connection with the issue of FFT Shares under the Offer; or
- (f) the offer of FFT Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or a proposed director of FFT as an inducement to become, or to qualify as, a Director of FFT or to any of those persons otherwise for services rendered by them in connection with the formation or promotion of FFT or the offer of FFT Shares under this Bidder's Statement.

The Directors of FFT have the following Relevant Interests in FFT Shares (either held directly, held by entities controlled by them or held by entities of which they are directors or held by family members) at the date of this Bidder's Statement:

| Director | FFT Shares | % of FFT Shares on issue | Options |
|--------------------|------------|--------------------------|-----------|
| Robert Broomfield | 1,500,000 | 1.20% | 1,500,000 |
| Terence Winters | 877,380 | 0.70% | 200,000 |
| Mark Stevens | - | - | 200,000 |
| Frederick Davis | - | - | 1,200,000 |
| Christopher Fergus | - | - | - |

FFT reviews executive remuneration and other terms of employment annually (through a remuneration committee), having regard to performance, relevant comparative information and independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing FFT's operations. Remuneration and other terms of employment for the managing director and certain other senior executives are formalised in service agreements. Incentive-based remuneration packages linked to personal and corporate key performance indicators are in place for each executive.

These incentives are structured to align executive reward with the achievement of strategic objectives and the creation of shareholder value. The personal and corporate key performance indicators and other targets for each executive are reviewed at least annually to ensure that they remain relevant and appropriate, and may agree to vary the stated indicators or targets to ensure that the short term rewards and long term rewards offered to each executive incentivise performance and achievement that are consistent with FFT's goals and objectives. A significant portion of the incentive plan is provided by way of FFT Shares through a deferred employee share plan which seeks to align executive performance with shareholders' interests. FFT's remuneration policy is designed to align management, and therefore FFT's performance with shareholder wealth.

Insurance and indemnity arrangements are in place for officers of FFT. To the extent permitted by law, FFT indemnifies every person who is or has been an officer against:

- (a) any liability to any person (other than FFT, related entities or a major shareholder) incurred while acting in that capacity and good faith; and
- (b) costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

For this purpose 'officer' means any Director or secretary of FFT or any subsidiary of FFT. Under the terms of the indemnity, FFT must maintain indemnity insurance coverage for a period of seven years after the officer held their position in FFT and allow the officer access to certain records after ceasing to hold office in FFT for a period of seven years.

McCullough Robertson has acted as legal advisers to FFT in relation to the Offer. McCullough Robertson is entitled to receive professional fees on a normal basis.

13.15 Expiry date

No FFT Shares will be issued on the basis of the Offer contained in this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

13.16 Other material information

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a MaxSec Shareholder whether or not to accept an Offer; and
- (b) known to FFT,

and has not previously been disclosed to MaxSec Shareholders.

14 Definitions and interpretation

14.1 Definitions

In this Bidder's Statement:

| Term | Definition |
|---------------------------------------|--|
| ACCC | means the Australian Competition and Consumer Commission. |
| Acceptance Form | means the form of acceptance and transfer accompanying this Bidder's Statement. |
| Announcement Date | means 25 August 2017, being the date of announcement of the Offer. |
| ASIC | means the Australian Securities and Investments Commission. |
| Associates | <p>in the context of a body corporate includes:</p> <ul style="list-style-type: none">(a) a director, secretary and shareholder of the body corporate;(b) a body corporate that is a Related Body Corporate;(c) a director, secretary and shareholder of that Related Body Corporate;(d) the trustee of any trust under which the persons described in clauses (a), (b) and (c) or any of them, may benefit;(e) any person who is a related party for the purposes of section 228 Corporations Act; and(f) in the particular matter to which the associate reference relates, any person or persons with whom the body corporate:<ul style="list-style-type: none">(i) is acting or proposes to act in concert; or(ii) is or proposes to become associated,whether formally or informally. |
| ASX | means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires). |
| ASX Settlement Operating Rules | means the settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHESS system in Australia), a copy of which is available at www.asx.com.au . |
| Bid Implementation Agreement | means the agreement between FFT and MaxSec dated 24 August 2017 documenting FFT's proposal to make a takeover bid to acquire all the MaxSec Shares. |
| Bidder's Statement | means this document, being the statement of FFT under part 6.5 division 2 Corporations Act relating to the Offer. |
| Broker | means a person who is a share broker and a participant in CHESS. |
| Business Day | means a business day as defined in the Listing Rules. |
| CHESS | means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia. |
| CHESS Holding | means a holding of MaxSec Shares on the CHESS |

| Term | Definition |
|--------------------------------|--|
| | subregister of MaxSec. |
| Competing Proposal | <p>means a transaction which, if completed, would mean a person other than FFT (and its Associate) would:</p> <ul style="list-style-type: none"> (a) acquire a Relevant Interest in 20% or more of MaxSec's securities; (b) acquire Control of MaxSec; (c) acquire all or a substantial part of MaxSec's business, assets or undertaking; (d) otherwise acquire or merge with MaxSec; or (e) enter into any agreement, arrangement or understanding requiring the party to abandon, or otherwise fail to proceed with, the Proposal, or otherwise having that effect. |
| Control | has the meaning given in section 50AA of the Corporations Act. |
| Consolidated Group | has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth). |
| Controlling Participant | means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHESS Holding under the ASX Settlement Operating Rules. |
| Corporations Act | means <i>Corporations Act 2001</i> (Cth). |
| Defeating Condition | means each of the conditions of the Offer set out in Schedule 2. |
| Directors | means the directors of FFT. |
| Encumbrance | <p>means any one or more of the following:</p> <ul style="list-style-type: none"> (a) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth); (b) any preferential or adverse interest of any kind; (c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase; (d) a right to set-off or right to withhold payment of a deposit or other money; (e) an easement, restrictive covenant, caveat or similar restriction over property; (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or (g) a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 <i>Taxation Administration Act 1953</i> (Cth) or any similar legislation. |
| End Date | <p>means the earlier of:</p> <ul style="list-style-type: none"> (a) the day the Bid Implementation Agreement is validly terminated; (b) the day the Bidder and its Associates obtain a |

| Term | Definition |
|---------------------------------|--|
| | Relevant Interest in 80% of the MaxSec Shares; and (c) five Business Days after the end of the Offer Period. |
| End User | means a party that has an FFT product installed, including by a System Integrator. |
| FFT | means the bidder, Future Fibre Technologies Limited ACN 064 089 318. |
| FFT Share | means a fully paid ordinary share in the capital of FFT. |
| Foreign Shareholder | means a MaxSec Shareholder whose address on the MaxSec share register is in a jurisdiction other than Australia or its external territories, New Zealand or Singapore. |
| GST | has the meaning it has in the GST Act. |
| GST Act | means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth). |
| Government Agency | means: (a) a government or government department or other body; (b) a governmental, semi-governmental or judicial person; or (c) a person (whether autonomous or not) who is charged with the administration of a law. |
| Independent Directors | means those MaxSec Directors listed in Section 13.7. |
| Insolvency Event | means any of the following events occurring in relation to a party: (a) a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party; (b) the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act; (c) the party ceases to carry on business; or (d) an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction. |
| Issuer Sponsored Holding | means a holding of MaxSec Shares on MaxSec's issuer sponsored subregister. |
| Listing Rules | means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX. |

| Term | Definition |
|--------------------------------|---|
| Material Adverse Change | <p>means:</p> <ul style="list-style-type: none"> (a) any matter, event or circumstance which happens, is announced or becomes known to FFT after the Announcement Date which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either: (b) the value of consolidated net assets of the MaxSec Group being reduced by at least \$750,000 against what they would have been but for the matters, events or circumstances; or (c) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 30 June 2017, of the MaxSec Group being reduced by at least \$750,000 against what it would have been but for the matters, events or circumstances; (d) FFT becomes aware, prior to the end of the Offer Period, that MaxSec has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable bidder in similar circumstances to FFT known of the information giving rise to such breach prior to the Announcement Date, it would have resulted in that reasonable bidder offering less Offer Consideration under the Offer, <p>but does not include:</p> <ul style="list-style-type: none"> (a) any matter, event or circumstance arising from changes in economic or business conditions which impact on MaxSec and its competitors in a similar manner; (b) any change in taxation rates or taxation laws which impact on MaxSec and its competitors in a similar manner; (c) any change in accounting policy required by law; or (d) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Proposal or the transactions contemplated by them. |
| Material Contract | <p>means a contract or commitment:</p> <ul style="list-style-type: none"> (a) requiring total payments in excess of an amount equal to 10% of MaxSec's revenues for the previous financial year; or (b) which is not entered into in the ordinary course of the business of FFT or MaxSec (as applicable), <p>unless the contract or commitment is demonstrably beneficial to the operations of MaxSec FFT (as applicable) and the relevant party's business.</p> |
| MaxSec | means the target company, MaxSec Group Limited ACN 000 029 265. |
| MaxSec Board | means the board of directors of MaxSec. |
| MaxSec Directors | means the current directors of MaxSec. |

| Term | Definition |
|-------------------------------|--|
| MaxSec Group | means MaxSec and each of its Subsidiaries. |
| MaxSec Options | means options over unissued MaxSec Shares. |
| MaxSec Shareholder | means a registered holder of MaxSec Shares. |
| MaxSec Shares | means fully paid ordinary shares in the capital of MaxSec. |
| Merged Group | means FFT and each of its Subsidiaries (including the MaxSec Group) which will exist as a result of the takeover bid as constituted by the Offer, should the takeover proceed to its conclusion. |
| Nominee | means an entity to be appointed by FFT after the date of this Bidder's Statement with the prior approval of ASIC. |
| Non-Broker Participant | means a non-broker participant under the ASX Settlement Operating Rules. |
| Offer or Offers | means the offer by FFT on the Offer Terms to acquire MaxSec Shares referred to in Section 2 of this Bidder's Statement. |
| Offer Consideration | means 1 FFT Share for every 4 MaxSec Shares. |
| Offer Period | means the period commencing on [BLANK IN LODGED VERSION] 2017 and ending at 7.00pm Sydney time on [BLANK IN LODGED VERSION] 2017, or any later date to which the Offer is extended. |
| Offer Terms | means the terms of the Offer set out in Schedule 1 to this Bidder's Statement. |
| Prescribed Occurrences | <p>means:</p> <ul style="list-style-type: none"> (a) (conversion) MaxSec converts all or any of its shares into a larger or smaller number of shares; (b) (reduction of share capital) MaxSec resolves to reduce its share capital in any way; (c) (buy-back) MaxSec: <ul style="list-style-type: none"> (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act; (d) (distribution) MaxSec makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); (e) (issuing shares or options) a member of the MaxSec Group: <ul style="list-style-type: none"> (iii) issues shares; (iv) grants an option over its shares; or (v) agrees to make an issue of shares or grant an option over its shares, <p>in each case to a person outside the MaxSec Group;</p> (f) (securities or other instruments) a member of the MaxSec Group: <ul style="list-style-type: none"> (i) issues securities or other instruments convertible into shares or debt securities; or |

| Term | Definition |
|------|---|
| | <ul style="list-style-type: none"> (ii) agrees to issue securities or other instruments convertible into shares or debt securities, <p>in each case to a person outside the MaxSec Group;</p> |
| (g) | (constitution) a member of the MaxSec Group adopts a new constitution or modifies or repeals its constitution or a provision of it; |
| (h) | (disposals) a member of the MaxSec Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property; |
| (i) | (acquisitions, disposals or tenders) a member of the MaxSec Group: <ul style="list-style-type: none"> (i) acquires or disposes of; (ii) agrees to acquire or dispose of; or (iii) offers, proposes, announces a bid or tenders for, <p>any business, asset (excluding stock in the normal course of business), interest in a joint venture, entity or undertaking, the value of which exceeds \$1 million;</p> |
| (j) | (Encumbrances) a member of the MaxSec Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice); |
| (k) | (board) any person is appointed to the MaxSec Board, other than those nominated by FFT; |
| (l) | (employment arrangements) a member of the MaxSec Group: <ul style="list-style-type: none"> (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees; or (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind, <p>other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;</p> |
| (m) | (termination or retention payment) a member of the MaxSec Group pays, or agrees to pay any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to FFT); |
| (n) | (commitments and settlements) a member of the MaxSec Group: <ul style="list-style-type: none"> (i) enters into or agrees to enter into any Material Contract; |

| Term | Definition |
|------|--|
| | <ul style="list-style-type: none"> (ii) terminates or amends in a material manner any Material Contract; (iii) waives any material third party default of a Material Contract; or (iv) accepts as a settlement or compromise of a material matter relating to a Material Contract, less than the full compensation due to MaxSec or a Subsidiary of MaxSec; |
| (o) | (financial arrangements) a member of the MaxSec Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document; |
| (p) | (capital expenditure) a member of the MaxSec Group undertakes or agrees to undertake capital expenditure in excess of \$250,000 in aggregate; |
| (q) | (insolvency) an Insolvency Event occurs in respect of any member of the MaxSec Group; |
| (r) | (financial indebtedness) excluding trade debtors in the ordinary course of business, a member of the MaxSec Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$250,000; |
| (s) | (breach of law) a member of the MaxSec Group takes or omits to take action which results in a breach of law material to a member of the MaxSec Group; |
| (t) | (accounting policy) a member of the MaxSec Group changes any accounting policy applied by them to report their financial position; |
| (u) | (related party) excluding transactions between FFT and MaxSec (if occurring at a point in time that the parties may be considered related parties), a member of the MaxSec Group enters into or resolves to enter into a transaction with any related party of MaxSec as defined in section 228 Corporations Act; or |
| (v) | (tax liability) MaxSec or any other member of the MaxSec Group does anything that results in a taxable gain for the MaxSec Group by either causing a Subsidiary to cease being a member of the MaxSec Group or causing the MaxSec Group to cease being a Consolidated Group, |
| | but a Prescribed Occurrence does not include: |
| (a) | an issue of MaxSec Shares on exercise of an option that had been granted on or before the date of this document; |
| (b) | any matter required to be done or brought about by MaxSec under this document or which is contemplated by the Proposal; or |
| (c) | any other matter, the undertaking of which FFT has approved in writing. |

| Term | Definition |
|--------------------------------|--|
| Proposal | means the proposal to make the Offer. |
| Pro Forma Balance Sheet | means the pro forma combined balance sheet of the Merged Group referred to in Section 7.3 of this Bidder's Statement. |
| Register Date | means 18 October 2017. |
| Regulatory Authority | includes: <ul style="list-style-type: none"> (a) ASX, ASIC, ACCC, the Foreign Investment Review Board and the Australian Taxation Office; (b) a Government Agency; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and any regulatory organisation established under statute. |
| Regulatory Approvals | means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit: <ul style="list-style-type: none"> (a) the Offer to be lawfully made to and accepted by MaxSec Shareholders; and (a) the acquisition of the MaxSec Shares by FFT. |
| Relevant Interest | has the meaning given to that term by section 9 Corporations Act. |
| Rights | means all accretions, rights or benefits of whatever kind attaching to or arising from MaxSec Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by MaxSec or any of its Subsidiaries. |
| Subsidiaries | has the meaning given to that term by Section 9 Corporations Act. |
| Superior Proposal | means a Competing Proposal that, in the opinion of the Independent Directors acting reasonably and taking into account all material aspects of the Competing Proposal available to it, is: <ul style="list-style-type: none"> (a) reasonably capable of being completed; and (b) more favourable to MaxSec Shareholders than the Proposal. |
| System Integrator | means parties that specialise in bringing together technology component subsystems into a whole and ensuring that those subsystems function together. |
| Target's Statement | means the target's statement, to be prepared by MaxSec in response to this Bidder's Statement. |
| VWAP | means the volume weighted average price of a security. |

14.2 Interpretation

In this Bidder's Statement, unless the context otherwise requires:

- (a) headings are for convenience and do not affect the interpretation;
- (b) words or phrases defined in the Corporations Act have the same meaning in this Bidder's Statement;
- (c) a reference to a Section is a reference to a Section of this Bidder's Statement;
- (d) a singular word includes the plural and vice versa;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- (g) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- (h) a reference to '\$' or 'dollar' is to Australian currency.

15 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of FFT on 18 October 2017.

Signed by Mr Mark Stevens, Director of FFT, under section 351 Corporations Act.



Mr Mark Stevens

Director
Future Fibre Technologies Limited

Schedule 1

Terms of the Offer

1 Offer

- 1.1 FFT offers, to each holder of MaxSec Shares at 7.00pm Sydney time on the Register Date, to acquire all of your MaxSec Shares together with all the Rights attaching to them on the terms set out in this Schedule 1. This Offer extends to any person who is able during the Offer Period to give good title to MaxSec Shares and has not already accepted an Offer for those MaxSec Shares.
- 1.2 This Offer extends to all MaxSec Shares that:
 - (a) exist at the Register Date; and
 - (b) that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of the rights attached to, any securities which confer on the holder the right to have MaxSec Shares issued to them.
- 1.3 By accepting this Offer, you undertake to transfer to FFT not only the MaxSec Shares to which the Offer relates but also all the Rights attached to the MaxSec Shares.
- 1.4 FFT Shares issued under this Offer will rank equally in all respects with FFT Shares on issue at the Register Date.
- 1.5 This Offer is dated [BLANK IN LODGED VERSION] 2017.

2 Offer Consideration

- 2.1 Subject to clause 2.2 of this Schedule 1, the price under the Offer Consideration is 1 FFT Share for every 4 MaxSec Shares you own.

Foreign Shareholders

- 2.2 If at the time this Offer is made to you, you are a Foreign Shareholder and FFT does not make a determination under Section 13.12, you will not be entitled to receive FFT Shares as consideration for your MaxSec Shares. Instead, you will receive a cash amount calculated under clause 5.3 of this Schedule 1.

Fractional entitlements

- 2.3 If you accept the Offer and are entitled to receive a fraction of an FFT Share, the number of FFT Shares you are entitled to under this Offer is rounded up to the next whole number of FFT Shares if it is 0.5 or more, and rounded down to the nearest whole number if it is less than 0.5. If you are entitled to a fraction of a cent, that fraction is rounded to the nearest cent on the same basis. If FFT reasonably believes that you have manipulated your holding of MaxSec Shares to take advantage of rounding up, then any fractional entitlement is aggregated or rounded down to the next whole number of FFT Shares.

3 Offer Period

The Offer will remain open for acceptance during the period commencing on [BLANK IN LODGED VERSION] 2017, and ending at 7.00pm Sydney time on [BLANK IN LODGED VERSION] 2017, unless it is withdrawn or extended under the Corporations Act.

4 How to accept this Offer

All of your holding

- 4.1 This Offer is for all of your MaxSec Shares.

Acceptance procedure for MaxSec Shareholders

- 4.2 The acceptance procedure will depend on whether your MaxSec Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your MaxSec Shares in a CHESS Holding

- 4.3 You must comply with the ASX Settlement Operating Rules.
- 4.4 If you are a sponsored CHESS holder of MaxSec Shares, to accept the Offer you must:
- (a) instruct your Controlling Participant to initiate acceptance of the Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
 - (b) complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
 - (c) complete and sign the Acceptance Form and mail or deliver it to the address below and authorise FFT to instruct your Controlling Participant to initiate acceptance of the Offer on your behalf;

before the end of the Offer Period.

If you hold your MaxSec Shares in an Issuer Sponsored Holding

- 4.5 If your MaxSec Shares are in an Issuer Sponsored Holding, then to accept this Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and deliver it or send it by post so that it is received by FFT's share registry of the Offer before the end of the Offer Period.

If you are a Broker or a Non-Broker Participant

- 4.6 If you are a Broker or Non-Broker Participant, initiate acceptance under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

- 4.7 The mailing and delivery addresses for completed Acceptance Forms are as follows.

The mailing address is:

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
GPO Box 3993
SYDNEY NSW 2000
AUSTRALIA

- 4.8 Alternatively you may deliver the Acceptance Form and any associated documents to:

Boardroom Pty Limited
MaxSec Group Limited Takeover
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
AUSTRALIA

- 4.9 A reply paid envelope (not able to be used by MaxSec Shareholders outside Australia) is enclosed for your convenience.

Acceptance Form

- 4.10 The Acceptance Form which accompanies this Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Offer for your MaxSec Shares.

Power of attorney, deceased estate

- 4.11 When accepting this Offer, you must also forward for inspection:
- (a) if the Acceptance Form is signed by an attorney, the power of attorney; and
 - (b) if the Acceptance Form is signed by the executor of a will or the administrator of the estate of a deceased MaxSec Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.12 Acceptance of this Offer will not be complete until the completed Acceptance Form has been received at one of the addresses set out in clause 4.7 above and the requirements of this clause have been met, provided that:
- (a) FFT may in its sole discretion waive any or all of those requirements at any time; and
 - (b) where those requirements have been complied with for some but not all of your MaxSec Shares, FFT may, in its sole discretion, deem your acceptance of this Offer complete in respect of those MaxSec Shares for which the requirements have been complied with but not in respect of the remainder.
- 4.13 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5 Provision of consideration

When consideration is provided

- 5.1 Subject to clauses 5.3 and 5.4 of this Schedule 1, you will receive the consideration you are entitled to within one month of the later of:
- (a) the date you accept the Offer; and
 - (b) the date the Offer becomes unconditional.
- 5.2 In any event, you will receive the consideration you are entitled to within 21 days after the end of the Offer Period (assuming all Defeating Conditions are satisfied or waived).

Payments to Foreign Shareholders

- 5.3 If you accept the Offer and you are a Foreign Shareholder and FFT does not make a determination under Section 13.12 of this Bidder's Statement:

- (a) FFT will arrange for the issue to the Nominee of the number of FFT Shares to which you and all other Foreign Shareholders would have been entitled under the Offer but for clause 2.2 of this Schedule 1;
- (b) FFT will cause the Nominee to offer for sale the FFT Shares as soon as practicable, or otherwise in the manner, at the price and on terms as are determined by the Nominee;
- (c) FFT will cause the Nominee to pay to you the amount calculated under the following formula:

$$\frac{\text{Net Proceeds of Sale} \times \text{Your FFT Shares}}{\text{Total Nominee FFT Shares}}$$

where:

- (i) **Net Proceeds of Sale** means the amount which is received by the Nominee upon the sale of all FFT Shares under this clause 5.3 less brokerage and other sale expenses;
- (ii) **Your FFT Shares** means the number of FFT Shares which would, but for clause 2.2 of this Schedule 1, have been allotted to you under the Offer;
- (iii) **Total Nominee FFT Shares** means the total number of FFT Shares allotted to the Nominee under this clause 5.3;
- (d) you will receive your share of the proceeds of this sale in Australian currency;
- (e) payment will be made by cheque posted to you at your risk by ordinary mail at the address provided on your Acceptance Form; and
- (f) under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

Where additional documents are required

5.4 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney), if the documents are given:

- (a) with your acceptance, FFT will provide the consideration in accordance with clause 5.1 of this Schedule 1;
- (b) after acceptance and before the end of the Offer Period and the Offer is subject to a Defeating Condition at the time that FFT is given the documents, FFT will provide the consideration by the end of whichever period ends earlier:
 - (i) within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period;
- (c) after acceptance and before the end of the Offer Period and the Offer is unconditional at the time that FFT is given the documents, FFT will provide the consideration by the end of whichever period ends earlier:
 - (i) one month after FFT is given the document; and
 - (ii) 21 days after the end of the Offer Period; or
- (d) after the end of the Offer Period, FFT will provide the consideration within 21 days after the documents are given, but if at the time FFT is given the documents, the contract

resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions, FFT will provide the consideration within 21 days after that contract becomes unconditional.

- 5.5 If you do not give FFT the required additional documents within one month after the end of the Offer Period, FFT may, in its sole discretion, rescind the contract resulting from your acceptance of the Offer.

Where FFT is entitled to any Rights

- 5.6 If FFT becomes entitled to any Rights on acceptance of this Offer, you must give FFT all documents that FFT needs to give FFT title to those Rights. If you do not give those documents to FFT, or if you have received the benefit of those Rights, FFT will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by FFT) of those Rights.

Payment to be mailed by cheque

- 5.7 Payment of any cash amount to which you are entitled (by virtue of you being a Foreign Shareholder) will be mailed by cheque (or otherwise as agreed by FFT) in Australian currency. Cheques will be sent to the address on the Acceptance Form by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

Clearances for offshore residents

- 5.8 If, at the time of acceptance of this Offer, you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959* (Cth) or otherwise), or of the Australian Taxation Office, have been obtained.

6 Conditions of the Offer

Conditions

- 6.1 This Offer and the contract that results from acceptance of this Offer are subject to fulfilment of the Defeating Conditions.

Nature of conditions

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 2:
- (a) constitutes and will be construed as a separate, several and distinct condition;
 - (b) is a condition subsequent; and
 - (c) until the expiration of the Offer Period will be for the benefit of FFT alone and may be relied upon only by FFT.

Conditions apply to multiple events

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:
- (a) one of them relates solely to that event; and
 - (b) the other specifically excludes that event.
- 6.4 FFT may declare the Offer free under clause 6.5 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of

times to a Defeating Condition (including a condition arising from a previous operation of this clause).

Effect of breach or non-fulfilment

6.5 The breach or non-fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your MaxSec Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:

- (a) FFT has not declared the Offers (and they have not become) free from that Defeating Condition; or
- (b) that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In that case, FFT will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

FFT may decide Offer is free from all or any of the Defeating Conditions

6.6 FFT may at any time at its sole discretion but in compliance with section 650F and section 630(1) Corporations Act, declare the Offers free from all or any of the Defeating Conditions by written notice to MaxSec not later than seven days before the end of the Offer Period.

Date for giving notice on status of Defeating Conditions

6.7 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) Corporations Act is the date seven days before the end of the Offer Period, subject to variation under section 630(2) Corporations Act if the Offer Period is extended.

Effect of acceptance

6.8 Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, unless:

- (a) by the end of the Offer Period, the Defeating Conditions have not all been satisfied or waived in which case, this Offer will automatically terminate; and
- (b) the circumstances set out in section 650E Corporations Act apply.

6.9 By signing and returning the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted this Offer (and each variation of this Offer) in respect of all your MaxSec Shares despite any difference between that number and the number of MaxSec Shares shown in the Acceptance Form;
- (b) irrevocably authorised FFT to alter the Acceptance Form on your behalf by:
 - (i) inserting correct details of your MaxSec Shares;
 - (ii) filling in any blanks remaining on the Acceptance Form; and
 - (iii) rectifying any errors in, and omissions from, the Acceptance Form,

as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your MaxSec Shares to FFT;

- (c) represented and warranted to FFT, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to FFT:

- (i) you have paid to MaxSec all amounts which are due for payment for your MaxSec Shares;
 - (ii) all of your MaxSec Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - (iii) you have full power and capacity to sell and transfer those MaxSec Shares;
- (d) granted to FFT and each of its Directors power of attorney to sign any document or do any thing on your behalf necessary to cause MaxSec to issue a replacement share certificate for those MaxSec Shares;
- (e) agreed to:
 - (i) do anything necessary to ratify any act taken or purported to be taken by FFT or any of its Directors under the power of attorney granted by clause 6.9(d) of this Schedule 1; and
 - (ii) indemnify FFT and each of its Directors in respect of that act;
- (f) from the time of acceptance until the Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E Corporations Act or the end of the Offer Period, irrevocably appointed FFT or any nominee of FFT as your attorney to exercise all your powers and rights attaching to your MaxSec Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of MaxSec or appoint a proxy or proxies to attend and vote on your behalf at that meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Offer being successful and to do so in a way which would prevent that effect arising;
- (g) on this Offer or any takeover contract becoming unconditional, irrevocably appointed FFT or any nominee of FFT as your attorney to exercise all your powers and rights attaching to your MaxSec Shares including (without limitation):
 - (i) to requisition, convene, attend and vote at all general meetings of MaxSec or appoint a proxy or proxies to attend and vote on your behalf at that meeting; and
 - (ii) sign all documents and resolutions relating to your MaxSec Shares, and generally to exercise all powers and rights which you may have as a MaxSec Shareholder and perform actions as may be appropriate to vest good title in your MaxSec Shares in FFT;
- (h) agreed that in exercising the powers conferred by the power of attorney in clause 6.9(f) of this Schedule 1, FFT is entitled to act in the interests of FFT;
- (i) agreed not to attend or vote in person at any general meeting of MaxSec or to exercise or purport to exercise any of the powers conferred on FFT or its nominee in clause 6.9(f) of this Schedule 1;
- (j) agreed to accept the FFT Shares, to which you have become entitled by acceptance of this Offer, subject to the constitution of FFT and have authorised FFT to place your name on the register of members for those FFT Shares; and
- (k) if your MaxSec Shares are in a CHESS Holding and you sign and return the Acceptance Form, irrevocably authorised FFT:
 - (i) to instruct your Controlling Participant to initiate acceptance of this Offer for your MaxSec Shares under the ASX Settlement Operating Rules; and

- (ii) to give any other instructions in relation to your MaxSec Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

- 6.10 FFT may withdraw unaccepted Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in that consent.

Variation

- 6.11 FFT may vary this Offer in accordance with the Corporations Act.

7 Acceptances by transferees and nominees

Who may accept the Offer

- 7.1 During the Offer Period:

- (a) any person who is able to give good title to a parcel of MaxSec Shares may accept (if they have not already accepted an offer in the form of this Offer) as if an offer on terms identical with this Offer has been made to that person; and
- (b) any person who holds one or more parcels of MaxSec Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate offer had been made in relation to:
 - (i) each of those parcels; and
 - (ii) any parcel they hold in their own right.

Holding shares

- 7.2 A person is taken to hold MaxSec Shares if the person is, or is entitled to be registered as, the holder of those MaxSec Shares.

Holding shares on trust or as a nominee

- 7.3 A person is taken to hold MaxSec Shares on trust for, as nominee for, or on account of, another person if that person:
- (a) is entitled to be registered as the holder of MaxSec Shares; and
 - (b) holds the interest in the MaxSec Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

- 7.4 An acceptance of an Offer under clause 7.1(b) of this Schedule 1 is ineffective unless:
- (a) the person who holds on account of another person, gives that other person written notice stating that the MaxSec Shares consist of a separate parcel; and
 - (b) the acceptance specifies the number of MaxSec Shares in that parcel.

Notice of acceptance

- 7.5 A notice under clause 7.4(a) of this Schedule 1 must be made in writing.

- 7.6 A person may, at the one time, accept for two or more parcels under clause 7.6 of this Schedule 1 as if there had been a single offer for a separate parcel consisting of those parcels.

8 Other matters

Notices and other communications

- 8.1 Subject to the Corporations Act, a notice or other communication given by FFT to you in connection with this Offer is deemed to be duly given if it is in writing and:
- (a) is delivered at your address as recorded on the register of members of MaxSec or the address shown in the Acceptance Form; and
 - (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

- 8.2 If:
- (a) this Offer is withdrawn after your Acceptance Form has been sent to FFT, but before it has been received; or
 - (b) for any other reason FFT does not acquire the MaxSec Shares to which your Acceptance Form relates,

FFT will despatch at your risk your Acceptance Form together with all other documents forwarded by you.

9 Costs and expenses

All costs and expenses of the preparation, despatch and circulation of the Offers and all stamp duty payable for a transfer of MaxSec Shares for which Offers are accepted, will be paid by FFT.

10 Official quotation of FFT Shares

- 10.1 Subject to clause 1 of this Schedule 1, the FFT Shares offered by FFT as consideration under the Offer will rank equally with FFT Shares on issue at the Register Date.
- 10.2 FFT has been admitted to the official list of ASX and shares of the same class as those to be issued as consideration under the Offer have been granted official quotation by ASX.
- 10.3 An application will be made within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares issued pursuant to the Offer. However, official quotation is not granted automatically on application.
- 10.4 Under section 625(3) Corporations Act, the Offer is subject to a condition that application for admission to quotation of the FFT Shares issued under the Offer is made within seven days after the start of the Offer Period and permission for admission to quotation will be granted no later than seven days after the end of the Offer Period. This condition may not be waived.

Schedule 2

Conditions of the Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 **(Minimum acceptance)** Before the end of the Offer Period, FFT has a Relevant Interest in at least 80% (by number) of MaxSec Shares.
- 2 **(Regulatory Approvals)** Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
 - (b) remain in full force and effect; and
 - (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them.
- 3 **(No regulatory action)** Between the Announcement Date and the end of the Offer Period:
 - (a) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
 - (b) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
 - (c) no application is made to any Regulatory Authority (other than by FFT or any Associate of FFT),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the MaxSec Shares by FFT, the rights of FFT in respect of MaxSec and the MaxSec Shares or the continued operation of the businesses of MaxSec or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).
- 4 **(No Prescribed Occurrences)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.
- 5 **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period, there is no occurrence of a Material Adverse Change.
- 6 **(MaxSec Options)** Before the end of the Offer Period all of the MaxSec Options are exercised, cancelled or transferred to FFT or are the subject of agreements or arrangements entered into between FFT and the relevant holder of the MaxSec Options that will cause the MaxSec Options to be cancelled or transferred to FFT.
- 7 **(Third party consents)** All other approvals of a third party which FFT determines are necessary to undertake and successfully complete the Offer are obtained.

Schedule 3

FFT announcements to ASX since 1 July 2017

| Date | Announcement |
|-------------------|--|
| 25 July 2017 | Government security order valued at over A\$900K received |
| 31 July 2017 | Appendix 4C quarterly |
| 2 August 2017 | Share trading policy |
| 10 August 2017 | FFT secures new utilities order valued at \$369K |
| 11 August 2017 | FFT secures Asian border protection order for A\$230k |
| 24 August 2017 | MSP: FFT acquires 13.7% stake in MSP |
| 24 August 2017 | FFT makes strategic investment in MSP acquiring 13.7% stake |
| 24 August 2017 | Trading Halt |
| 25 August 2017 | MSP: Proposed Merger of MSP and FFT |
| 25 August 2017 | Intention to Make Takeover Bid |
| 25 August 2017 | Preliminary Final Report |
| 25 August 2017 | MSP: Future Fibre Technologies Limited ASX FFT Placement Clarification |
| 29 August 2017 | Becoming a substantial holder for MSP |
| 30 August 2017 | Annual Report to shareholders |
| 30 August 2017 | Appendix 4G and Corporate Governance Statement |
| 30 August 2017 | Response to ASX Aware Query |
| 04 September 2017 | FFT FY18 Revised Guidance |
| 20 September 2017 | FFT Investor Presentation on FY2017 Financial Results |
| 20 September 2017 | FFT presentation re proposed merger with MSP |
| 25 September 2017 | FFT secures New Aura Ai orders at over \$1.1M |
| 29 September 2017 | Annual General Meeting – notice of meeting |
| 4 October 2017 | Update to Merger Presentation 20 Sept 2017 |
| 16 October 2017 | Appendix 4C – quarterly |
| 16 October 2017 | Bid Implementation Agreement Variation |
| 17 October 2017 | Senior Management Change |

Corporate directory

Company

Future Fibre Technologies Limited
10 Hartnett Close
MULGRAVE VIC 3170
+61 3 9590 3100
www.fftsecurity.com

Legal Advisers

McCullough Robertson Lawyers
Level 11
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
+61 7 3233 8888
www.mccullough.com.au

Directors

Mr Terence Winters – Chairman
Mr Robert Broomfield – Chief Executive Officer
and Executive Director
Dr Frederick Davis – Non-executive Director
Mr Christopher Fergus – Non-executive Director
Mr Mark Stevens – Non-executive Director

Share Registry

Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000
1300 737 760
www.boardroomlimited.com.au

ACCEPTANCE AND TRANSFER FORM

in respect of the Offer by Future Fibre Technologies Limited ABN 67 064 089 318 (Future Fibre)
to acquire all of your Shares in MaxSec Group Limited ABN 89 000 029 265 (MaxSec).

THIS IS AN IMPORTANT DOCUMENT

IF YOU DO NOT UNDERSTAND IT PLEASE CONSULT YOUR FINANCIAL, LEGAL OR OTHER PROFESSIONAL ADVISER IMMEDIATELY

STEP 1 – Check your details below (see over)

Number of MaxSec
Shares you Hold

HIN/SRN *

(*A new SRN may be allocated to you
solely for the purpose of this offer)

Sub
Register

Use this Acceptance Form to accept the Offer by Future Fibre for all your MaxSec Shares on the terms of the Bidder's Statement dated 18 October 2017 and any replacements or supplements to it. You should read the Bidder's Statement, which accompanies this Acceptance Form. Capitalised terms used in this Acceptance Form have the same meaning as in the Bidder's Statement unless otherwise defined. By accepting the Offer, you are accepting for ALL of your MaxSec Shares (even if different to the number of shares stated above). You cannot accept for only part of your MaxSec Shares.

If you need help completing this Acceptance Form or have any enquiring in relation to Future Fibre's offer, please contact the Future Fibre share registry on 1300 737 760 (within Australia) or +61 2 9290 9600 (for callers from outside Australia) Monday to Friday between 8.30am to 5.30pm (EST).

STEP 2 – For Issuer Sponsored Holdings only

If your MaxSec Shares are held on the Issuer Sponsored Sub-register (see "Sub-register" above) or if at the time of your acceptance you are entitled to be (but are not yet) registered as a holder of your MaxSec Shares, to accept the Offer you must **sign below** and **return this form**.

* OFFER CONSIDERATION

**1 Future Fibre Share for
every 4 of your MaxSec
Shares.**

* NB: See section 12.11 of the Bidder's
Statement for details on Ineligible Foreign
Shareholders.

STEP 3 – For CHESS Holdings only

If your MaxSec Shares are held on the CHESS Sub-register (see "Sub-register" above) to accept the Offer you can either:

- Contact your Controlling Participant – normally your Broker – and instruct them to accept the Offer on your behalf
(If you do that and your Controlling Participant follows those instructions, you do not need to complete and return this Acceptance Form);

OR

- If you want Future Fibre to contact your Controlling Participant on your behalf, write their details here and sign and return this form. By doing so you authorise Future Fibre to instruct your Controlling Participant to initiate acceptance of the Offer and to take all other steps necessary to cause acceptance of the Offer in accordance with the ASTC Settlement Rules.

BROKER DETAILS (CHESS HOLDINGS ONLY)

Your Broker's Name:

Your Broker's
Address:

Your Broker's
Telephone Number:

STEP 4 – Sign as indicated below

I/We, the securityholder(s) named above, being the holder(s) of MaxSec Shares:

- (1) ACCEPT the Offer in respect of **ALL** of my/our MaxSec Shares;
- (2) AGREE TO TRANSFER my/our MaxSec Shares to Future Fibre for the consideration specified in the Offer, and in accordance with the terms of the Offer;
- (3) AUTHORISE Future Fibre, its officers and agents to correct any errors in or omissions from this Acceptance Form to make it an effective acceptance of the Offer and enable registration of the transfer of the MaxSec Shares to Future Fibre; and
- (4) AGREE to be bound by the terms of the Offer.

Please refer overleaf for further instructions on how to complete this form

If this form is signed under power of attorney, the attorney declares that they have no notice of the revocation of the power of attorney.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company
Secretary

Director

Director/Company Secretary (delete
one)

Please enter your telephone number where you may be contacted during business hours

Dated ____/____/2017

Telephone number: _____

Your acceptance must be received BEFORE the Offer Period ends (being 5pm (EST) on **[insert]** unless extended). If the Acceptance Form is sent by mail, you may use the enclosed reply paid envelope.

How to complete this Acceptance Form and ACCEPT the Offer

1. Your Name & Address details

Your pre-printed name and address is as it appears on the share register of MaxSec. If you are Issuer Sponsored and this information is incorrect, please make the correction on this form and initial the correction. Securityholders sponsored by a Broker on the CHES Sub-register should advise their Broker of any changes.

2. Issuer Sponsored Holdings

(as indicated by "Issuer Sponsored" appearing next to "Sub-register" on this Acceptance Form)

If your MaxSec Shares are in an Issuer Sponsored Holding, or if you are not yet registered as the holder of your MaxSec Shares, then to accept the Offer, **you must fill out this Acceptance Form overleaf and return it to one of the addresses shown below.**

3. CHES Holdings

(as indicated by "CHES" appearing next to "Sub-register" on this Acceptance Form)

If your MaxSec Shares are in a CHES Holding, you do not need to complete and return this Acceptance Form to accept the Offer. You can contact your Controlling Participant, normally your Broker, and instruct them to accept the Offer on your behalf. If you decide to use this Acceptance Form, follow the instructions below.

It is the responsibility of the eligible securityholder to allow sufficient time for their Controlling Participant to initiate acceptance on their behalf in accordance with ASTC Settlement Rule 14.14. You must ensure that this Acceptance Form is received in sufficient time before the end of the Offer Period to enable us to instruct your Controlling Participant to effect acceptance on CHES during business hours.

If your holding is CHES sponsored and you send your Acceptance Form to Boardroom Pty Limited, they will send the relevant acceptance message to CHES for forwarding to your Controlling Participant for acknowledgement. Future Fibre and Boardroom Pty Limited will not be responsible for any delays incurred by this process.

If you sign and return this Acceptance Form to one of the below addresses either in respect of an Issuer Sponsored Holding or so that contact may be made with your Controlling Participant on your behalf, you warrant to Future Fibre (and authorise Future Fibre to warrant on your behalf) that you have full legal and beneficial ownership of the MaxSec Shares and that Future Fibre will acquire them free from all mortgages, charges, liens, encumbrances (whether legal or equitable), restrictions on transfer and free from any third party rights.

4. Signature(s)

You must sign the form as follows in the space provided overleaf:

| | | | |
|--------------------|---|------------------|---|
| Joint Holding: | Where the securityholding is in more than one name all of the MaxSec Shareholders must sign. | Deceased Estate: | All executors must sign and, if not already noted by the MaxSec registry, attach a certified copy of probate, letters of administration or grant accompanied (where required by law for the purpose of the transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of section 1071B(9)(b)(iii) of the Corporations Act. |
| Power of Attorney: | To sign under power of attorney, you must attach a certified copy of the power of attorney to this form when you return it. By signing this form under a power of attorney, you will have declared that you have no notice of revocation of the power and are able to further delegate power under it under the Bidder's Statement. | Companies: | This form must be signed by either 2 directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Delete titles as applicable. |

Additional Notes

- Sold all your MaxSec Shares** – if you have sold all of your MaxSec Shares, please send this form and your Bidder's Statement to the stockbroker who acted on your behalf.
- Recently bought or sold MaxSec Shares** – if you have recently bought or sold any MaxSec Shares, your holding may differ from that shown on the front of this form. If so, please alter the number of MaxSec Shares shown as your registered holding on the front of this form to the number of MaxSec Shares you now hold (including any MaxSec Shares of which you are entitled to become registered as holder), initial the alteration and indicate the name of the stockbroker who acted for you.

Information you supply on this Acceptance Form will be used by Future Fibre and Boardroom Pty Limited for the primary purpose of processing your acceptance of the Offer and to provide you with the consideration payable under the Offer. This information may be disclosed to Future Fibre's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Offer. If you do not supply this information, your acceptance may not be processed and you may not receive the consideration payable. You may have rights to access the personal information you have supplied. Please see Boardroom Pty Limited's privacy policy on its website.

This Acceptance Form must be received at the relevant address shown below before the end of the Offer Period.

Postal address

Boardroom Pty Limited
MaxSec Offer
GPO BOX 3993
SYDNEY NSW 2001

Delivery in person

Boardroom Pty Limited
MaxSec Offer
Level 12, 225 George Street
SYDNEY NSW 2000

If the Acceptance Form is sent by mail, you may also use the enclosed reply paid envelope.

Neither Future Fibre nor Boardroom Pty Limited takes any responsibility if you lodge this Acceptance Form at any other address or by any other means.