

18 October 2017

BY ELECTRONIC LODGEMENT

Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

For immediate release to the market

Lodgement of Target's Statement

MaxSec Group Limited (ACN 000 029 265) (**MaxSec**) refers to the bidder's statement from Future Fibre Technologies Limited (ACN 064 089 318) (**FFT**) dated 18 October 2017 in relation to the off-market takeover bid for all the issued ordinary shares in MaxSec (**Bid**).

MaxSec attaches a copy of the target's statement of MaxSec dated 18 October 2017 (**Target's Statement**) in response to the Bid in accordance with item 14 of Section 633(1) of *the Corporations Act 2001 (Cth)*.

As detailed in the Target's Statement, the Independent Directors of MaxSec recommend that shareholders **ACCEPT** the Bid in the absence of a Superior Proposal (as defined in the Target's Statement).

The Target's Statement has been lodged with the Australian Securities & Investments Commission and has been served on FFT today.

On behalf of MaxSec Group Limited,



Geoffrey Cleaves
Director

For more information, contact:

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About MaxSec Group Limited

MaxSec Group Limited, through its divisions BQT Solutions and Ava Global, is a leading designer, developer and global provider of quality, reliable and secure smart card and reader systems, biometric scanners, locking devices and a growing global provider of secure logistics services. MaxSec Group divisions are represented globally on 6 continents.

For more information, visit our website at www.maxsec.com.

Target's Statement

by

MaxSec Group Limited (MaxSec)
(ACN 000 029 265)
(ASX Code: MSP)

In relation to the Offer by

Future Fibre Technologies Ltd (FFT)
(ACN 064 089 318)

to acquire all the ordinary Shares in MaxSec Group Limited

MaxSec's Independent Directors recommend that you

ACCEPT THE OFFER

in the absence of a Superior Proposal

This is an important document and requires your immediate attention.

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

Letter from the Chairman of MaxSec

Dear Shareholder,

On 25 August 2017 Future Fibre Technologies Limited (FFT) announced an off-market takeover bid for all of your MaxSec Group Limited (**MaxSec**) Shares. FFT is offering 1 FFT Share for every 4 MaxSec Shares you own.

Based on the closing price of FFT shares on 17 October 2017, the Offer Price values the total equity of MaxSec at approximately \$15.9 million. 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.

The below table sets out the implied premium that FFT has offered based on FFT's share price and MaxSec's share price, as calculated on a consideration basis of 1 FFT share for each 4 MaxSec Shares, during the relevant VWAP period. 24 August 2017, being the date prior to the announcement of the bid by FFT and 17 October 2017, being the date immediately prior to the release of this Target Statement:

Period	MaxSec share price	Offer Price premium
ASX closing share price on 17 October 2017	\$0.025	35%
ASX closing share price on 24 August 2017	\$0.044	(31.82)%
1 month VWAP to 24 August 2017	\$0.033	(2.12)%
3 month VWAP to 24 August 2017	\$0.030	13.33%
6 month VWAP to 24 August 2017	\$0.029	20.00%
12 month VWAP to 24 August 2017	\$0.028	56.43%

The below table sets out the implied premium that FFT has offered based on FFT's share price and MaxSec's share price, as calculated on a consideration basis of 1 FFT share for each 4 MaxSec Shares, during the relevant VWAP period. 17 October 2017 being the date immediately prior to the release of this Target Statement:

Period	MaxSec share price	Offer Price premium
ASX closing share price on 17 October 2017	\$0.025	35%
ASX closing share price on 24 August 2017	\$0.044	(31.82)%
1 month VWAP to 17 October 2017	\$0.0268	9.3%
3 month VWAP to 17 October 2017	\$0.0305	3.8%
6 month VWAP to 17 October 2017	\$0.0295	6.3%
12 month VWAP to 17 October 2017	\$0.0284	37.5%

FFT currently controls approximately 13.03% of MaxSec.

MaxSec has appointed Titan Partners Pty Limited (**Titan**) as the independent expert to opine on whether the Offer is fair and reasonable. Titan has concluded that the Offer is not fair but reasonable.

The Independent Board Committee (IBC) unanimously recommend that you accept the Offer in the absence of a Superior Proposal. The prospects of a Superior Proposal emerging from a third party are limited. As at the date of this Target's Statement, no competing proposal has been received by MaxSec.

The reasons for the IBC recommendation are set out below:

1. The Independent Expert has concluded that the Offer is not fair but reasonable.
2. The IBC are not aware of any Superior Proposal.
3. If the Offer does not result in the compulsory acquisition of all MaxSec shares but FFT and its Associates increase their shareholding in MaxSec, FFT and its Associates may have increased influence over MaxSec.
4. The all script Offer provides an opportunity to retain an interest in the MaxSec business, (be it diluted by the FFT business).
5. You will not pay any brokerage fees on disposal of MaxSec Shares if done by accepting the Offer.

If you are considering selling your MaxSec shares on market as opposed to accepting the Offer, please refer to Section 3 of this Target's Statement.

Each of the Directors who hold MaxSec Shares have agreed (as set out in the Bid Implementation Agreement) to accept the Offer in respect of all of the MaxSec shares controlled by them, in the absence of a Superior Proposal.

Together with this Target's Statement, you should have received a Bidder's Statement from FFT, which provides information on the Offer. Instructions on how to accept the Offer are contained in Section 3 of the Bidder's Statement. The terms of the Offer are described in more detail in Section 4 of this Target's Statement and Schedule 1 of the Bidder's Statement.

The Offer is scheduled to close at 7:00 pm on [insert] 2017 (unless extended or withdrawn). Your Board will keep you informed of any further material developments in relation to the Offer as they occur. If you have any queries in relation to the Offer, please contact your stockbroker, financial advisory, lawyer and/or please submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com.

I urge you to read this Target's Statement and the Bidder's Statement in their entirety and consider the Offer having regard to your own personal risk profile, investment strategy and tax position. If you are in any doubt as to the action you should take in relation to the Offer, I would recommend you consult a professional financial adviser.

Yours Sincerely,



Robert Broomfield

Chairman

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Important information

Nature of this document

This is a target's statement dated 18 October 2017 given under Part 6.5 of Chapter 6 of the Corporations Act by MaxSec in response to the Bidder's Statement dated 18 October 2017 and lodged by FFT with ASIC and served on MaxSec on 18 October 2017.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC or ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

The recommendations of the Directors contained in this Target's Statement do not take into account the individual investment objectives, financial situation or particular needs of each Shareholder. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offer.

Defined terms

Defined terms used in this Target's Statement are capitalised. Definitions of these terms are set out in Section 9. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 9, words and phrases in the Target's Statement have the same meaning and interpretation as in the Corporations Act.

Forward-looking statements

Except for historical information contained in this Target's Statement, there may be matters discussed in this Target's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which MaxSec and FFT operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 6 of this Target's Statement.

None of the MaxSec Directors, any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, except to the extent required by law.

The forward-looking statements in this Target's Statement on behalf of MaxSec only reflect views held as at the date of this Target's Statement.

Notice to foreign shareholders

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

Sources of Information

Information included in this Target's Statement relating to FFT and its business has been derived from the Bidder's Statement and publicly available sources published by FFT. Information regarding any other listed company included in this Target's Statement has also been derived solely from publicly available sources published by those companies.

Subject to the foregoing and to the maximum extent permitted by law, MaxSec and its Directors disclaim all liability for any information concerning FFT including in this Target's Statement. Shareholders should form their own views concerning FFT from publicly available information.

Privacy

MaxSec has collected your personal information from the register of MaxSec Shareholders for the purposes of providing you with this Target's Statement. The type of information that MaxSec has collected about you includes your name, contact details and information on your shareholding in MaxSec. The Corporations Act requires the names and addresses of MaxSec Shareholders to be held in a public register.

MaxSec has also provided or will provide personal information about its Shareholders to FFT in accordance with the Corporations Act and the ASX Settlement Operating Rules.

Key points

- FFT is offering one FFT Share for every four MaxSec Shares held.
- The Offer is subject to the conditions set out in Schedule 2 of the Bidder's Statement.
- Unless extended or withdrawn beforehand, the Offer will expire at 7.00pm (Sydney time) on **[date]**.
- In the absence of a Superior Proposal the Independent Directors unanimously recommend that you **ACCEPT** the offer.
- In the absence of a Superior Proposal each Director currently intends to **ACCEPT** the Offer for all of the Shares they or their Associates own or control.

Important dates

Event	Date
Offer received	18 October 2017
Offer Period commences	[date]
Date of this Target's Statement	18 October 2017
Close of the Offer Period (unless extended or withdrawn)	[date]

Shareholder enquiries

If you have any queries regarding the Offer, please submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com, or consult your financial or other professional advisor.

Frequently asked questions about the Offer

Question	Answer
What is the Offer?	<p>FFT is making an offer to acquire all your MaxSec Shares.</p> <p>If you accept the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 1 FFT Shares for every 4 MaxSec Shares you own (Offer Consideration).</p>
What choices do I have as a MaxSec Shareholder?	<p>As a MaxSec Shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"> ➤ accept the Offer; ➤ sell MaxSec Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or ➤ do nothing. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 3 of this Target's Statement.</p>
Do the MaxSec Directors support the Offer?	<p>The Independent Directors have recommended that MaxSec Shareholders accept the Offer and all the Directors have indicated their intention to do so for the MaxSec Shares that they own or control within seven days of the date of this Target's Statement, unless there is a Superior Proposal.</p>

Question	Answer
How long is the Offer open for?	The Offer opens on [insert] 2017 and is scheduled to close at 7.00pm on [insert] 2017 (unless extended).
What are the conditions of the Offer?	<p>The Offer is subject to a number of Defeating Conditions which are summarised below:</p> <ul style="list-style-type: none"> (a) 80 percent minimum acceptance condition; (b) Regulatory Approvals; (c) no material regulatory action; (d) no Prescribed Occurrences; (e) no Material Adverse Change; (f) all MaxSec Options are exercised, cancelled or transferred to FFT; 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 Section 4.1.</p> <p>FFT may choose to waive certain of the Defeating Conditions in accordance with the Offer Terms.</p>
What happens if the conditions of the Offer are not satisfied or waived?	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with your MaxSec Shares even if you had accepted the Offer.
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>You should:</p> <ul style="list-style-type: none"> (a) read the FFT Bidder's Statement in full; (b) read this 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; and (d) make a decision to accept or reject the Offer. <p>If you have any queries about the Offer, you may submit your query in writing to PO Box 808, North Ryde BC, North Ryde NSW 1670, Australia or by email to investors@maxsec.com.</p>

Question	Answer
How do I accept the Offer?	<p data-bbox="612 259 1318 288">The Offer may only be accepted for all of your MaxSec Shares.</p> <p data-bbox="612 304 1318 421">The manner in which you accept the Offer depends on whether you hold your MaxSec Shares in an Issuer Sponsored Holding, a CHESS Holding, or if you are a Broker or a Non-Broker Participant.</p> <p data-bbox="612 436 1305 492">Full details on how to accept the Offer are set out in Section 3 of the Bidder's Statement.</p> <p data-bbox="612 508 1318 627">For CHESS Holdings you should instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.</p> <p data-bbox="612 642 1358 817">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 in the Bidders Statement for your convenience.</p> <p data-bbox="612 842 986 871">Mailing and delivery addresses</p> <p data-bbox="612 887 1305 943">If you reside in Australia, you can use the reply paid envelope enclosed with the FFT Bidder's Statement.</p> <p data-bbox="612 967 1015 996">The mailing and delivery address is:</p> <p data-bbox="612 1012 983 1187">Boardroom Pty Limited MaxSec Group Limited Takeover Grosvenor Place Level 12, 225 George Street SYDNEY NSW 2000 AUSTRALIA</p>
If I accept the Offer, when will I receive consideration for my MaxSec Shares?	<p data-bbox="612 1216 1286 1299">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"> <li data-bbox="612 1317 1161 1346">(a) the date you validly accept the Offer; and <li data-bbox="612 1361 1168 1417">(b) the date the Offer becomes or is declared unconditional. <p data-bbox="612 1435 1347 1491">In any event, you will be paid within 21 days after the Offer closes (assuming all conditions of the Offer are satisfied or waived).</p>
What rights will my FFT Shares have?	<p data-bbox="612 1518 1289 1601">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 data-bbox="612 1619 1347 1675">A detailed explanation of the rights and liabilities attaching to FFT Shares is set out in Section 5 of the Bidders Statement.</p>
Will my FFT Shares be listed on ASX?	<p data-bbox="612 1704 1318 1879">FFT has indicated it will make an application within seven days after the start of the Offer Period to ASX for official quotation of the FFT Shares to be issued under 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 data-bbox="612 1895 1350 1980">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>

Question	Answer
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 compulsory 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 of the Bidders Statement.</p> <p>You should not rely on that description as advice for your own affairs.</p> <p>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 for the portion of the capital gain that is made from 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 or the merged FFT and MaxSec 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 of the Bidders Statement and Section 6 of this Target Statement.</p>

1. Summary of the Offer

This Section sets out a summary of the main features of the Offer.

1.1. The Offer

The Offer is being undertaken by way of an off-market takeover bid. The Offer is a takeover offer for all of the issued Shares of MaxSec. The proposed consideration was one FFT Share for every four MaxSec Shares.

The number of FFT Shares that you will be issued the Offer will be calculated based on the VWAP of the FFT Shares over the five trading day period on the ASX commencing on [date] and ending on [date] (each date inclusive), which is \$[insert] per FFT Share. For further details please see Section 13.9 of the Bidders Statement.

MaxSec established an Independent Board Committee (IBC), comprising the Independent Directors, to consider the Offer.

Unless extended or withdrawn beforehand, the Offer will expire at 7.00pm (Sydney time) on [date].

1.2. Assessment of the Offer

Before making a decision whether to accept or reject the Offer, you should read this Target's Statement carefully and seek independent financial and taxation advice.

Shareholders should also consider the risks associated with the Offer which are set out in Section 9 of the Bidder's Statement.

1.3. Terms and conditions of the Offer

The full terms and conditions of the Offer are set out in Schedule 1 of the Bidder's Statement and are considered in Section 4 of this Target's Statement.

1.4. How to Accept

Details of how you can accept the Offer are contained in Section 3 of the Bidder's Statement.

Acceptances must be received by 7.00pm (Sydney time) on [date] unless the Offer is extended. If you accept the Offer you are prevented from selling your MaxSec Shares to anyone else. Once you accept you cannot withdraw your acceptance except in limited circumstances.

FFT may withdraw the Offer in limited circumstances (refer to Section 6.10 of Schedule 1 of the Bidder's Statement for more details).

1.5. How to Reject

If you wish to reject the Offer, you need not take any action.

2. Directors' recommendations and intentions

2.1. Directors' recommendations

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, the Independent Directors recommend that you accept the Offer, in the absence of a Superior Proposal. 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.

The Independent Directors unanimously recommend you ACCEPT the Offer for the following reasons:

(a) the Independent Expert has concluded that the Offer is not fair but reasonable

Despite not being fair, the Independent Expert considers the Offer to be reasonable due to the following advantages to the Shareholders upon completion of the Offer:

- Shareholders retain participation in future earnings and growth of MaxSec;
- improved liquidity of listed securities as part of a larger entity in terms of market capitalisation and broadened shareholder base;
- the combination of complementary businesses of MaxSec and FFT will allow for the integration of product offerings;
- operational synergies and costs savings are expected to be derived from the merger;
- an expansion in market exposure of MaxSec as part of a larger business and access to FFT's market share;
- the merger will help improve balance sheet strength;
- the strengthened balance sheet (including cash reserves) will support MaxSec operations without raising additional capital; and
- as no alternative offers have been received.

The Independent Directors have considered the above advantages in accordance with ASIC Regulatory Guide 111 and recommend you accept the Offer (in the absence of a Superior Proposal).

(b) Your Directors currently intend to accept in the absence of a Superior Proposal

Your Directors that have Shares have stated that they currently intend to accept the FFT Offer in respect of the MaxSec Shares that they or their Associates own or control, in the absence of a Superior Proposal.

In the event of a Superior Proposal arising the Independent Directors reserve the right to change their recommendation and their intention to accept the Offer.

The IBC have considered the Offer in relation to other possible courses of action including continuing with current expansion plans and preparing for a possible exit event at some time in the future (rather than now).

By recommending acceptance in the absence of a Superior Proposal the Independent Directors can confirm their view that the Offer presents real value at this time and recognise that any future exit plans are subject to a degree of uncertainty.

(c) MaxSec is expected to retain its business, culture and character within a highly credible and successful global organisation

FFT's current intentions if it acquires an interest in 90% or more of the Shares are set out in Section 8 of the Bidder's Statement and Section 6.3 of this Target's Statement. FFT currently intend, based on the information presently known to it:

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

(d) Fair value

Your Directors believe that the total scrip consideration of 1 FFT Share for every 4 MaxSec Shares you own, offered by FFT represents a fair value for your MaxSec Shares. The closing price for FFT's shares on 17 October 2017 was \$0.135. The closing price for MaxSec's shares on 17 October 2017 was \$0.025. In formulating this view, the Directors have had regard to the future growth potential and the inherent risks that are associated with achieving that future growth on a standalone basis.

MaxSec Shareholders will, if the Offer is successful, hold 49% of the fully paid ordinary shares and voting rights in the combined entity. Conversely, based on the 30 June 2017 financial statements, MaxSec would have contributed (to the combined group):

- (a) 19% of cash at bank;
- (b) 21% of Inventories;
- (c) 23% of current assets;
- (d) 16% of net assets;
- (e) 39% of revenue (pre intercompany FFT sales*); and
- (f) 31% of gross profit.

**In the FY17 results, a meaningful portion of MaxSec revenue came from re-selling FFT products in South East Asia. FFT's products were successful in winning \$1.3 million of business which was fulfilled through MaxSec's BQT division. Through this in-market engagement, MaxSec was able to see first hand the demand for FFT's products, and the ability for a combined sales resource to market both BQT and FFT products to the same end users and integrators. Further, MaxSec was able to win this business by leveraging off FFT's balance sheet strength to offer acceptable delivery timeframes, trading terms and back-to-back undertakings to the relevant customers.*

Your Directors have also taken into account inhibitors to potential future growth, including access to working capital, cash at bank, net assets, procurement qualification criteria, geographic reach and their ability to attract strong global partners and customers. In short, MaxSec needs both working capital and operating capital to continue its growth plan and to expand geographically. It also needs the ability to attract and retain high quality staff, customers and strong relationships with distributors, system integrators and consultants and AVA's strategic security partners. MaxSec believe that the strengths of the merged business will greatly enhance MaxSec's ability to provide further growth.

FFT is one of the worlds leading fibre based perimeter intrusion detection companies. It's technology is used by large government and commercial businesses in more than 60 countries. FFT has shipped more than 1,500 of its systems and generated more than \$45 million in revenue in the past three financial years. FFT has 45 employees located in 8 countries.

MaxSec has generated around \$17 million in revenue over the last three financial years and has 34 staff located in 8 countries. FFT has established a number of strong relationships with systems integrators and distributors, which MaxSec should benefit from if the groups are merged.

Your Directors have had regard to FFT's recent announcements which demonstrate that it has a strong balance sheet, forecast positive cash flow and earnings, and has made significant progress in achievement of its FY18 revenue guidance. On 16 October 2017, FFT released its Appendix 4C ("4C") for Q1 FY2018. The 4C, along with the covering announcement, stated that FFT had achieved its second consecutive quarter of operating cash flow positive and had generated positive operating cash flow for the quarter ending 30 September 2017 of approximately \$0.645m. FFT also stated that it had invoiced \$4.3m during the quarter, out of \$7.5m of contracts secured for FY2018 to date. FFT also stated that it had achieved an unaudited net profit of \$0.6m for the first quarter of FY2018 and had a cash balance of \$5.5m with no debt.

FFT's strong balance sheet and global reference customers are expected to greatly assist both of MaxSec's divisions, BQT Solutions and Ava Global, in their efforts to secure new customers and grow internationally. Access to FFT's balance sheet is expected to greatly assist with working capital needs and provide additional coverage for Ava Global in its efforts to obtain customer approvals, particularly within the banking sector, in which clients have high asset based compliance hurdles.

Your Directors consider that the FFT Offer provides compelling and tangible value and appropriately positions the MaxSec business for future growth and success.

The Independent Expert's Report by Titan (an independent expert not associated with either MaxSec or FFT) is set out in Appendix A. Titan has concluded in the Independent Expert's Report that the Offer is not fair but reasonable.

Further, the combining of two small, complimentary, listed companies is expected to produce joint savings in areas of management, finance, administration, audit and listing fees. These savings are estimated by FFT at more than \$1M per year.

(e) Currently no Superior Proposal

Your Directors have also considered the Offer in relation to other possible courses of action including continuing with current expansion plans and preparing for a possible exit event at some time in the future (rather than now).

Your Directors have formed the view that the Offer from FFT is currently the proposal that provides the most compelling opportunity for MaxSec Shareholders and employees and provides a sufficiently certain and advantageous outcome for all stakeholders.

As stated above it is important that you note that the unanimous recommendation made by the Independent Directors is subject to no Superior Proposal emerging. See also the right reserved by the Independent Directors to change their recommendation and decide not to accept the Offer set out in 2.1(a) of this Target's Statement.

As at the date of this Target's Statement, your Directors have not received a Superior Proposal, nor are they aware of any party with an intention make such a proposal.

(f) Potential for increased influence of MaxSec and delisting on ASX

If the Offer does not result in the compulsory acquisition of all MaxSec Shares (see section 4.13 of this Target's Statement), FFT and its Associates could ultimately hold more than their current 13.03% shareholding but less than the 80% shareholding required for compulsory acquisition. If the Offer does result in such an increase in the major shareholding of FFT and its Associates, FFT and its Associates may have the capacity to exert greater influence over the manner in which MaxSec's business is conducted.

If the Offer is not successful, the liquidity of MaxSec Shares may be lower than at present, thereby impacting on MaxSec's Shareholder's ability to sell their MaxSec Shares at price levels that reflect

their value. Additionally, if FFT acquires control over 75% or more of MaxSec Shares, it will be able to pass a special resolution of MaxSec. This will enable FFT to, among other things, amend MaxSec's constitution. Additionally, in certain circumstances, as outlined in Section 8 of the Bidders Statement, FFT intends to apply to ASX to have MaxSec delisted.

2.2. Summary of key considerations for accepting the Offer

Although the Offer is recommended by the Independent Directors, you should be aware of potential disadvantages of the takeover, which may be relevant to your decision whether to accept the Offer. Some factors that may lead you to reject the Offer are set out below.

(a) Disagree with Directors

You may consider the proposed takeover by FFT and the consideration offered by FFT is not in your best interests, or not in the best interests of all MaxSec Shareholders.

(b) Having regard to your personal circumstances

In making a decision whether to accept the Offer you should carefully consider your personal circumstances and have regard to the following matters:

- you may believe that the Offer Price is inadequate;
- the nature and terms of the Offer and your own assessment of the value of the Offer;
- your view on FFT;
- your view on other possible courses of action for MaxSec including continuing with current expansion plans;
- you may believe that a Superior Proposal will emerge for MaxSec;
- you may believe that the Offer will not be successful;
- taxation implication (refer to Section 11 of the Bidder's Statement);
- risks associated with investing in FFT Shares (refer to Section 9 of the Bidder's Statement).

These are not an exhaustive statement of all factors which may have an impact on your personal circumstances.

2.3. Directors' intentions in relation to the Offer

Each Director who holds MaxSec Shares currently intends to accept the Offer in respect of all of those shares except in the case of a Superior Proposal or in the circumstances set out in Section 4.15 of this Target's Statement.

The interests of each MaxSec Director in MaxSec Shares are set out in Section 5.5 of this Target's Statement.

3. Your choices as a shareholder

MaxSec Shareholders should seek professional advice if they are unsure as to whether acceptance of the Offer is in their best interests, taking in account their individual circumstances.

The Bidder's Statement contains important information which MaxSec Shareholders are urged to read carefully. MaxSec Shareholders should note that MaxSec has not undertaken investigations to verify the accuracy or completeness of the information contained in the Bidder's Statement and neither MaxSec nor its Directors or advisers make any representation as to the accuracy or completeness of information contained in the Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

MaxSec Shareholders who would like further information on MaxSec or FFT before making a decision about the Offer are encouraged to exercise their rights under the Corporations Act to obtain copies of all documents lodged by MaxSec or FFT with ASIC or the ASX. Alternatively, you can visit the websites of MaxSec or FFT.

During the Offer Period, MaxSec Shareholders may either:

(a) ACCEPT THE OFFER

Details of how you can accept the Offer are contained in Section 3 of the Bidder's Statement.

Acceptances must be received by 7.00pm (Sydney time) on **[date]** unless the Offer is extended. If you accept the Offer you are prevented from selling your MaxSec Shares to anyone else unless you withdraw your acceptance when you have the right to do so. The right to withdraw an acceptance of the Offer is limited.

OR

(b) SELL YOUR MAXSEC SHARES ON MARKET

You can sell your MaxSec Shares on market at any time if you have not already accepted the Offer.

If you sell your MaxSec Shares on market, you:

- (i) will not receive the benefits of:
 - any future growth potential of MaxSec;
 - any potential higher competing offer for your MaxSec Shares; or
 - any potential improvement in consideration under the Offer,
 (although there is no certainty as to whether such events will occur);
- (ii) may incur brokerage; and
- (iii) may be liable for capital gains tax or income tax on the sale.

You should seek your own specific professional advice regarding the taxation consequences of selling your MaxSec Shares on market.

OR

(c) REJECT THE OFFER

If you wish to retain your MaxSec Shares, you need take no action in relation to the Offer.

You should note that if FFT acquires 90% of Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, it will be entitled to compulsorily acquire the Shares that it does not already own.

You should also note that if FFT acquires more than 50% but less than 90% of Shares, you will be exposed to the risks associated with being a minority Shareholder.

4. Conditions and other Offer information

4.1. Conditions of the Offer

FFT's Offer is subject to a number of conditions. Those conditions are set out in full in section [x] of the Bidder's Statement.

By way of a broad overview, the conditions to the Offer are:

- (a) **(minimum acceptance)**: at the end of the Offer Period, FFT has a relevant interest in at least 80% (by number) of all MaxSec Shares;
- (b) **(Regulatory Approvals)**: all relevant Regulatory Approvals are obtained or remain in full force and effect by the end of the Offer Period;
- (c) **(no regulatory action)**: no regulatory actions, of various kinds, occurring during the Offer Period (subject to certain exceptions);
- (d) **(no Prescribed Occurrences)**: no Prescribed Occurrences occurring during the Offer Period;
- (e) **(no Material Adverse Change)**: no occurrence of a Material Adverse Change during the Offer Period;
- (f) **(MaxSec Options)**: at 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;
- (g) **(third party consents)**: all other approvals of a third party which FFT determines are necessary to implement the Offer].

The above is only a summary of the conditions of the Offer. Please refer to Schedule 2 of the Bidder's Statement for a full description of the conditions of the Offer.

The Bid Implementation Agreement also includes a number of other key provisions including exclusivity provisions (including notification provision and no shop and no talk restrictions on MaxSec (although the no talk restrictions are subject to a standard "fiduciary limitation" exception)) and various other requirements that relate to the conduct of the MaxSec business, operations and assets.

4.2. Likelihood of satisfaction of the conditions

Your Directors are not currently aware of any reason why any of the defeating conditions may not be fulfilled.

4.3. Implications of conditions not being satisfied

If the Bid does not proceed because the conditions to the Offer are not satisfied or waived then all contracts resulting from acceptance are void and you will remain the holder of your Shares.

In the event that FFT does not proceed with the Bid, for whatever reason, your Directors intend that the existing business plan will continue to apply. Your Directors would continue to assess growth and other business opportunities as they arise.

4.4. Notice of Status of Condition

Section 6.7 of Schedule 1 of the Bidder's Statement indicates that the date for FFT to give a Notice of Status of Conditions to the ASX and MaxSec as required by section 630(1) of the Corporations Act is the date seven days before the end of the Offer Period.

FFT is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as FFT knows, any of the conditions have been fulfilled; and
- FFT's voting power in MaxSec.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, FFT is required, as soon as practicable after the extension, to give a notice to the ASX and MaxSec that states the new date for the giving of the Notice of Status of Conditions. If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, FFT must, as soon as practicable, give the ASX and MaxSec a notice that states that the particular condition has been fulfilled.

4.5. Offer Period

Unless FFT's Offer is extended or withdrawn, it is open for acceptance from [Date] until 7.00pm Sydney time on [Date] 2017.

4.6. Extension of the Offer Period

FFT may extend the Offer Period at any time before it gives the Notice of Status of Conditions (referred to in section 4.4 of this Target's Statement) while the Offer is subject to conditions. If the Offer is unconditional (that is, all the conditions are fulfilled or freed), FFT may extend the Offer Period at any time before the end of the Offer Period.

FFT may only extend the Offer Period after it gives the Notice of Status of Conditions in limited circumstances.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, FFT improves the consideration offered under the Offer.

If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

4.7. Withdrawal of Offer

FFT may not withdraw the Offer if you have already accepted it. Before you accept the Offer, FFT may (subject to constraints in the Bid Implementation Agreement) withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent. If you have accepted the Offer and FFT withdraws the Offer with ASIC's consent, the contract arising from your acceptance may become void because the outstanding conditions would not have been fulfilled or freed at the time of FFT's withdrawal of the Offer.

Your Directors note that there is currently no suggestion that FFT will wish to withdraw the Offer nor that ASIC would impose this condition in any event. We refer to Section 6.10 of Schedule 1 of the Bidder's Statement in relation to the circumstance where the Bidder may withdraw the Offer.

4.8. Effect of Acceptance

The effect of acceptance of the Offer is set out in Sections 6.8 and 6.9 of Schedule 1 of the Bidder's Statement. MaxSec Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights (as defined in the Bidder's Statement) attaching to their MaxSec Shares and the representations and warranties which they give by accepting of the Offer.

4.9. Your Ability to Withdraw Your Acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if FFT varies the Offer in a way that postpones, for more than one month, the time when FFT needs to meet its obligations under the Offer. This will occur if FFT extends the Offer Period by more than one month and the Offer is still subject to conditions.

4.10. When Will You Receive Your Consideration if You Accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date you validly accept the Offer if the Offer is, at the time of acceptance, unconditional; and
- one month after the date the Offer becomes or is declared unconditional,

but, in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in Schedule 1 of the Bidder's Statement.

4.11. Effect of an Improvement in Consideration on Shareholders who have already accepted the Offer

If FFT improves the consideration offered under its takeover bid, all MaxSec Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

4.12. Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your MaxSec Shares as you see fit.

4.13. Compulsory Acquisition

There are two mechanisms under which FFT may become entitled to compulsorily acquire your MaxSec Shares:

- (a) If FFT and its Associates have Relevant Interests in at least 90% (by number) of all MaxSec Shares during or at the end of the Offer Period and FFT and its Associates have acquired at least 75% of the Non-Associated Shares – you will be paid the last price offered by FFT for MaxSec Shares before compulsory acquisition commences. FFT must give compulsory acquisition notices within one month from the end of the Offer Period if it wishes to acquire MaxSec Shares in the manner described. MaxSec Shareholders may challenge any compulsory acquisition (although this would require the challenging Shareholders to establish that the terms of the Offer do not represent fair value for their MaxSec Shares).

- (b) If FFT and its Associates do not have a Relevant Interest in at least 90% of all MaxSec Shares during or at the end of the Offer Period, FFT may be entitled to compulsorily acquire any outstanding MaxSec Shares if at a later time FFT and its Related Body Corporate have the full beneficial interest in at least 90% (by number) of all of the issued shares in MaxSec. If this threshold is satisfied, FFT must give a compulsory acquisition notice to MaxSec Shareholders setting out a number of matters, together with an independent expert's report stating whether the offer for the MaxSec Shares is of fair value. Unless minority MaxSec Shareholders who collectively hold 10% or more (in number) of the MaxSec Shares the subject of the notice object, the acquisition will proceed. However, if 10% or more do object, the acquisition can only proceed with the approval of the court (such approval must be given if FFT satisfies the court that a fair value is being offered for the MaxSec Shares). This general compulsory acquisition power can only be exercised within six months of the date on which MaxSec reaches the relevant 90% threshold.

If compulsory acquisition occurs, MaxSec Shareholders who have their MaxSec Shares compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

FFT has indicated in its Bidder's Statement (refer to Sections 8.2 and 8.3 of the Bidder's Statement) that it intends to compulsorily acquire outstanding MaxSec Shares under the Corporations Act, if it becomes entitled to do so.

4.14. Break Fee

The Company has agreed to pay FFT a break fee of 1% of the market value of MaxSec¹ in the following circumstances:

- any Director makes any public statement to the effect that he or she does not support (or no longer supports) the Bid;
- any Independent Director fails to recommend the Offer or, having done so, withdraws or varies the recommendation of the Offer;
- any Director recommends a Competing Proposal;
- a Superior Proposal is announced and is open for acceptance;
- any person other than FFT (or its Associates) acquires a Relevant Interest in more than 20% of MaxSec Shares; or

MaxSec breaches a term of the Bid Implementation Agreement and that breach results in a valid termination of the Bid Implementation Agreement.

More details are set out in Section 12.1 of the Bidder's Statement.

4.15. Right to change recommendation reserved

The Independent Directors also reserve the right to change their recommendation if they form the view that the transaction becomes uncommercial or is not in the best interests of shareholders. Depending on the circumstances this may or may not cause the break fee to be payable. If the Independent Directors change their recommendation they reserve the right not to accept the Offer in relation to the shares they control.

¹ Based on the Offer Consideration using the closing price of FFT Shares of 24 August 2017 being the trading day immediately before the Offer was announced.

4.16. Foreign Shareholders

The manner in which foreign shareholders are to be treated under the Offer is set out in Section 13.12 of the Bidder's Statement.

5. Information of MaxSec

5.1. Overview of MaxSec and its principal activities

MaxSec is a leading global provider of integrated security and turn-key solutions. MaxSec Group has a world class research and development team, a strong portfolio of proprietary products and, where relevant, sources products through partnerships (including with FFT) with leading manufacturers to meet the supply requirements of its customers. The product portfolio consists of smart card based access control, biometric solutions and electromechanical locking devices, which are installed in thousands of locations globally. In 2016, MaxSec established a new business, Ava Global, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava Global offer a global service capability, delivered from its own strategically located offices (New York, London, Frankfurt, Dubai and Singapore) with support from a network of specialist and strategic partners in over 100 countries.

MaxSec released its 4E preliminary financial report on 24 August 2017 providing the results for the consolidated MaxSec Group Limited (the **Group**) entity. Below is a summary, you should refer to all of the information released to the ASX, including the notes to the financial statements.

(a) Revenue and Profit

Revenue from ordinary activities for the year ended 30 June, 2017 increased 71% to \$7.449 million from the previous year (2016: \$4.344 million). The Group generated a net loss of \$3.435 million during the year to 30 June, 2017, (2016: \$1.390 million).

The increase in revenue was principally due to the establishment and growth of operations of Ava, our secure logistics division and the increased sales and marketing activity of the BQT Solutions division. The net loss for the financial year is \$3.435 million (2016: \$1.390 million) and represents the Group's costs in establishing and developing Ava Global as well as the establishment of additional resources to expand the BQT Solutions business into developing markets.

(b) Net Cash

Net Cash used by Operating Activities was \$2.733 million (2016: \$1.276M), receipts from customers amounted to \$7.429 million (2016: \$4.763M) and payments to suppliers and employees amounted to \$10.482 million (2016: \$6.272M) The net cash used in Operating Activities is reflective of the costs of operation and development of the BQT Solutions business and the establishment and development of the secure international logistics division, Ava Global.

Net cash used in investing activities amounted to \$576K (2016: \$545K) and relates primarily to our investment in new products and technology platforms which will provide both revenue benefits and cost savings in future periods.

There was no cash raised in financing activities for the year (2016: \$6.121M). This amount raised in the previous year was for the establishment of secure international logistics division, Ava Global and for the expansion of the BQT Solutions business.

Net cash available to the Group was \$1.587 million (2016: \$4.968M).

(c) Operations

The development and establishment of our secure logistics business unit, Ava Global is progressing to plan. Ava is now building its portfolio of foundation clients and is positioned to develop its' business through a global network of offices and strategic partnerships across six continents.

Ava Global has now executed service level agreements with key foundation clients who have a total annual international secure logistics spend in excess of \$45 million and are in advanced discussions with clients that spend in excess of \$60 million.

During the year BQT Solutions have appointed additional sales resources in the US, European and MENA markets and have focused our sales and marketing team with the appointment of a Global Sales and Marketing Executive who is tasked to expand our relationships with our blue chip clients as well as developing new opportunities on a global platform.

(d) New Products

BQT Solutions product portfolio has expanded during the year with the development and addition of our miPASS Access template management system and range of managed biometric products, miPASS Strata offline access control system, OSDP output readers, Phase and amplitude modulation shift migration readers and improvements to our range of highly secure smart readers.

(e) Summary and Outlook

The financial performance of the Group is in line with our expectation, considering the investment into the Ava Global business and our ongoing BQT Solutions expansion program.

Year ended		Net Profit / (Loss)	Revenue
30 June, 2017	(\$000's)	(3,435)	7,449
30 June, 2016	(\$000's)	(1,392)	4,344
30 June, 2015	(\$000's)	411	5,202

The Directors remain focused on continuing along the path of delivering the Group's stated strategic objectives as noted below and continue to support management in implementing and executing these objectives to increase shareholder value, these are:

- Develop and launch new products and services to increase market share and profitability;
- targeted acquisitions to grow the product portfolio, revenue and profits;
- implementation and continued development of a direct sales model for BQT's traditional core markets and a distribution model for developing and other markets;
- integrated sales approach offering holistic security solutions to Group clients; and
- cost control and working capital maximisation initiatives.

5.2. Board Members of MaxSec

As at the date of this Target's Statement, there are four Board members of MaxSec.

Mr Robert Broomfield – Non-executive Chairman

Mr Broomfield is the Chief Executive Officer and Executive Director of FFT. He 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.

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 Mr Cleaves' 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. Mr Cleaves' is a professional manager and his core competencies include general management, investment, asset and funds management, treasury and finance.

Mr Christopher Fergus – Executive Director

Mr Fergus is currently Executive Director & SVP Strategy & Business Development for MaxSec and Chief Executive Officer of its secure international logistics division, AVA Global. Based in Dubai, Mr Fergus 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 G4S 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 Fergus is also a non-executive director of FFT.

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 holds qualifications in Business Management and Marketing as well as various safety and security related certifications. Mr. Landsberg was previously a senior executive of MaxSec and holds both a good understanding of the Company's history and a wealth of experience gained in the 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 also engaged until late 2014 by the public sector to provide commercial and technical guidance on the deployment of technologies in large scale implementations which included the implementation of new transport ticketing system on rail in NSW. Mr. Landsberg is currently the Group General Manager of a privately owned group of companies and is responsible for the strategic and commercial directions of this group globally. Mr. Landsberg joined the Board on 6 May 2010 and holds no positions on boards of other Australian listed companies.

5.3. Key management

As at the date of this Target's Statement, the key management personnel of MaxSec include:

Name	Position
Geoffrey Cleaves	Chief Executive Officer
Christopher Fergus	SVP Strategy & Business Development; CEO of Ava Global
Tom McMorrow	BQT Solutions Head of Sales & Marketing

5.4. Ownership

As at 17 October 2017, the last practicable trading day prior to the date of this Target's Statement, based on substantial shareholder notices lodged with the ASX and registry data, the top 20 shareholders of MaxSec were:

Shareholders	Shares	%
Future Fibre Technologies Limited	61,500,000	13.03
HSBC Custody Nominees (Australia) Limited	35,525,135	7.53
Bell Potter Nominees Ltd	31,742,146	6.72

Shareholders	Shares	%
Dixson Trust Pty Ltd	21,257,707	4.50
Pierce Atlantic Pte Ltd	20,836,289	4.41
Bannaby Investments Pty Limited	20,488,934	4.34
Mr David Malcolm South	17,000,000	3.60
4c Controls Inc	12,800,000	2.71
Mr Christopher Fergus	12,000,000	2.54
Mr Steven Gary Hirst	11,938,161	2.53
Mr Neil Richard Hingston + Ms Pauline Ruth Hingston	7,309,239	1.55
Mr Michael David Bevan	7,000,000	1.48
Carrier International Pty Ltd	5,950,000	1.26
Brownlow PR Pty Ltd	5,500,000	1.17
Mr Matthew Ian James + Mrs Heather Bernice James	5,500,000	1.17
Mr Joseph Morrin	5,000,000	1.06
Twoinvest Pty Limited	5,000,000	1.06
Mr Patrick Benedict Twomey + Ms Genevieve Rosvall	5,000,000	1.06
Citicorp Nominees Pty Limited	4,952,419	1.05
Mr Daniel James Harris	4,750,000	1.01
Top 20 Shareholders	301,050,030	63.78
Total Shares Issued	472,010,928	100.00

5.5. Directors' interests in MaxSec Shares

As at the date of this Target Statement, the Directors and their Associates have interests in the following MaxSec Shares and Options:

Name of Director	Number of Options	Number of MaxSec Shares*
Robert Broomfield	1,000,000	5,625,000
Geoffrey Cleaves	5,000,000	NIL
Christopher Fergus	NIL	12,000,000
Jacobus Landsberg	500,000	NIL

*Note: includes Shares issued on exercise of all Options before the Offer is made.

There have been no acquisitions or disposals of MaxSec Shares by the Directors in the period of four months immediately preceding the date on which the Bidder's Statement was served on MaxSec.

5.6. Directors' interests in FFT Shares

As at the date of this Target Statement, the Directors and their Associates have interests in the following FFT Shares and FFT Employee Share Options:

Name of Director	Number of Options	Number of FFT Shares
Robert Broomfield	1,500,000	1,500,000
Geoffrey Cleaves	NIL	NIL
Christopher Fergus	NIL	NIL
Jacobus Landsberg	NIL	NIL

5.7. Ava Global Performance Plan

Ava Global is a wholly owned subsidiary of MaxSec. Certain senior employees and consultants of Ava Global are participants of a performance plan. The relevant performance plan may, subject to certain terms and conditions, provide performance remuneration to the senior employees (as set out below).

The performance plan allows for relevant senior employees to obtain an amount set aside as a "pooled allocation" of up to 32.7% of the exit value of Ava Global in excess of \$5 million or the debt and equity funding provided to Ava Global to run the business (being the greater of \$5 million or the funding amount). As at 15 September 2017, peak funding totalled \$5.6 million.

In addition, the plan provides for a shared annual bonus pool of 32.7% of the net profits that the Ava Global business unit generates for MaxSec. As at 15 September 2017, no net profits had been generated.

In both cases, an employee's right to participate in the performance plan expires if the employee resigned or was terminated at any time during the first three years.

As at 15 September 2017, 26.7% of the total "pooled allocation" under the plan had been allocated to 3 current employees and 2 consultants who are retained under consultancy agreements. Of the allocation, 16.2% has been allocated to Mr. Christopher Fergus, the Chief Executive Officer of Ava Global and a director of MaxSec.

If the sale of Ava Global does not occur by 1 February 2021, the performance plan terminates and the "pooled allocation" to senior employees and consultants is no longer applicable.

5.8. Information on securities in MaxSec

As at the date of this Target's Statement, there are 472,010,928 Shares on issue and 21,200,000 unquoted Options on issue.

The Directors refer to Section 13.5 of the Bidder's Statement and note as follows:

- (a) as far as they are aware, the holdings of FFT as set out in Section 13.5 of the Bidder's Statement accurately reflect the current position;
- (b) they are not aware of any other person being an associate of FFT during the previous four month period;
- (c) they are not aware of any benefit being given or offered to be given to any person by FFT or an associate of FFT with respect to the Offer; and
- (d) as far as they are aware, FFT's relevant interest in MaxSec Shares and Voting Power is as set out in Section 13.5 as at the date of the Bidder's Statement.

5.9. MaxSec Options

(a) Employee Share Option Plan

Over the past three years, MaxSec has granted to certain key management personnel Options under the terms of the Plan. The Options did not require the participants to pay any price on exercise.

The Options are offered subject to the terms and conditions of the Plan, which provide (in summary) that:

- each Option issued under the Plan confers on its holder the entitlement to acquire one MaxSec Share (by way of issue) at the exercise price determined by the Board (in no circumstances be less than \$0.025) upon exercise (once vesting conditions have been satisfied);
- MaxSec Shares issued under the Plan will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued under the Plan will be quoted on the ASX in accordance with the Listing Rules.

Details of the Options granted under the terms of the Plan are set out below.

Tranche	No. on Issue	Grant Date	Vesting Date	Expiry Date
1	3,250,000	19 May 2015	21 November 2016	19 May 2020
2	3,250,000	19 May 2015	21 November 2017	19 May 2020

(b) Unsecured loan facility

On 4 November 2011, MaxSec issued 6,700,000 Options to Pandon Holdings Pte Limited ("Pandon Options") in part consideration for the establishment of an unsecured loan facility of \$201,000 to fund working capital requirements.

A summary of the terms and conditions of the Pandon Options are as follows:

- the Pandon Options are fully vested and will be exercisable at any time up to 31 December 2017 at the exercise price of \$0.03;
- the Pandon Options are transferable;
- MaxSec Shares issued on the exercise of Pandon Options will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued on the exercise of Pandon Options will be quoted on the ASX in accordance with the Listing Rules.

(c) Full underwritten rights issue

On 29 February 2016, MaxSec issued 8,000,000 Options ("KTM Options") in part consideration for performance of underwriting services by KTM Capital Pty Limited ("KTM Capital") in a non-renounceable rights issue to raise funds towards expanding headcount, global sales footprint and working capital for product orders. MaxSec was directed to issue the KTM Options to KTM Capital's nominees as follows:

Number of KTM Options	Nominee
4,000,000	Bannaby Investments Pty Limited
4,000,000	IFM Pty Limited

A summary of the terms and conditions of the KTM Options are as follows:

- the KTM Options are fully vested and will be exercisable at any time up to 31 December 2020 at the exercise price of \$0.03;
- the KTM Options are transferable;
- MaxSec Shares issued on the exercise of KTM Options will rank equally in all respects with existing MaxSec Shares on issue on and from the date of issue; and
- MaxSec Shares issued on the exercise of KTM Options will be quoted on the ASX in accordance with the Listing Rules.

5.10. Effect of the Offer on Options

Under the Bid Implementation Agreement, it is a condition precedent to FFT's performance that MaxSec and FFT must use reasonable endeavours to obtain relevant optionholders' agreement to cancel or transfer the Options to FFT. This condition precedent can only be waived by written agreement between FFT and MaxSec.

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

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

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

The Option Exchange Agreement with Mr Robert Broomfield provides that the issue of FFT Options to Mr Broomfield will be subject to FFT obtaining shareholders' approval. If shareholders of FFT do not approve the issue, MaxSec Options held by Mr Broomfield will be cancelled in exchange of a cash payment by FFT.

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 has granted the waiver on 10 October 2017 subject to the following conditions:

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

5.11. Benefits and Agreements with MaxSec Directors

(a) Benefits in connection with retirement from office

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of MaxSec or Related Body Corporate of MaxSec.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any Board member of MaxSec and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of MaxSec Shares or MaxSec Employee Share Options.

(c) Benefits from FFT or its Related Body Corporates

None of the Board members of MaxSec has agreed to receive, or is entitled to receive, any benefit from FFT or its Related Body Corporates which is conditional on, or is related to, the Offer, other than in their capacity as a holder of MaxSec Shares or MaxSec Employee Share Options.

5.12. The Board following Completion of the Offer

With the exception of Mr Robert Broomfield and Mr Christopher Fergus, the current Directors will be replaced with persons nominated by FFT. FFT's present intention is to appoint Mr Terence Winters, Mr Frederick Davis and Mr Mark Stevens to the Board. Profiles for each of the proposed directors are set out in Section 8 of the Bidder's Statement.

6. Important Information and Risks

6.1. Independent Expert's Report

This Target's Statement includes, in Appendix A, a copy of a report by Titan (an independent expert not associated with either MaxSec or FFT), stating whether, in its opinion, the Offer is fair and reasonable and giving reasons for forming that opinion

MaxSec's Board recommend that you read the report in full.

By way of summary, Titan has concluded that the Offer is not fair but reasonable.

6.2. Minority Ownership Consequences

FFT is entitled to compulsorily acquire all outstanding MaxSec Shares if it acquires 90% or more of MaxSec Shares (see Section 8 of the Bidder's Statement for further details).

If FFT and its Associates acquire more than 51% but less than 90% of the MaxSec Shares then, FFT and its Associates will increase their existing substantial shareholding in MaxSec but will not be entitled to acquire the MaxSec Shares that have not been accepted into the Offer. Any increase to this existing majority shareholding could have a number of possible implications, including:

- (a) the MaxSec share price may fall immediately following the end of the Offer Period and it is unlikely that MaxSec's share price will contain any takeover premium;
- (b) the liquidity of MaxSec Shares may be lower than at present;
- (c) FFT has indicated in the Bidder's Statement that it will seek to have MaxSec removed from the official list of the ASX. If this occurs, MaxSec Shares will not be able to be bought or sold on the ASX;
- (d) if FFT and its Associates acquire 75% or more of the MaxSec Shares it will be able to pass a special resolution of MaxSec. This will enable FFT and its Associates to, among other things, change MaxSec's constitution; and it may be unlikely that a subsequent takeover bid for MaxSec will emerge at a later date from a third party.

6.3. FFT intentions

FFT has indicated its intentions should the bid proceed in accordance with Section 8 of the Bidder's Statement, which sets out FFT's intentions in each of the following scenarios:

- (a) upon acquisition of 90% or more of MaxSec Shares;
- (b) upon acquisition of between 50% and 90% of MaxSec Shares; and
- (c) upon acquisition of less than 50% of MaxSec Shares.

FFT intends to undertake a detailed review of the operations, assets, structure and employees of MaxSec. This review may result in changes to the existing projects, activities and operations of MaxSec. The review of MaxSec's operations may also result in redundancies or additional staff recruitment.

A summary of FFT's intentions upon acquisition of 90% or more of MaxSec Shares are as follows:

- to compulsorily acquire any outstanding MaxSec Shares;
- to amend the constitution of MaxSec to reflect its status as a wholly-owned subsidiary of FFT;
- to procure that MaxSec be removed from the official list of ASX after conclusion of the compulsory acquisition process; and

- to replace members of the Board with directors nominated by FFT and retain Directors who already serve on the FFT board.

6.4. Taxation implications

A general description of the taxation treatment for certain Australian resident MaxSec Shareholders accepting the Offer is set out in Section 11 of the Bidder's Statement.

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.

MaxSec Shareholders should be aware that if FFT does not acquire ownership of 80% of MaxSec Shares, then rollover relief will not be available to MaxSec Shareholders for the portion of the capital gain that is made from the receipt of FFT Shares as consideration.

6.5. Overview of Risks

Section 9 of the Bidder's Statement outlines the risks that FFT Shareholders may face. It assumes that MaxSec Shareholders accept the Offer and become FFT Shareholders. If Maxsec Shareholders do not accept the Offer and FFT is unable to proceed to compulsory acquisition the risks associated with being a Maxsec Shareholder remain as they are today with one proviso, FFT may be the majority shareholder of Maxsec and this could change the risks associated with holding Maxsec Shares.

Please read this information carefully. If you require further information in order to decide whether or not to accept the Offer, please contact your professional adviser.

There are a number of risks, some specific to Maxsec, some specific to FFT and some of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of a merged FFT and MaxSec group, its investment returns and the value of the Shares. Many of these risks are outside the control of FFT, Maxsec and its directors and cannot be mitigated.

There can be no guarantee that FFT or Maxsec (or the merged entity) will achieve its objectives or that any forward looking statements or forecasts will eventuate. This Section describes the major risks associated with an investment in FFT (integrating Maxsec).

6.6. Risks specific to the FFT business

Competition

There are other companies that sell security intrusion detection solutions for perimeter, pipeline and network 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 (for example, video analytics), 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 the emerging pipeline and data network markets.

Business contracts risk

There are a number of existing contracts which are material to FFT's business (see definition of "Material Contract" in Section 14 of the Bidder's Statement). 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.

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 most 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.

Intellectual property stolen

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 which could materially impact on its business. FFT's confidential engineering documentation and proprietary source codes used in the FFT products is protected by restricted access to internal networks and hard copy documentation. External access of electronic documentation and source code is restricted by controlled passwords and firewalls. All network data is protected from loss by secure backup process and remote secure storage, while all incoming emails and attachments are scanned for viruses. There are risks associated with theft or misuse of the source codes.

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 a security solution that is subject to oversight and approval by Australian Defence Export control it 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 disruption 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, and 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.

Funding risk

FFT's forecast capital expenditure for the Merged Group for the 12 months ended 30 June 2018 is set out in Section 7.3 of the Bidders Statement. Whilst FFT does not currently expect to need additional funding to undertake its capital expenditure program 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 the 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 requirement. 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. FFT's directors have stated that they 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 has a stated aim 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 pressure 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

FFT's success and growth strategy 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.

Export licence

FFT has a Defence Export Controls Outreach program export licence. If that licence was terminated it would severely restrict the ability of FFT to operate. The FFT directors have stated that they 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.

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 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.

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 legislation 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, 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.

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.

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.

6.7. Risks associated with holding Shares

Share market conditions

Share market conditions may affect the value of FFT Shares regardless of FFT's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of the Shares can fall as well as rise.

Economic conditions

The operating and financial performance of FFT is influenced by a variety of general economic and business conditions including the level of inflation, international share markets, interest rates and exchange rates, government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have a material adverse impact on FFT's business or financial situation.

Government

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and investor returns.

7. Financial information on MaxSec

7.1. The basis of presentation of historic financial information

The historical financial information below relates to MaxSec on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is an extract only and the full financial accounts for MaxSec for the financial periods described below, which include the notes to the accounts, can be found in MaxSec's 2015, 2016 and 2017 annual report, which have been released to MaxSec Shareholders.

7.2. Statement of financial position

The historical balance sheets of MaxSec set out below have been extracted from the audited financial statements of MaxSec for the years ended 30 June 2017, 2016 and 2015, being the last audited financial statement prior to the date of this Target's Statement. The full audited financial report, including notes are contained in the relevant annual reports.

	Note	Consolidated Group		
		2017	2016	2015
		\$	\$	\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	1,587,005	4,967,862	681,621
Trade and other receivables	7	1,907,206	1,770,706	2,176,711
Inventories	8	1,101,862	1,042,706	878,513
Other assets	9	90,146	117,145	94,333
TOTAL CURRENT ASSETS		4,686,269	7,898,419	3,831,178
NON-CURRENT ASSETS				
Property, plant and equipment	11	96,857	104,580	63,801
Intangible assets	12	2,334,715	2,148,563	1,892,978
TOTAL NON-CURRENT ASSETS		2,431,572	2,253,143	1,956,779
TOTAL ASSETS		7,117,841	10,151,562	5,787,957
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	13	2,069,957	1,015,038	1,566,831
Provisions	14	194,928	159,438	171,566
TOTAL CURRENT LIABILITIES		2,264,885	1,174,476	1,738,397
NON-CURRENT LIABILITIES				
Provisions	14	39,823	53,663	43,656
TOTAL NON-CURRENT LIABILITIES		39,823	53,663	43,656
TOTAL LIABILITIES		2,304,708	1,228,139	1,782,053
NET ASSETS		4,813,133	8,923,423	4,005,904
EQUITY				
Issued capital	15	66,857,280	66,857,280	60,761,198
Reserves	16	23,950,674	24,626,427	24,414,434
Retained earnings/(accumulated losses)		(85,994,821)	(82,560,284)	(81,169,728)
Parent interest		4,813,133	8,923,423	4,005,904
Non-controlling interest		-	-	-
TOTAL EQUITY		4,813,133	8,923,423	4,005,904

7.3. Statement of financial performance

The historical income statements of MaxSec set out below have been extracted from the audited financial statements of MaxSec for the years ended 30 June 2015, 2016 and 2017.

	Note	2017	2016 \$	2015 \$
Continuing operations				
Revenue	3a	7,448,724	4,344,273	5,202,243
Other income	3a	391,975	251,576	213,283
Raw materials and consumables used	4	(4,662,817)	(1,656,787)	(2,591,918)
Employee benefits expense		(4,014,572)	(1,303,094)	(1,185,034)
Depreciation and amortisation expense		(329,842)	(275,561)	(153,036)
Finance costs		(3,212)	(5,118)	(5,437)
Other expenses		(2,264,793)	(2,745,843)	(1,068,631)
Profit before income tax		(3,434,537)	(1,390,554)	411,470
Income tax expense		-	-	-
Profit from continuing operations		(3,434,537)	(1,390,554)	411,470
Discontinued operations				
Profit/(Loss) for the year from discontinued operations after tax		-	-	-
Net Profit for the year		(3,434,537)	(1,390,554)	411,470
Other comprehensive income:				
Other comprehensive income for the year, net of tax		-	-	-
Total comprehensive income for the year		(3,434,537)	(1,390,554)	411,470
Profit attributable to:				
Members of the parent entity		(3,434,537)	(1,390,554)	411,470
Non-controlling interest		-	-	-
		(3,434,537)	(1,390,554)	411,470
Total comprehensive income attributable to:				
Members of the parent entity		(3,434,537)	(1,390,554)	411,470
Non-controlling interest		-	-	-
		(3,434,537)	(1,390,554)	411,470
Earnings per share				
From continuing and discontinued operations:				
Basic earnings per share (cents)	19	-0.837 cents	-0.339 cents	0.216 cents
Diluted earnings per share (cents)	19	-0.796 cents	-0.322 cents	0.195 cents

8. Other Material Information

8.1. Material litigation

As at the date of this Target's Statement, MaxSec is not involved in any material litigation and is not aware of any pending material legal action to which it may be exposed.

8.2. Publicly Available Information and Disclosures about MaxSec

MaxSec is a listed "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, MaxSec is subject to the listing rules of ASX which require continuous disclosure of any information MaxSec has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities (subject to some exceptions).

The ASX maintains files containing publicly disclosed information about all listed companies. MaxSec's files are available for inspection on the ASX website (www.asx.com.au). In addition, MaxSec is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in respect of MaxSec may be obtained from, or inspected at, an ASIC office.

MaxSec's annual report for the year ended 30 June 2017 was provided to shareholders on 27 September 2017. Copies are available upon request.

8.3. Consents

Titan Partners Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as Independent Expert to MaxSec in the form and context in which it is named.

KardosScanlan Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as legal adviser to the Offer in the form and context in which it is named.

Computershare Investor Services Pty Limited has given and before lodgement of this Target's Statement has not withdrawn its written consent to be named as share registry to the Offer in the form and context in which it is named.

Each of Titan Partners Pty Limited, KardosScanlan Pty Limited and Computershare Investor Services Pty Limited:

- (a) has not authorised or caused the issue of the Target's Statement;
- (b) does not make, or purport to make, any statement in this Target's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Target's Statement other than the reference to its name and the statements (if any) included in this Target's Statement with the consent of that party as specified in this Section.

In addition, this Target's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Under ASIC Class Order CO 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Target's Statement. Any Shareholders who would like a copy of any of those documents may obtain a copy (free of charge) during the Offer Period.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or

- from a public official document or a published book, journal or comparable publication.

Pursuant to this ASIC Instrument, the consent of such persons to whom statements or documents are attributable is not required for the inclusion of those statements in this Target Statement.

In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement contains share price trading data sourced from IRESS without its consent.

8.4. Other material information

The Directors are of the opinion that there is no other information that Shareholders or their professional advisers would reasonably require to make an informed assessment whether or not to accept an Offer, being information which:

- (a) is contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- (b) it is reasonable for Shareholders and their professional advisers to expect to find in this Target's Statement; and
- (c) is known to any Director.

In deciding what information should be included in this Target's Statement, your Directors have had regard to, amongst other things, the matters which Shareholders (or their professional advisers) may reasonably be expected to know, including information contained in documents previously sent to Shareholders and information available from public sources such as ASX (www.asx.com.au) ASIC or the MaxSec website at www.maxsec.com.

The Board members of MaxSec have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Board members of MaxSec do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

9. Definitions

The following defined terms are used throughout this Target's Statement unless the context otherwise requires. These terms are used throughout this Target's Statement.

\$	Australian Dollars.
ACCC	Australian Competition and Consumer Commission.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market, Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers the CHES system in Australia.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement, a copy of which is available at www.asx.com.au .
Ava Global	A business division of MaxSec operated via the following subsidiaries: <ul style="list-style-type: none"> (a) Ava Global DMCC; (b) Ava USA Inc.; and (c) Ava Germany GmbH.
Bid Implementation Agreement	Bid implementation agreement entered between FFT and MaxSec on 24 August 2017.
Bidder or FFT	Future Fibre Technologies Limited (ACN 064 089 318).
Bidder's Statement	The bidder's statement of FFT dated 18 October 2017.
Board	The board of Directors of MaxSec.
BQT Solutions	A business division of MaxSec operated via the following subsidiaries: <ul style="list-style-type: none"> (a) BQT Solutions (Australia) Pty Ltd; (b) BQT Solutions (UK) Limited; (c) BQT Solutions America Inc.; (d) BQT Solutions (SEA) Pte. Ltd.; (e) BQT Solutions (NZ) Limited; (f) BQT Intelligent Security Systems Pty Ltd; and (g) 4C Satellites Ltd.
CHES	The Clearing House Electronic Sub-register System, which

provides for electronic share transfer in Australia.

Competing Proposal

Means a transaction which, if completed, would mean a person other than the Bidder (and its Associate) would:

- (a) acquire a Relevant Interest in 20% or more of the Target's securities;
- (b) acquire Control of the Target;
- (c) acquire all or a substantial part of the Target's business, assets or undertaking;
- (d) otherwise acquire or merge with the Target; 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.

Consolidated Group

Has the same meaning as in the *Income Tax Assessment Act 1997* (Cth).

Controlled Entity

Has the meaning given to that word in the Corporations Act.

Corporations Act

The Corporations Act 2001 (Cth).

Director

A director of MaxSec.

Encumbrance

Means any one or more of the following:

- (a) any interest, right or power that in substance secures payment of performance of any obligation, for example a mortgage, charge or security interest under the *Personal Property Securities Act 2009* (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 of *Tax Act (1936)*, subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth) or any similar legislation.

FFT Share

An ordinary Share in FFT.

Financial Indebtedness	<p>Means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:</p> <ul style="list-style-type: none"> (a) bill, bond, debenture, note or similar instrument; (b) acceptance, endorsement or discounting arrangement; (c) guarantee; (d) finance or capital lease; (e) agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or (f) obligation to deliver goods or provide services paid for in advance by an financier.
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
Independent Directors	Geoffrey Cleaves and Johann Landsberg.
Independent Expert	Titan Partners Pty Limited (ABN 66 461 910 176).
Independent Expert's Report	The independent expert's report prepared by the Independent Expert in relation to the Offer as set out in Annexure A.
Insolvency Event	<p>Means any of the following events occurring in relation to a party:</p> <ul style="list-style-type: none"> (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 unstable to, pay its debts when they are due or is or becomes unstable 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.
MaxSec Option or Option	An option over unissued MaxSec Share.
MaxSec Share	An ordinary Share in MaxSec.

Material Adverse Change

Means:

- (a) Any matter, event or circumstance which happens, is announced or becomes known to the Bidder after the date of the Bid Implementation Agreement which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of MaxSec being reduced by at least \$750,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 30 June 2017, of MaxSec being reduced by at least \$750,000 against what it would have been but for the matters, events or circumstances;
- (b) the Bidder becomes aware, prior to the end of the Offer Period, that the Target has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable bidder in similar circumstances to the Bidder known of the information giving rise to such breach prior to 25 August 2017, it would have resulted in that reasonable bidder offering less consideration under the Offer,

but does not include:

- (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 the Bid Implementation Agreement, the proposal to make the Offer or the transactions contemplated by them.

Material Contract

Means a contract or commitment:

- (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 the Bidder or MaxSec (as applicable),

unless the contract or commitment is demonstrably beneficial to the operations of the Bidder or MaxSec (as applicable) and the relevant party's business.

MaxSec Group

MaxSec and each of its Subsidiaries.

MaxSec Shareholder

A registered holder of MaxSec Shares.

Non-Associated Shares	All of MaxSec Shares that FFT or its associates do not already own.
Offer	The offer dated [date] by FFT to acquire all of MaxSec Shares on the terms set out in the Bidder's Statement.
Option	An option to subscribe for MaxSec Share.
Plan	MaxSec Employee Share Option Plan.
Prescribed Occurrence	Means: <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 case or in specie); (e) (issuing shares or options) a member of the MaxSec Group: <ul style="list-style-type: none"> (i) Issues shares; (ii) Grants an option over its shares; or (iii) 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 (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:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for, 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;
- (j) **(Encumbrances)** a member of 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 Board, other than those nominated by the Bidder;
- (l) **(employment arrangements)** a member of MaxSec Group:
 - (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, 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 the Bid Implementation Agreement;
- (m) **(termination or retention payment)** a member of 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 the Bid Implementation Agreement, is in place and has been disclosed to the Bidder);
- (n) **(commitments and settlements)** a member of MaxSec Group:
 - (i) enters into or agrees to enter into any Material Contract;
 - (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 MaxSec Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by the Bid Implementation Agreement;
- (p) **(capital expenditure)** a member of 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 MaxSec Group;
- (r) **(financial indebtedness)** excluding trade debtors in the ordinary course of business, a member of 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 MaxSec Group takes or omits to take action which results in a breach of law material to a member of MaxSec Group;
- (t) **(accounting policy)** a member of MaxSec Group changes any accounting policy applied by them to report their financial position;
- (u) **(related party)** excluding transactions between the Bidder and MaxSec (if occurring at a point in time that the parties may be considered related parties), a member of MaxSec Group enters into or resolves to enter into a transaction with any related party of MaxSec as defined in section 228 of the Corporations Act; or
- (v) **(tax liability)** MaxSec or any other member of MaxSec Group does anything that results in a taxable gain for MaxSec by either causing a Subsidiary to cease being a member of MaxSec Group or causing 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 the Bid Implementation Agreement;
- (b) any matter required to be done or brought about by MaxSec under the Bid Implementation Agreement or which is contemplated by the proposal to make the Offer; or
- (c) any other matter, the undertaking of which the Bidder has approved in writing.

Relevant Interest

Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.

Regulatory Approvals

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; and (b) the acquisition of the MaxSec Shares by the Bidder.
Share	A fully paid ordinary share.
Shareholder	A holder of one or more Shares.
Subsidiaries	Has the same meaning given to that term in section 9 of the Corporations Act.
Superior Proposal	<p>Means a Competing Proposal that, in the opinion of the MaxSec Board acting reasonably and taking into account all material aspects of the competing proposal available to it, is:</p> <ul style="list-style-type: none"> (a) reasonably capable of being completed; and (b) more favourable to MaxSec Shareholders than the Offer.
Target's Statement	This target's statement, being the statement of MaxSec under Part 6.5 Division 3 of the Corporations Act.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.
VWAP	Means the volume weighted average price of a security.

10. Interpretation

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

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Target's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Target's Statement and references to this Target's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Target's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

11. Authorisation of the Directors

The Directors of MaxSec have unanimously approved the contents of this Target's Statement and its lodgement with ASIC.

Dated: 18 October 2017

Signed

A handwritten signature in black ink, appearing to be 'R. Broomfield', written in a cursive style.

For and on behalf of MaxSec Group Limited

Mr Robert Broomfield

Director

Appendix A



MaxSec Group Limited

(ASX: MSP)

ACN 000 029 265

Independent Expert's Report

Report to Shareholders on the Proposed Takeover Offer from
Future Fibre Technologies Limited for all the issued shares in MaxSec Group Limited

Report Issued: 18 October 2017

18 October 2017

The Directors
MaxSec Limited
PO Box 808, North Ryde BC,
North Ryde NSW 1670

Dear Sirs,

Titan Partners Corporate
Finance Pty Limited
Australian Financial Services
Licence Number: 427275
ABN 38 177 095 636
Level 3, 7 Macquarie Place
Sydney NSW 2000
PO Box R415
Royal Exchange NSW 1225
Australia
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INDEPENDENT EXPERT'S REPORT – MAXSEC LIMITED

1. Introduction

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for MaxSec Group Limited ("**MaxSec**", "**MSP**" or the "**Company**") as an independent expert, to provide an opinion on whether the proposal by Future Fibre Technologies Limited ("**FFT**", the "**Bidder**") to acquire all the issued ordinary shares in the Company is fair and reasonable.

On 25 August 2017, FFT and MaxSec jointly announced to their shareholders the intention of FFT to make an all-scrip takeover bid for all of the shares in MaxSec it does not currently hold, for a consideration of 1 FFT share for every 4 MaxSec shares ("**Proposed Transaction**").

To assist the shareholders of MaxSec (the "**Shareholders**") in making an informed decision on whether to accept or reject the takeover offer from FFT, in accordance with Section 640 of the Corporations Act 2001, we have been appointed by the Directors of MaxSec to prepare an Independent Expert's Report to express an opinion on whether or not the Proposed Transaction is fair and reasonable to Shareholders.

Our findings are presented in the Independent Expert Report (the "**Report**") herein.

Titan Partners Corporate Finance is independent of MaxSec and FFT, with no interest or involvement in the outcome of the Proposed Transaction, other than the preparation of this Report.

2. Summary of Opinion

2.1 Opinion

We conclude, based on the assessment outlined in the remainder of this Report, that the Proposed Transaction is considered to be not fair but reasonable to the Shareholders. The principal factors that we have considered in forming our opinion are summarised below.

2.2 Assessment of Fairness

In determining whether the Proposed Transaction is fair to the Shareholders, we have compared the assessed fair value of a share in MaxSec on a controlling basis to the value of consideration offered, being shares in FFT, on a minority interest basis. The analysis is set out in section 10 and summarised below.

MaxSec Group Limited Valuation Summary		
	Low	High
Value of MaxSec per share on a Controlling Basis	\$0.038	\$0.043
Value of 4 MaxSec shares on a Controlling Basis	\$0.150	\$0.172
Value of Consideration offered for every 4 MaxSec share being 1 FFT share on a minority basis	\$0.129	\$0.136

Source: Titan Partners Corporate Finance Analysis

In accordance with Regulatory Guide 111 Content of expert reports ("RG111"), the above valuation analysis indicates that, in the absence of any other relevant information, the Proposed Transaction is deemed to be not fair to Shareholders as the valuation of consideration offered in FFT shares on a minority basis, is less than the value of MaxSec shares on a controlling basis. Therefore we must conclude the Proposed Transaction is not fair.

2.3 Assessment of Reasonableness

RG111 of the Australian Securities and Investments Commission ("ASIC") considers an Offer to be reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Offer in the absence of any higher bid before the close of the Offer.

We have considered the analysis in Section 10 of this Report, in terms of advantages and disadvantages of the Proposed Transaction. In forming our opinion we have also considered the following relevant qualitative factors:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Shareholders retain participation in future earnings and growth of MaxSec. • Improved liquidity of listed securities as part of a larger entity in terms of market capitalisation and broadened shareholder base. • Combination of complementary businesses of MaxSec and FFT to integrate product offerings. • Operational synergies and costs savings expected to be derived from the Proposed Transaction. • Potential expansion in market exposure of MaxSec as part of a larger business and access to FFT's market share. • The Proposed Transaction will help ensure an improved balance sheet strength. • Strengthened balance sheet including cash reserves to support MaxSec operations without raising additional capital. • No alternative offers received. 	<ul style="list-style-type: none"> • Exposure to integration risk of merging MaxSec into FFT. • Implementation costs will be incurred and borne by MaxSec as part of the Proposed Transaction. • Deterrence of alternative offers from other parties. • Dilution of the relative interest of current Shareholders in MaxSec business.

In our opinion, despite the Proposed Transaction being assessed as not fair, after our assessment of the above advantages and disadvantages we consider the Proposed Transaction to be reasonable to the Shareholders.

2.4 Other Factors

The above summary of our opinion and conclusion should be read in conjunction with the remainder of this Report and Appendices as attached herein.

Titan Partners Corporate Finance has prepared a Financial Services Guide as required by Corporations Act 2001 and is attached at Appendix 1. This Report is for general financial advice only and was prepared without taking into account the objectives and circumstances of individual Shareholders of the Company. Our Report herein should be read in conjunction with the Target's Statement which it accompanies.

Unless the context requires otherwise, references to "we", "our" and similar terms refer to Titan Partners Corporate Finance.

Yours faithfully
Titan Partners Corporate Finance Pty Limited

A handwritten signature in black ink, appearing to read 'B. Higgs', with a long, sweeping horizontal line above it.

BRAD HIGGS
Director

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3. Scope of Report

3.1 Purpose of the Report

The purpose of this Report is to assist and advise on whether, in our opinion, the Proposed Transaction is fair and reasonable to the Shareholders.

Section 640 of the *Corporations Act 2011* requires that, to assist shareholders in their decision to accept or reject a takeover offer, a Target's Statement in response to a takeover offer is to be accompanied by an Independent Expert's Report, where either:

- the bidder's voting power in the target is 30% or higher; or
- where the bidder and target have one or more common directors.

MaxSec and FFT currently have directors whom serve on the boards of both companies.

Titan Partners Corporate Finance has been engaged by the directors of MaxSec to prepare an Independent Expert's Report with respect to the Proposed Transaction for this purpose.

This Report has been in accordance with requirements under Section 640 of the *Corporations Act 2011*, and ASIC issued Regulatory Guides 111 ("**RG111**") and 112 ("**RG112**").

Our Report is to be included in the Target's Statement to be issued to Shareholders and has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction.

3.2 Basis of Assessment

In preparing the Report herein, we consider RG111 dated March 2011 which sets out requirements of expert reports.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness". We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

RG111 indicates the principles and matters which it expects an expert person preparing an independent expert report to consider, including:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price of the shares being issued as consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison;
- an offer is 'reasonable' if it is 'fair'; and
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In accordance with the requirements of RG111, we have compared the fair value of a share in MaxSec on a controlling basis to the value of consideration offered, being shares in FFT, on a minority interest basis.

3.3 Sources of Information

In forming our opinion on the Proposed Transaction and preparing the Report herein, we have considered, adopted and relied upon certain information prepared by the management of MaxSec and FFT, and external parties. Refer to Appendix 4 for a list of our sources of information.

3.4 Limitations and Reliance on Information

Our opinions are based on economic, financial, operational and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if such material change occurs, the opinions expressed in this Report could differ.

Titan Partners Corporate Finance has no obligation to, nor does it undertake to, advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update this Report or the opinions contained herein.

We have evaluated the information set out in Section 3.3 through analysis, enquiry and review, as appropriate for the purposes of preparing this Report and forming our opinion on the Proposed Transaction. Titan Partners Corporate Finance do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

We have relied on certain representations and relevant information provided by the directors of MaxSec and FFT. This information was evaluated through analysis, enquiry and review. However, such information is often not capable of external verification or validation and has therefore not been independently verified.

To the extent that there are any legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Titan Partners Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.

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4. Summary of Proposed Transaction

4.1 Background

On 25 August 2017, MaxSec announced to the Australian Securities Exchange Limited ("**ASX**") that FFT intends to make an off-market takeover bid for all of the MaxSec shares it does not currently hold.

The Proposed Transaction envisages an all-scrip transaction, whereby the shareholders will be offered one FFT share for every four MaxSec shares held. A Bid Implementation Agreement ("**BIA**") setting out the framework for the Proposed Transaction has been entered into between MaxSec and FFT.

MaxSec also announced on the same day, the Proposed Transaction has the unanimous support of voting directors, whom intend to recommend its acceptance in the absence of a superior offer.

There are two common directors between MaxSec and FFT, specifically:

- The Chief Executive Officer and director of FFT, Robert Broomfield, is also a director on the board of MaxSec as Non-Executive Chairman;
- The Chief Executive of the Ava Global division of MaxSec unit, Mr Chris Fergus, is a director on the boards of both MaxSec and FFT.

The Proposed Transaction will be subject to number of conditions as announced by both companies, including:

- Minimum acceptance of 80% by number of MaxSec shares;
- Regulatory approvals are received for the Proposed Transaction;
- No regulatory action by any regulatory authority which prevents FFT from making the Proposed Transaction or continued operation of the MaxSec business;
- No prescribed occurrences between the date of announcement and the end of the offer period for the Proposed Transaction;
- No occurrence of a material adverse change;
- All options of MaxSec are exercised, cancelled or transferred to FFT; and
- All necessary third party approvals for the Proposed Transaction are obtained.

4.2 Placement

On 24 August 2017, the day prior to announcement of the Proposed Transaction, MaxSec completed a placement transaction where FFT acquired 61,500,000 shares in the Company at a price of \$0.03 per share for a total of \$1.845 million (the "**Placement**"). As a result of the Placement, FFT became a substantial shareholder of the Company with a 13% interest in MaxSec. FFT did not have any financial interests in the Company prior to the Placement.

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4.3 Shareholding – Post Proposed Transaction

As the Proposed Transaction is an all-scrip based takeover bid, we have set out the impact on the FFT shareholding structure and relative interests of current MaxSec and FFT shareholders upon completion.

Future Fibre Technologies Limited Illustrative Post Transaction Shareholdings		
	Shares	%
Current Issued shares of FFT	124,028,440	51%
Current Issued shares of MaxSec	472,010,928	
Equivalent FFT shares issued at 1 FFT:4 MaxSec Shares	118,002,732	49%
Total issued shares after Proposed Transaction	242,031,172	100%

Source: FFT Management, MaxSec Management, Titan Partners Corporate Finance Analysis

Based on the offer ratio of 1 FFT share for every 4 MaxSec shares under the Proposed Transaction and the shares on issue as at the date of this Report, current MaxSec shareholders will hold a collective interest of 49% in the combined MaxSec/FFT entity upon completion.

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5. Profile of MaxSec**5.1 Background*****Overview***

Founded in 1995, MaxSec is a provider of integrated security and turn-key solutions. MaxSec is a public company listed on the ASX (ASX: MSP). The Company develops, manufactures and supplies high quality, high security card and biometric readers, electromechanical locks and related electronic security products through its BQT Solutions and Magna businesses. MaxSec operates in the United Kingdom, Middle East, Africa, United States of America ("USA"), Singapore, Vietnam, Australia and New Zealand.

The Company provides a wide range of both "off-the-shelf" solutions and purpose tailored solutions. MaxSec has a dedicated research and development team, a portfolio of proprietary products and, where relevant, sources products through partnerships with leading manufacturers to meet the supply requirements of its customers. MaxSec continuously expands sales channels to enlarge its distribution base and increase volume. The product portfolio of the Company consists of smart card based access control, biometric solutions and electromechanical locking devices, which are installed in over 1,000 locations globally.

The Company's customers comprises:

- **System integrators** – such as Siemens, Honeywell, SECOM, Schneider Electric, United Technologies, Johnson Controls;
- **Distributors** – such as Honeywell, Hills, Seadan, Locksmiths Supply Company, Accesshardware, Secure Access Technologies, Ness Security Products;
- **End Users** – such as Qantas, Vodafone, Australia Post, HSBC, Australian Federal Police and others.

MaxSec operates through two business divisions, namely BQT Solutions ("BQT") and Ava Global ("Ava"), specifically:

BQT Solutions

BQT Solutions established in 1995 is a designer, developer and manufacturer of Mifare Classic® and Mifare DESFire® smart card and biometric access control technologies, as well as a range of quality electromechanical locking products.

In 2010 BSQ Solutions acquired Magna Electronics Pty Ltd, which extended its product portfolio with electronic locks. Now BQT Solutions smart reader and card systems, biometric solutions, electric locking and access control products are used globally at over 3,500 sites in over 50 countries. The Company introduced a range of "off-the-shelf" products to provide access control security to market wide, from liminary and critical infrastructure right through to secure products for commercial, industrial and residential applications. BQT Solutions' network of offices include representation in the United Kingdom, USA, United Arab Emirates, Australia, New Zealand and Singapore.

Ava Global

In 2016, MaxSec established a new business known as Ava, to provide secure international logistics of high value cargo on a fully insured door to door basis. Ava commenced operations during FY2017. Ava offers a global service capability, delivered from its own strategically located offices (New York, London, Frankfurt, Dubai and Singapore), with support from a network of specialist and strategic partners in over 50 countries.

The key sectors where Ava provides services are:

- **Precious Metals Mining** – transportation of pre-refined precious metal from mine site to refiner. Mine sites are generally in remote locations requiring complex logistical solutions;
- **Bullion** – transportation from refinery or secure storage locations to central banks, investment banks or jewellery manufacturers;
- **Currency** – large scale foreign currency transportations between central banks, commercial banks, wholesale bank note dealers and foreign exchange houses; and

- Security Print – transportation of secure paper, credit cards, tax stamps, holograms and other secure print items.

MaxSec designs and develops its own products as well as resells third-party manufactured products. The BQT business operates a production facility in New Zealand, as well as utilises contract manufacturers.

5.2 Ownership Structure

The following table sets out the shareholding structure of MaxSec as at 19 September 2017:

MaxSec Group Limited Current Ownership Structure		
Name	Shares	%
Major Shareholders		
Future Fibre Technologies Limited	61,500,000	13.03
HSBC Custody Nominees (Australia) Limited	30,525,254	6.47
Bell Potter Nominees Ltd	27,742,146	5.88
Dixson Trust Pty Ltd	21,257,707	4.50
Pierce Atlantic Pte Ltd	20,836,289	4.41
Bannaby Investments Pty Limited	20,488,934	4.34
Mr David Malcolm South	17,000,000	3.60
4c Controls Inc	12,800,000	2.71
Mr Christopher Fergus	12,000,000	2.54
Mr Steven Gary Hirst	11,618,161	2.46
Mr Neil Richard Hingston + Ms Pauline Ruth Hingston	7,309,239	1.55
Mr Michael David Bevan	7,000,000	1.48
Carrier International Pty Ltd	5,950,000	1.26
Brownlow PR Pty Ltd	5,500,000	1.17
Mr Matthew Ian James + Mrs Heather Bernice James	5,500,000	1.17
Mr Daniel James Harris	5,000,000	1.06
Mr Joseph Morrin	5,000,000	1.06
Old Mutual International Isle Of Man Limited	5,000,000	1.06
Twoinvest Pty Limited	5,000,000	1.06
Mr Patrick Benedict Twomey + Ms Genevieve Rosvall	5,000,000	1.06
Top 20 Shareholders	292,027,730	61.87
Total Shares Issued	472,010,928	100.00

Source: Share Register as at 19 September 2017

[this section is intentionally left blank]

5.3 MaxSec Announcements

The following table sets out the recent announcements for MaxSec.

MaxSec Group Limited Recent Company Announcements	
Announcement Date	Title
16/10/2017	FFT: Bid Implementation Agreement Variation
16/10/2017	Bid Implementation Agreement Variation Announced
12/10/2017	Ceasing to be a substantial holder
06/10/2017	Notice of General Meeting/Proxy Form
06/10/2017	FFT: Update to Merger Presentation 20 Sept2017
05/10/2017	Update to merger presentation released on 20/09/2017
03/10/2017	Response to ASX Appendix 3Y query
27/09/2017	MSP ASX Appendix 4G YE30/6/2017
27/09/2017	Annual Report to shareholders
26/09/2017	Becoming a substantial holder from FFT
25/09/2017	Change of Director's Interest Notice
21/09/2017	Change in substantial holding
20/09/2017	MSP - FFT Merger Presentation
20/09/2017	FFT: FFT presentation re proposed merger with MSP

Source: Australian Securities Exchange

5.4 Industry Overview

MaxSec operates in two industries, being secure access control and secure logistics. Both industries are very specific, therefore we considered the access control business as part of perimeter intrusion prevention systems market, and reviewed secure logistics industry separately.

A. Perimeter Intrusion Prevention Systems Industry

Perimeter intrusion prevention systems include mechanical and electronic systems that protect the perimeter of a facility, preventing the entry of unauthorized personnel. The components of perimeter intrusion prevention systems include barriers and gates, sensors, warning devices, personal identification systems, and control and communication systems. The effectiveness of perimeter intrusion prevention systems can be measured by how successful they are in identifying and deterring different threats.

Based on the products, the perimeter intrusion prevention systems market can be segmented into access control systems, alarms and notification systems, and surveillance systems.

- **Access control systems:** Devices such as electronic locks, biometric readers, and card readers for authorized individuals to gain access to premises.
- **Alarms and notification systems:** Devices such as intrusion alarms that are required to notify security personnel in case of an intrusion.
- **Surveillance systems:** Hardware devices such as cameras, storage management, encoders and decoders, recorders, and video management software.

In research undertaken by Technavio¹, the global perimeter intrusion prevention systems market was valued at \$13.52 billion in 2014 and projected to reach \$20.37 billion by 2019, growing at a Compound Annual Growth Rate ("CAGR") of 8.54%. FFT Management estimates that the current addressable market for FFT is USD 1 billion to 2 billion. Access control systems are likely to gain prominence during the forecast period, where Asia Pacific ("APAC")

¹ A global technology research and advisory company, based in London, UK. "Global Perimeter Intrusion Prevention Systems Market 2015-2019".

and Latin America are likely to experience growth from increasing awareness of the advantages of perimeter intrusion prevention systems.

The adoption of perimeter intrusion prevention systems is high in the case of critical infrastructure such as oil and gas industries, manufacturing industries, water treatment plants, and nuclear plants. The increase in the number of thefts and unlawful activities in residential and commercial buildings are also likely to impact market growth during the forecast period. Further, the governments of countries such as the USA and the United Kingdom ("UK") have necessitated the usage of perimeter intrusion prevention systems to ensure security. With advances in technology, and the emergence of biometric access control readers, the market is seeing considerable growth. However, market saturation in developed countries could lead to a decline in growth rates. Also, a number of new security solutions are being introduced in the market, leading to a decrease in the use of traditional perimeter intrusion prevention systems.

Market Trends

Requirements for customised solutions. Many vendors in the market are developing solutions to cater to the specific needs of customers. They provide open architecture systems that can adapt to the existing security network of an organization. Customised perimeter intrusion prevention solutions include control of access of personnel, maintenance of 24/7 on-site operations, security policy management, provision of a detailed reporting system, badge management, and maintenance of metal detection systems and scanner options.

Rise in number of infrastructure projects. With the development of infrastructure projects in the Middle East², the use of perimeter intrusion prevention systems has become critical as they are essential in preventing intruders from entering the premises. The construction industry in the Middle East is expected to increase investment, after reduced expenditure on surveillance systems during the economic crisis, while growing oil production infrastructures in Saudi Arabia also create huge demand. In addition, a number of upcoming electricity and water projects will increasingly focus on the installation of security equipment.

Adoption of cloud-based surveillance services. Vendors in the market have been offering cloud-based surveillance services or video surveillance as a service ("VSaaS"). The adoption of VSaaS can benefit companies in a number of ways as it provides advantages such as pay-per-use, low initial investment and maintenance, and easy deployment.

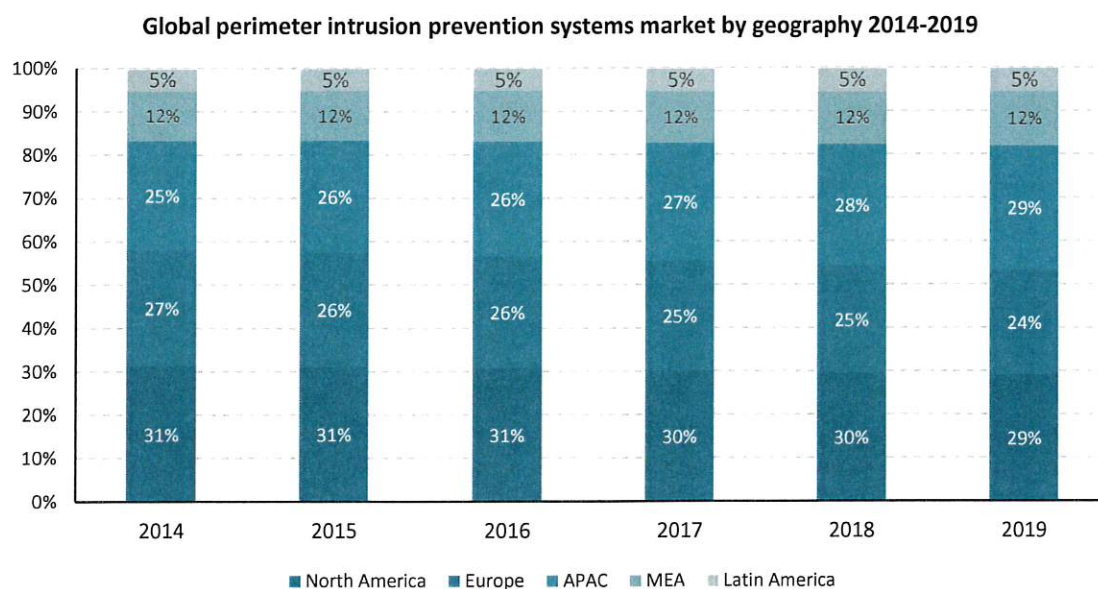
Usage of video analytics and intelligent video surveillance. A number of retailers are using intelligent video surveillance in retail stores by integrating video analytics and point of sale, for improved sales, marketing, and operations. In the past, the use of surveillance systems was restricted to loss prevention and catching shoplifters. But, the applications of intelligent video surveillance have increased with advances in technology.

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² Such as Haramain High Speed Rail in Saudi Arabia, Al Maktoum airport in United Arab Emirates ("UAE"), Hamad International airport in Qatar, and Dubai and Abu Dhabi metro in UAE

Geographical Overview

According to the research by Technavio, in 2014, North America accounted for the largest market share with 31.40%, followed by Europe with 26.84%, as shown in the following chart. Over the forecast period to 2019, the market shares of North America and Europe are expected to decline due to the adoption of perimeter intrusion prevention systems, while the APAC, Middle East and Africa ("MEA"), and Latin America will increase due to the growing investment by the governments of countries such as Brazil and UAE on perimeter intrusion prevention systems.



Source: Technavio Research; *Global Perimeter Intrusion Prevention Systems Market 2015-2019*; 2015.

Specifically with respect to regional markets, the research by Technavio notes that:

- North America was valued at USD 4.25 billion in 2014 and projected reach \$5.93 billion by 2019, where Canada and Mexico will become the largest revenue contributors in the region, with adoption driven by an increase in criminal activities targeting enterprises and government, and increasing use of biometric systems.
- A growing adoption of surveillance systems by retail stores to counter thefts and shift toward cost-efficient access control systems to enhance physical security of commercial buildings in North America.
- Europe market was valued at USD 3.63 billion in 2014 and projected to reach \$4.93 billion by 2019, growing at a CAGR of 6.30%, where Russia and the UK are the major revenue contributors. Due to the economic uncertainty in the region, the market is seeing a decline in demand. However, stabilization of the economy during the forecast period will contribute to market revenue.
- End-users in Europe are becoming less price-conscious and more conscious about security, which is increasing the adoption of smart homes, while an aging population with the need for secure living is fuelling the demand for residential security, leading to increased adoption of perimeter intrusion prevention systems.
- A number of regional players are entering the European market with new technologies, which is likely to increase the revenue flow in the region.
- APAC market was valued at USD 3.40 billion in 2014 and is estimated to reach \$5.86 billion by 2019, growing at a CAGR of 11.48%, driven by rapid adoption in large industries in China and India.
- Devices with new technologies are expected to be adopted in APAC, such as systems for the Hyderabad Airport, India comprising an electro-fence system on top of the airport's concrete wall and monitoring to secure communication between all electro fence controllers.
- MEA market was valued at USD1.55 billion in 2014 and is projected to reach \$2.54 billion by 2019, growing at a CAGR of 10.30%.
- High adoption of perimeter intrusion prevention systems for a number of infrastructure projects such as oil and gas utilities and nuclear plants is leading to revenue growth of the market.

Competitive Landscape

The market is highly fragmented with the presence of various vendors. The major vendors in the market, including Axis Communications, Bosch Security Systems, Honeywell Security, Qognify, and Tyco provide cameras, access control systems, and alarms. They can be distinguished on the basis of their features, industries served, and technologies provided. Other major vendors in access control industry are Allegion, Anixter and Assa Abloy.

Access Control

In 2014, access control systems were in the early growth stage while alarms and notification systems and surveillance systems were in the late growth stage. During the forecast period, access control systems are likely to experience growth due to integration with alarms and notification systems. With an increase in the number of infrastructure projects, the adoption of surveillance systems is likely to increase by 2019.

In the research undertaken by Technavio, the global market for access control systems was valued at USD 5.59 billion in 2014 and projected to reach USD 9.01 billion by 2019, growing at a CAGR of 10.01%. MaxSec management estimates that the current addressable market for BQT is USD 0.6 billion to 1.5 billion.

Access control systems are used to restrict unauthorized access. With the emergence of smart homes, the use of access control systems has increased; they help in the automation of electronic locks and lighting in residences. However, the growth rate of the segment is likely to decrease during the forecast period due to the emergence of advanced authentication technologies such as biometrics. Biometric readers grant access to individuals only when their identity is confirmed with the information stored in the database.

B. Secure Logistics Market

Secure logistics refers to physical transportation of cash and other valuables from one location to another.

The global secure logistics market size was valued by Grand View Research³ at USD 48.19 billion in 2015. According to the market research by Technavio, the global secure logistics market is likely to exceed USD 72.00 billion by 2020. MaxSec Management estimates that the current addressable market for AVA is USD 0.60 billion to 0.75 billion. The rising security concerns among corporate and banks have increased the requirement for secure movement and management services for currency. The European Union has established a structure for overcoming the constraints and to facilitate the mobility of production factors which include land, labour, and capital.

Based on applications, the industry has been segmented into cash management, diamonds, jewellery & precious metal, manufacturing, and others. The other application segment includes retail and public infrastructure. The cash management segment dominated the industry in 2015 and is expected to remain the same over the forecast period. This growth is attributed to the rapidly growing penetration of ATMs in the emerging countries.

The segment application includes cash-in-transit, cash processing, and ATM services. Cash-in-transit involves picking up money from the banks and delivering to the designated cash points, such as ATMs. The service providers utilize armoured trucks to transport valuables that reduce risks and increase security by reducing the opportunity for theft.

The carriers offer Automated Teller Machine (ATM) services in conjunction with the traditional cash-in-transit service and are regulated by regional, national, and local legislations. The responsible authorities for the industry include the Ministry of Justice, the Ministry of Interior, and the Police. Regulations which may impose the minimum number of crew members, type of vehicles to be used, and restrictions on the use of firearms.

The Research by Technavio indicates that the global secure logistics market in 2015 was dominated by the European, Middle East and Africa ("EMEA") region, accounting for 50.50%; while Latin America (33.91%) and North America

³ A market research and consulting company based in San Francisco, USA. "Secure Logistics Market Analysis by Application (Cash Management, Diamonds, Jewellery & Precious Metal, Manufacturing), By Type (Static, Mobile), By Region (North America, Europe, Asia Pacific, Latin America, MEA), and Segment Forecasts, 2014 - 2025".

(20.99%) are the two other key regions, with APAC being the smallest market (6.21%). We note specific trends in the three larger markets identified in the Technavio research as follows.

EMEA

The secure logistics market in EMEA was valued by Technavio at USD 2.18 billion in 2015. With cash transactions accounting for nearly 70%-80% of commercial transactions in Europe, and the number of ATMs expected to reach 3.5 million by 2017, the secure logistics market in EMEA is expected to grow in the near future. Though the debt crisis in Europe during 2010-2012 did impact the region, the market is expected to recover with Germany, Portugal, and Spain being its key contributors. Africa is another emerging market, with major customers from sectors such as telecommunications, aviation, mining, oil and gas, embassies, and ports.

Latin America and North America

The secure logistics market in Latin America was valued by Technavio at USD 990 million in 2015 and in North America was valued by Technavio at USD 1.96 billion. The Latin America market is expected to grow rapidly while North America is projected to grow steadily during the forecast period to 2022. The United States, Brazil, Colombia, and Argentina are the major contributors in the Americas market. Security services are in great demand from the commercial, industrial, and financial sectors in Latin America, while a well-developed transport infrastructure and willingness of customers in North America to outsource cash management and security services to third-party logistics firms will help the market grow during the forecast period.

C. Conclusion

Both the Perimeter Intrusion Prevention Systems industry, which includes Access Control, and the Secure Logistics Industry are global industries with the North America and Latin America regions accounting for over half of total market. Research indicates growth is expected to continue in the medium term across both markets, driven by the development of new technologies and regional market trends.

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5.5 Historical Financial Performance

The financial performance of MaxSec for the three most recent financial years being FY2015, FY2016 and FY2017 are summarised in the table below.

MaxSec Group Limited Historic Operating Results							
\$'000s	Notes	FY2015		FY2016		FY2017	
		Actual	%	Actual	%	Actual	%
Revenue	1	5,161	100.0%	4,314	100.0%	7,429	100.0%
Interest income		42	0.8%	30	0.7%	20	0.3%
Other income	2	213	4.1%	252	5.8%	392	5.3%
Expenses							
Raw materials and consumables used	3	2,592	50.2%	1,657	38.4%	4,663	62.8%
Employee benefits expense	4	1,185	23.0%	1,303	30.2%	4,015	54.0%
Depreciation and Amortisation expenses		153	3.0%	276	6.4%	330	4.4%
Finance Costs		5	0.1%	5	0.1%	3	0.0%
Other expenses	5	1,069	20.7%	2,746	63.6%	2,265	30.5%
Profit Before Tax		411	8.0%	(1,391)	(32.2%)	(3,435)	(46.2%)
Plus: Finance Expenses		5	0.1%	5	0.1%	3	0.0%
Minus: Interest Income		42	0.8%	30	0.7%	20	0.3%
Reported EBIT		375	7.3%	(1,416)	(32.8%)	(3,451)	(46.5%)
Plus: Amortisation & Depreciation		153	3.0%	276	6.4%	330	4.4%
Reported EBITDA		528	10.2%	(1,140)	(26.4%)	(3,121)	(42.0%)

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of MaxSec:

- With respect to sales revenues:
 - Sales decreased in FY2016 to \$4.314 million compared to \$5.161 million due to one off sales of the third party products in FY2015;
 - Sales increased from \$4.314 million in FY2016 to \$7.429 million, predominantly due to the establishment and growth of operations of Ava division, secure logistics division, and the increased sales and marketing activity of the BQT Solutions division.
- We note other income comprises R&D tax refund, for R&D expenditure incurred in the same year;
- Raw materials and consumables used represents cost of goods and materials used in production. Management advised fluctuations in raw materials as a percentage of sales in FY2015 to FY2017 is due to the different project mix;
- Employee benefits expense increased from \$1.303 million in FY2016 to \$4.015 million in FY2017 due to investments in sales employees and establishment of Ava business;
- Other expenses comprise various sales and general expenses which partially increased in FY2016 due to upfront investments in the establishment of Ava business.

5.6 Normalised Historical Earnings

We have reviewed the financial performance of MaxSec for FY2015 to FY2017 and have identified the only material non-recurring income or expense items are in respect of the establishment costs related to the Ava business, which commenced trading operations during FY2017.

Accordingly, the following table sets out our assessment of normalised earnings, after a normalisation adjustment is applied in both FY2016 and FY2017 for the Ava establishment costs as advised by MaxSec management, including employee-related costs, legal and travel expenses.

MaxSec Group Limited Normalisation Adjustments						
\$'000s	FY2015		FY2016		FY2017	
	Actual	%	Actual	%	Actual	%
Reported EBITDA	528	10.2%	(1,140)	(26.4%)	(3,121)	(42.0%)
Normalisation Adjustments						
Ava Establishment Costs	-	-	406	9.4%	63	0.8%
Normalised EBITDA	528	10.2%	(733)	(17.0%)	(3,059)	(41.2%)

Source: Historical Financial Statements and discussions with MaxSec management

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5.7 Financial Position

The financial position of MaxSec as at 30 June 2016 and 30 June 2017 is summarised below.

MaxSec Group Limited Historic Reported Balance Sheet			
\$'000s	Notes	30/06/2016 Actual	30/06/2017 Actual
Current Assets			
Cash	1	4,968	1,587
Trade and other receivables		1,771	1,907
Inventories	2	1,042	1,102
Other assets		117	90
Total Current Assets		7,898	4,686
Non-Current Assets			
Fixed Assets		105	97
Intangible Assets	3	2,149	2,335
Total Non-Current Assets		2,254	2,432
Total Assets		10,152	7,118
Liabilities			
Trade and other payables	4	1,015	2,070
Provisions	5	213	235
Total Liabilities		1,228	2,305
Net Assets		8,924	4,813

Source: Historical Financial Statements

We note the following with respect to the financial position of MaxSec and key material balance sheet items:

1. Cash decreased from \$4.968 million in FY2016 to \$1.587 million in FY2017 due to investments in the establishment of the Ava business and recruitment of the sales staff for BQT Solutions;
2. Inventories comprise predominately the cost of manufactured products, which include direct labour, direct materials and portion of fixed overheads, where costs are applied on the basis of weighted average costs.
3. Intangible assets comprise capitalised product development costs recognised in accordance with accounting standards and goodwill on acquisition of the Magna Electronics Pty Ltd;
4. Trade and other payables comprise trade payables, accrued expenses and superannuation liability;
5. Provisions comprise long-service leave and annual leave liabilities.

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6. Profile of FFT

6.1 Background

Overview

Established in 1994 in Melbourne, Australia, FFT is a provider in fiber optic intrusion detection systems, with a track record of delivering highly intelligent, reliable, and award-winning intrusion detection solutions for the protection of critical sites and infrastructures. FFT systems use fiber optic cables as sensors to detect and pinpoint the location of disturbances caused by interferences intrusions. The main application of FFT technology is for perimeter, pipeline and data network security detection.

FFT's security systems detect and locate perimeter intrusions, oil and gas pipeline third-party interference and data network tapping and tampering. With over 1,500 systems deployed in more than 60 countries, FFT has established a reputation for delivering advanced and cost-effective intrusion detection solutions for the Transport, Government, Military, Oil & Gas and Utility sectors.

FFT operates as a part of perimeter intrusion prevention systems industry which was discussed in Section 5.3 above. The core markets for FFT are USA and Asia Pacific region which accounts for approximate 65% of total company's sales, while other regions including Europe and Australia accounts for less than 35% of sales. For further detail, refer to our Industry Overview at Section 5.4.

FFT has developed, proven and launched a complete range of products in five selected sectors of security, in accordance with its business plan. Specifically the products include:

- **FFT Aura** (launched in January 2017) is a fiber optic perimeter security system, deployed across some of the world's high security military, intelligence agency, power and petrochemical sites. FFT Aura detects and accurately locates intrusions for a wide range of fence types, as well as to detect walking and crawling intruders when used as a covert buried sensing system. FFT Aura is also used to detect and locate intrusions along buried pipeline assets and in data cable networks, and can cater for critical sites demanding hardened solutions that require cut resilience and continued operation in the event of a damaged or cut sensor cable.
- **FFT Secure Fence** is a fiber optic perimeter security system used for detecting and locating intrusions on perimeter fences, walls and gates in high-security applications such as airports, oil and gas installations, correctional facilities and borders.
- **FFT Secure Point** is a dual zone fibre optic perimeter intrusion detection system, with simple installation, reliability and maintenance free operation.
- **FFT Secure Zone** is a zone based fibre optic perimeter intrusion detection system. Zones are typically 200 metres long, with 8 or 16 zones per controller.
- **FFT Secure Pipe** is an early warning pipeline security monitoring system available, detecting Third Party Interference (TPI), tampering and illegal tapping attempts along buried pipelines. The entire pipeline is monitored in real-time and with complete safety.
- **FFT Secure Link** is a network security monitoring system, detecting and locating intrusion attempts, tampering, or illegal data tapping activities along data networks from just a few kilometres to thousands of kilometres in length. The system uses existing fibre optic cables to provide early warnings of events before data loss or damage occurs.
- **Central Alarm Monitoring System (FFT CAMS)** displays, monitors, and controls alarms on a single site or group of sites, bringing them together to a single screen. FFT CAMS interfaces to and controls CCTV camera systems, MODBUS devices, and high-level security management and access control systems via TCP/IP.

FFT Aura Ai

In January 2017, FFT announced the commercial release of Aura Ai, a new product platform featuring extended detection range, enhanced intrusion location accuracy and cut resilient capabilities. FFT Management advised the new Aura Ai platform provides FFT with a significantly higher performing product at a lower cost than its predecessor. Based on testing to date as advised by FFT management, its capabilities are superior to all other fiber optic perimeter intrusion detection products in the market. Aura Ai uses the latest advanced optical signal processing algorithms, combined with artificial intelligence, to discriminate between intrusions, nuisance alarms and other causes of fence disturbance.

Distribution Network

The primary distribution channel for FFT are large security integrators, including companies such as Honeywell, SECOM and Siemens. In FY2017 FFT signed partnerships with three security distributors, Anixter Inc., Minipa and Wesco International. FFT continues to work closely with these distributors and their sales networks on product introduction and training initiatives including webinars, quarterly security calls and face-to-face integrator/customer information sessions.

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6.2 Historical Financial Performance

The financial performance of FFT for the three most recent financial years being FY2014, FY2015 and FY2016 are summarised in the table below.

Future Fibre Technologies Limited Historic Operating Results							
\$'000s	Notes	FY2015 Actual	%	FY2016 Actual	%	FY2017 Actual	%
Revenue	1	18,101	100.0%	14,361	100.0%	12,896	100.0%
Other income	2	1,416	7.8%	1,125	7.8%	773	6.0%
Expenses							
Cost of raw material	3	7,197	39.8%	5,710	39.8%	6,030	46.8%
Employee benefit expenses	4	5,530	30.6%	6,910	48.1%	7,483	58.0%
Research and development	5	993	5.5%	1,037	7.2%	1,278	9.9%
Advertising and Marketing		386	2.1%	428	3.0%	380	2.9%
Travel and entertainment		664	3.7%	946	6.6%	690	5.4%
Facilities and office		617	3.4%	863	6.0%	782	6.1%
Compliance, legal and admin.	6	683	3.8%	1,196	8.3%	849	6.6%
Impairment of receivables	7	73	0.4%	2,514	17.5%	1,364	10.6%
Patents impairment loss		-	-	103	0.7%	-	-
Share Option Expenses		327	1.8%	-	-	-	-
Depreciation and amortisation		538	3.0%	607	4.2%	826	6.4%
Finance costs		20	0.1%	5	0.0%	15	0.1%
Foreign exchange losses		-	-	220	1.5%	811	6.3%
Other expenses	8	332	1.8%	752	5.2%	981	7.6%
Profit after Tax		2,157	11.9%	(5,805)	(40.4%)	(7,820)	(60.6%)
Exchange differences income		-	-	66	0.5%	82	0.6%
Total comprehensive income		2,157	11.9%	(5,739)	(40.0%)	(7,738)	(60.0%)
Plus: Interest Expenses		20	0.1%	5	0.0%	15	0.1%
Minus: Interest Income		-	-	360	2.5%	526	4.1%
Reported EBIT		2,177	12.0%	(6,161)	(42.9%)	(8,331)	(64.6%)
Plus: Amortisation & Depreciation		538	3.0%	605	4.2%	826	6.4%
Reported EBITDA		2,715	15.0%	(5,556)	(38.7%)	(7,505)	(58.2%)

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of FFT:

1. Sales decreased in FY2017 due to delays in several contracts in North America and Europe, which shifted scheduled installation of FFT product from FY2017 to FY2018. Further, a lower than expected increase in investment in key sectors, contributed to lower than expected sales in the second half;
2. Other income comprises R&D tax incentives received, foreign exchange gain and other income;
3. Cost of raw materials comprises the cost of goods sold, which is driven by the sales product mix. We note as a percentage of sales cost of raw materials increased from 39.8% in FY2016 to 46.8% in FY2017 due to several low marginal projects in India in FY2017;
4. Employee benefit expenses increased from \$5.530 million in FY2015 to \$6.910 million in FY2016 due to investments in sales and marketing. In FY2017 FFT appointed a Global Director of Sales and Marketing which has driven employee benefit expenses to \$7.483 million in FY2017;

5. Management advised FFT invested approximately \$3.5 million to \$4.0 million in the development of Aura product over FY2015 to FY2017. We note research and development ("R&D") expenses comprise labour costs and cost of materials. Management advised approximately \$2.5 million of these R&D expenses was capitalised during this period and the remainder was recognised as part of operating expenses;
6. Management advised total amount of compliance, legal and admin expenses fluctuated over FY2015 to FY2017 due to various one-off expenses related to consulting and legal services. Specifically, FFT had incurred additional legal expenses related to a historical customer dispute in FY2016, and for additional consulting advisory services related to the Proposed Transaction with MaxSec in FY2017;
7. Impairment of receivables represents two contracts in USA and Asia, which were initially put on hold due to delays in the client's project timeframes. In FY2016 FFT entered into a payment arrangement with the company and assessed part of the receivable as non-current and recognised as impairment based on the future projected cash flow. In FY2017 the company has written off the remaining amount of the receivable as the projects were subsequently cancelled and FFT retrieved the stock for resale;
8. Other expenses comprise various sales and general expenses.

FFT Announcements

The following table sets out the recent company announcements for FFT.

Future Fibre Technologies Limited Recent Company Announcements	
Announcement Date	Title
16/10/2017	Bid Implementation Agreement Variation
16/10/2017	MSP: Bid Implementation Agreement Variation Announced
16/10/2017	Appendix 4C - quarterly
05/10/2017	MSP: Update to merger presentation released on 20/09/2017
04/10/2017	Update to Merger Presentation 20 Sept 2017
29/09/2017	Annual General Meeting - Notice of Meeting
26/09/2017	Becoming a substantial holder for MSP
25/09/2017	FFT Secures New Aura Ai orders at over \$1.1M
20/09/2017	MSP: MSP - FFT Merger Presentation
20/09/2017	FFT presentation re proposed merger with MSP
20/09/2017	FFT Investor Presentation on FY2017 Financial Results
04/09/2017	FFT FY18 Revised Guidance
30/08/2017	Response to ASX Aware Query
30/08/2017	Appendix 4G and Corporate Governance Statement

Source: Australian Securities Exchange

FY2018 Forecast

FFT FY2018 guidance for sales revenues is between \$18 million and \$21 million. Management advised the key drivers of the growths are realisation of the projects which were delayed from FY2017 and the full rollout of the new Aura AI product, which FFT expects to have strong demand from existing and new customers. Further, we note FFT has announced on 4 September it has signed a number of new contracts valued a total of \$4.9 million. Additionally, FFT forecast FY2018 to be both cash flow and EBITDA positive. No specific guidance with respect to the forecast profits has been provided by FFT management to the market.

6.3 Normalised Historical Earnings

Set out below is the normalised financial performance of FFT for the FY2015, FY2016 and FY2017 financial years, setting out one-off and abnormal items.

Future Fibre Technologies Limited							
Normalisation Adjustments							
\$'000s	Notes	FY2015		FY2016		FY2017	
		Actual	%	Actual	%	Actual	%
Reported EBITDA		2,715	15.0%	(5,556)	(38.7%)	(7,505)	(58.2%)
Normalisation Adjustments							
Gain on Sale of Fixed Assets	1	-	-	-	-	(2)	(0.0%)
Impairment Charges for Receivables	2	-	-	2,514	17.5%	1,364	10.6%
Patents Impairment Loss	3	-	-	103	0.7%	-	-
Research and Development	4	662	3.7%	691	4.8%	852	6.6%
Donations	5	-	-	3	0.0%	4	0.0%
Consultant Expenses	6	-	-	-	-	414	3.2%
Legal Costs	7	-	-	270	1.9%	-	-
Total Adjustments		662	3.7%	3,581	24.9%	2,633	20.4%
Normalised EBITDA		3,377	18.7%	(1,975)	(13.7%)	(4,873)	(37.8%)

Source: Historical Financial Statements and discussions with FFT management

Notes:

1. We consider Gain on Sale of Fixed Assets to non-recurring as such we applied a normalisation adjustment of \$2,000 in FY2017;
2. As highlighted in section 6.2, item 7 above, FFT incurred impairment loss due to clients' decision to put on hold the current projects. We consider such expenses to be non-recurring therefore we applied normalisation adjustments in FY2016 and FY2017;
3. Adjustment of \$103,000 in patents impairment loss in FY2016, being write-off of prior patents which are no longer required or used in FFT products, is considered to be a one-off expense;
4. As highlighted in section 6.2, item 5 above, FFT invested in the development of new products over FY2015 to FY2017. Management advised FFT has ongoing R&D expenses except of the development of new products, related to ongoing improvement and maintains of existing hardware and software. As such we made a normalisation adjustment to present a normal level of performance of FFT, excluding R&D expenses related to the development of new products;
5. Normalisation adjustments for donation expenses which are not considered to be part of normal operating expenses of FFT;
6. Management advised in FY2017 there were abnormal consultant expenses related to the Potential Transaction with MaxSec, as such we made a normalisation adjustments to present the operating performance of FFT excluding these one-off expenses;
7. Normalisation adjustment of \$270,000 related to surplus legal costs in FY2016 related to a dispute with a customer project, which are considered to be non-recurring expenses.

We note that the FY2016 and FY2017 EBITDA performance remains in a significant loss position despite adjusting for one off items.

6.4 Financial Position

The financial position of FFT as at 30 June 2016 and 30 June 2017 is summarised below.

Future Fibre Technologies Limited Historic Reported Balance Sheet			
\$'000s	Notes	30/06/2016 Actual	30/06/2017 Actual
Current Assets			
Cash	1	12,119	6,945
Trade and other receivables	2	5,443	4,985
Inventories	3	3,990	4,206
Other assets	4	341	320
Total Current Assets		21,893	16,456
Non-Current Assets			
Receivables	5	3,291	-
Fixed Assets		1,300	1,012
Intangible Assets	6	1,608	2,758
Total Non-Current Assets		6,199	3,770
Total Assets		28,092	20,226
Current Liabilities			
Payables		2,798	2,220
Borrowings		8	15
Provisions	7	1,032	1,089
Total Current Liabilities		3,838	3,324
Non-Current Assets			
Borrowings		15	-
Provisions		15	36
Total Liabilities		3,868	3,360
Net Assets		24,224	16,866

Source: Historical Financial Statements

We note the following with respect to the financial position of FFT and key material balance sheet items:

1. Cash decreased from \$12.110 million in FY2016 to \$6.945 million in FY2017 predominantly due to investment in the development of the new Aura product;
2. Trade and other receivables comprises trade receivables, R&D tax receivables and other receivables. R&D expenses related to FFT's secure fence and Aura Ai products;
3. Cost of manufactured inventories include direct labour, direct materials and portion of overheads based on normal operating capacities.
4. Other assets comprises prepayments which remained on a comparable level over FY2016 and FY2017;
5. Non-current receivables comprises outstanding amount from two postponed contracts as described in section 6.2, item 7 above. FFT decided to write off non-current receivable in FY2017;
6. Intangible assets comprises capitalised development costs, patents, and trademarks recognised in accordance with accounting standards;
7. Provisions comprises warranty provision and employee entitlements liabilities.

7. Valuation Methodology

7.1 Overview

The best determinant of value is the price at which a business or a comparable business has been bought or sold in an arm's length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence. These methodologies are discussed below.

7.2 Asset Based Methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- **Net assets & net tangible assets** : Net assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value, while the Net Tangible Assets of the business is a similar calculation but with an additional adjustment to exclude intangible assets from the calculation;
- **Orderly realisation of assets** : Orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable market value for assets; and
- **Liquidation of assets** : Liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable (and are not expected to be profitable in the short to medium term), not actively trading or a significant proportion of a company's assets are liquid, or the business achieves lower profits than typical returns required by equity holders.

7.3 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- **Analysis of a company's recent share trading history** : Most recent share trading history provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market;
- **Capitalisation of maintainable earnings** : Capitalisation of maintainable earnings method estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures; and
- **Industry specific methods** : Industry specific methods estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on the market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

7.4 Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies; projects with a finite life; or businesses with comprehensive and reliable cash flow forecasts.

7.5 Selection of Methodologies

Our selection of the valuation methodology is guided by RG111 and specifically RG111.64 which states that “an expert should use its skill and judgment to select the most appropriate methodology in its report. The expert must have a reasonable (or tenable) basis for choosing the valuation methodology”. Further, RG111.65 states that “an expert should, when possible, use more than one valuation methodology”.

In selecting our valuation methodology to value MaxSec and FFT, we have considered:

- existing operations of both companies;
- the historical results and current performance levels including revenue and earnings;
- actual performance for the two-months to 31 August 2017 and forecast performance for both MaxSec and FFT in FY2018;
- representations by management in terms of the current and future trading performance, operating margins and strategic direction of the Company;
- our understanding of the competitive position of the Company in the industry;
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions; and
- Share price and volumes traded for MaxSec and FFT shares.

As a publicly listed security on the ASX, one available methodology is a market-based valuation using the recent share price trading history of quoted shares.⁴ We have considered this methodology as appropriate for determining the market value of the shares in FFT and MaxSec. In our view, a liquid stock would typically be characterised by having 25%-50% of its total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. As set out further in Sections 8 and 9 respectively, we consider there is sufficient liquidity in the recent share trading history of MaxSec and FFT to meet these guidelines of an active market.

As such, we consider the quoted market price of MaxSec and FFT shares to be a reliable indicator of their value. However, levels of liquidity are lower than what we would like to observe in larger company with a broader shareholder base, so we consider it prudent to examine other methodologies in conjunction with the value ascertained under this methodology. Therefore, we have then adopted a secondary methodology to the primary valuation methodology, namely a review of Net Assets and Net Tangible Assets.

While the capitalisation of future maintainable earnings methodology is a commonly utilised methodology, we do not consider the application of this methodology as appropriate due to:

- MaxSec has generated trading losses for 2 of the past 3 financial years;
- FFT has generated trading losses for 2 of the past 3 financial years;
- Both MaxSec and FFT anticipate significant growth in sales and improvement in earnings, as investments in new services and technologies are brought to market but have not released or provided guidance on forecast earnings.

We consider that the use of a discounted cash flow methodology is considered inappropriate due to the lack of available forecast cash flows beyond FY2018. We note both the management of MaxSec and FFT have provided internal earnings forecasts of FY2018 for our review but they have not provided any additional financial information that would change our view of the selection of the appropriate methodology. Additionally there is a level of inherent uncertainty around the future forecasts with the introduction of new technologies (such as Aura AI in FFT) or services (such as expansion of the AVA secure logistics business in MaxSec). Due to this inherent uncertainty around the future growth, any forecasts beyond FY2018 would be subject to a number of uncertain or variable assumptions and thus have limited reliability as an indicator of maintainable earnings.

⁴ RG 111.69 states that an expert should consider “the quoted price for listed securities, where there is a liquid and active market”.

8. Value of MaxSec

8.1 Valuation Summary

We have determined the market value of an ordinary share in MaxSec on a controlling interest basis to be in the range of \$0.038 and \$0.043. In determining this range of value, we specifically relied upon the results of two methodologies, as summarised below.

MaxSec Group Limited Equity Value Summary (\$'s)		
	Low	High
Market-Based Valuation – Recent Share Price		
Value per Share on a Controlling Basis	0.038	0.043
Asset-Based Valuation		
Net Asset Value per Share on a Controlling Basis	0.014	0.014
Net Tangible Assets Value per Share on a Controlling Basis	0.009	0.009

Source: Titan Partners Corporate Finance Analysis

The remainder of this section set outs our assessment of the above values for MaxSec shares.

8.2 Market-Based Valuation – Recent Share Price

The market value of a company's shares as quoted on public exchange such as the ASX is reflective of a minority interest. Typically a minority interest does not have significant enough control for the holder to have an individual influence in the operations and value of that company. RG111.11 states that when considering the value of a company's shares for the purposes of a takeover bid, the expert should assume 100% ownership of the target and it is inappropriate to apply a discount for a minority or portfolio parcel of shares. Accordingly, a premium for control is expected to be paid by the purchaser of those shares due to advantages they will receive should they obtain control of another company. These advantages can include:

- Control over operational decision making and the strategic direction of the company;
- Ability to deal with the company assets as the purchaser sees fit;
- Access to underlying cash flows through control over dividend policies; and
- Access to potential tax losses.

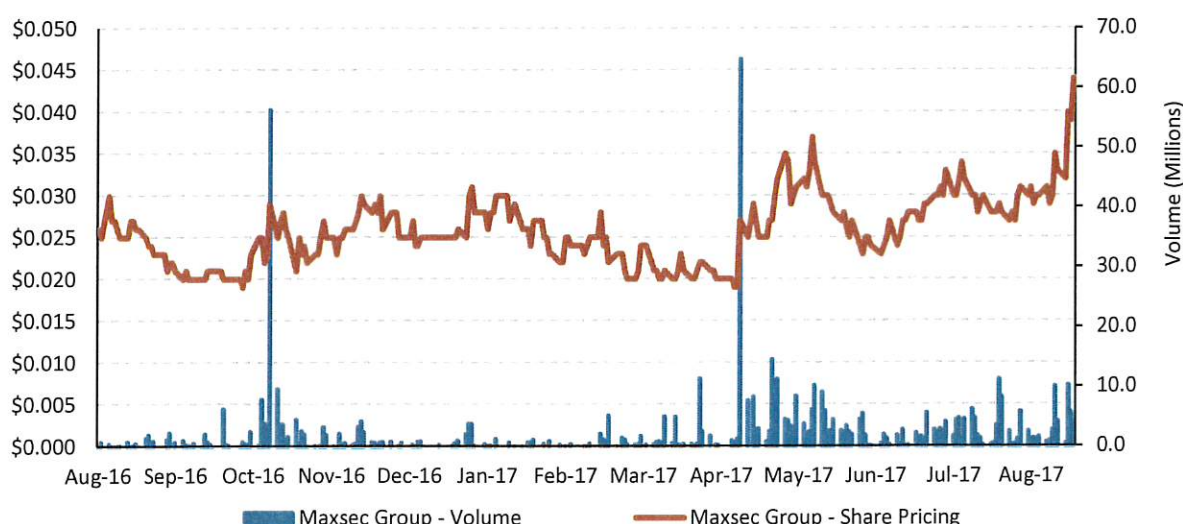
Based on the requirements of RG111, we have calculated the quoted market price of a MaxSec share including a premium for control in two parts. Firstly, we calculated the quoted market price on a minority interest basis based on the ASX quoted share price, then added a premium for control to calculate the market price value on a controlling basis or one that includes a premium for control.

Quoted Share Price – Minority Interest Basis

The determination of a quoted market price of a listed share is typically based on the pricing prior to the announcement of a transaction. The ASX announcement of the Proposed Transaction was filed and released on 25 August 2017, hence our analysis is as at 24 August 2017, being the day before the announcement.

To determine whether recent share price is an appropriate methodology to value MaxSec shares, we analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of MaxSec shares for the twelve months to 24 August 2017. MaxSec shares are frequently traded on the ASX, with trades being recorded on 224 days during the period.

The following chart summarises the share price movements and volume traded over the year to 24 August 2017.



The daily price of MaxSec shares over the past 12 months has ranged from a low of \$0.019 in October 2016 and April 2017 to a high of \$0.044 in August 2017. During this period a number of announcements were made to the market. The key announcements can be observed in Appendix 5. In particular on 21 April 2017, the company announced its AVA secure logistics division had reported significant growth, which corresponded with the share price increasing to \$0.027 from \$0.019 at the close of trade on the previous day.

The share price of MaxSec since that date has not declined to the \$0.019 level prior to the announcement regarding the AVA business, where the share price has since traded within a band of \$0.023 to \$0.035 to 21 August 2017.

At the close of trading on 24 August 2017, the day prior to the announcement of the Proposed Transaction, the share price was \$0.044. However, the Company had also announced on the same day, the Placement by FFT prior to opening of ASX trading and had entered into a trading halt by midday. For comparison, the closing price of MaxSec shares on the preceding two days (22 August 2017 and 23 August 2017) was respectively \$0.040 and \$0.039, where no market announcements were made to the ASX.

We note that on 25 August 2017 being the date the Proposed Transaction was announced, MaxSec shares at close of trading were priced at \$0.031. On the two days following the announcement, the closing price of the Company's shares were respectively at \$0.031 and \$0.027.

Given the observed movements in the MaxSec share price around the announcement of the Proposed Transaction, we calculated and assessed the volume weighted average price ("VWAP") of the shares over a period of 1, 3, 6 and 12 months prior to the announcement date of 25 August 2017. The following tables summarises the VWAP calculated for these periods.

MaxSec Group Limited VWAP and Liquidity Analysis						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (24 Jul 2017 to 24 Aug 2017)	82,805,189	20.2%	0.033	0.027	0.044	23
3 Months (25 May 2017 to 24 Aug 2017)	183,094,827	44.6%	0.030	0.023	0.044	65
6 Months (25 Feb 2017 to 24 Aug 2017)	417,863,889	101.8%	0.029	0.019	0.044	121
12 Months (25 Aug 2016 to 24 Aug 2017)	595,914,855	145.2%	0.028	0.019	0.044	224

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the above recent share trading history, there is strong liquidity in MaxSec shares with over 100% of shares on issue being traded over a six month period and 44.6% of the Company's current issued capital being traded over 90 trading days. For us to rely upon the ASX listed share price as an indication of market value, there needs to be a 'deep' market in the shares. RG111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 25% to 50% of a company's securities are traded on an annual basis;
- There must be a sufficiently large spread of shareholders to enable the shares to trade on the stock exchange in an orderly manner; and
- There are no significant but unexplained movements in share price.

In our opinion, a company's shares should meet all of the above criteria to be considered 'deep' market. Based on our analysis of the share trading history of MaxSec and with reference to the above characteristics, we note;

- Regular trading in MaxSec shares has been observed, with the trading on 224 days in the past 12 months out of an approximately 250 trading days in a typical year;
- With over 140% of MaxSec shares traded on an annual basis and over 100% traded over a six month period, there is sufficient liquidity to rely on the share price as an indicator of value;
- As set out in Section 5.2, there is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company's shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed, where such movements occurred around the announcement of new developments or financial results.

We have determined that a range of values for MaxSec shares based on market pricing is between \$0.03 (being the 3 month VWAP) and \$0.033 (being the 1 month VWAP), being the value of shares on a minority basis.

Control Premium

As discussed above, we are required under RG111 to assess the Proposed Transaction assuming 100% ownership of MaxSec. Accordingly the concept of a premium for control must be applied, which reflects the additional value that attaches to a controlling interest in the Company over a minority or portfolio interest as represented by the share price.

The control premium varies from transaction to transaction and is subject to a number of factors, including:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of business opportunities not currently being exploited;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the target's securities.

We have had regard to studies of control premiums offered by acquirers in Australian transactions. In a study of market premiums on 605 Australian transactions published by Halligan & Co⁵, the median takeover premium for all transactions for the period FY2001 to FY2014 was 30%, and the median takeover premium for transactions within the Industrials sector during that period was 27%. In a separate study published by RSM⁶ based on 463 transactions, the median takeover premium for all transactions identified between FY2005 to FY2016 was 29%, with an average control premium across such transactions of 35%. Specifically in the Industrials sector, the RSM study identified median control premium of 30% across 52 transactions. We have also identified a sample of Australian transactions in Appendix 6. We note that these companies are not specifically comparable in terms of similar operations to MaxSec as there have been no takeovers involving similar businesses, however they do provide an indication of typical control premiums of recent takeovers in the Australian market. Based on the empirical studies reviewed and transactions reviewed, we consider a control premium range of between 25% and 30% to be applied to MaxSec quoted market share price.

⁵ Halligan & Co is a specialist business valuation and forensic accounting firm, which published "Control Premium Research 2014".

⁶ RSM is a large professional services firm. The Australian member firm, RSM Australia published "Control Premiums Study 2017".

Valuation – Controlling Basis

We applied the above control premium to our assessed value of MaxSec shares on a minority basis, to derive the control basis valuation as set out below.

MaxSec Group Limited Controlling Basis Value per Share		
	Low	High
Value per Share on a Minority Basis	0.030	0.033
Control Premium	25%	30%
Value per Share on a Controlling Basis	0.038	0.043

Source: Titan Partners Corporate Finance Analysis

8.3 Net Assets Valuation

As a cross check to the calculation of the value of MaxSec shares above based on recent share price, we have reviewed the value implied using an asset based methodology. Specifically, we have examined the Net Assets and Net Tangible assets of the Company.

In determining the asset value of MaxSec, we have principally had regard to the reported Balance Sheet as at 30 June 2017 set out previously in Section 5.7 and summarised in the following table. Based on our review and analysis of the nature of the assets and liabilities held and discussions with management, no adjustments have been made to the audited asset and liability balances as at 30 June 2017. However, we have added the \$1.845 million proceeds from the Placement of 61.5 million shares to FFT on 24 August 2017 to total assets, as the current shareholdings of the Company are inclusive of the shares issued under the Placement.

MaxSec Group Limited Net Assets Value			
	Reported	Adjustment	Adjusted
Total Assets	7,118	1,845	8,963
Total Liabilities	2,305		2,305
Net Assets	4,813	1,845	6,658
Less: Intangible Assets	2,149		2,335
Net Tangible Assets	2,664	1,845	4,323
Shares Outstanding (thousands)			472,011
Net Assets per Share (\$)			0.014
Net Tangible Assets per Share (\$)			0.009

Source: Titan Partners Corporate Finance Analysis

We have determined the value of MaxSec on a net tangible asset basis is \$0.009 per share and on a net asset basis of \$0.014 per share. These valuations represent the proportion of recognised tangible assets or total assets per the Company's balance sheet attributable to each MaxSec share.

In comparison, the share price based valuation reflects the current value of the Company's of the same assets, as well as the assessment of market participants on the value of other elements of the business, including the value of:

- Intangible assets of the business which do not satisfy recognition criteria under prevailing accounting standards, such as internally generated goodwill and intangible assets of the business;

- Future growth potential in revenue and earnings of the business;
- Current business strategy adopted by the board;
- Established relationships with its customers and stakeholders; and
- Expertise and skill of the current management team and employees.

Our assessed value using the recent share price methodology of \$0.038 to \$0.043 per share is approximately 2.6 to 3.0 times the net assets per share calculated above, and approximately 4.1 to 4.7 times the net tangible assets value. We consider the additional value reflects the market's assessment of the above factors with respect to both the AVA logistics BQT businesses of MaxSec.

We consider our valuation determined under the recent share price methodology to be appropriate, for the purpose of the fair and reasonableness assessment in this Report.

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9. Value of FFT

9.1 Valuation Summary

We have determined the market value of an ordinary share in FFT on a minority interest basis to be in the range of \$0.129 and \$0.136. In determining this range of value, we specifically relied upon the results of two methodologies, as summarised below.

Future Fibre Technologies Limited Equity Value Summary (\$'s)		
	Low	High
Market-Based Valuation – Recent Share Price		
Value per Share on a Minority Basis	0.129	0.136
Asset-Based Valuation		
Net Asset Value per Share on a Minority Basis	0.105	0.109
Net Tangible Assets Value per Share on a Minority Basis	0.088	0.091

Source: Titan Partners Corporate Finance Analysis

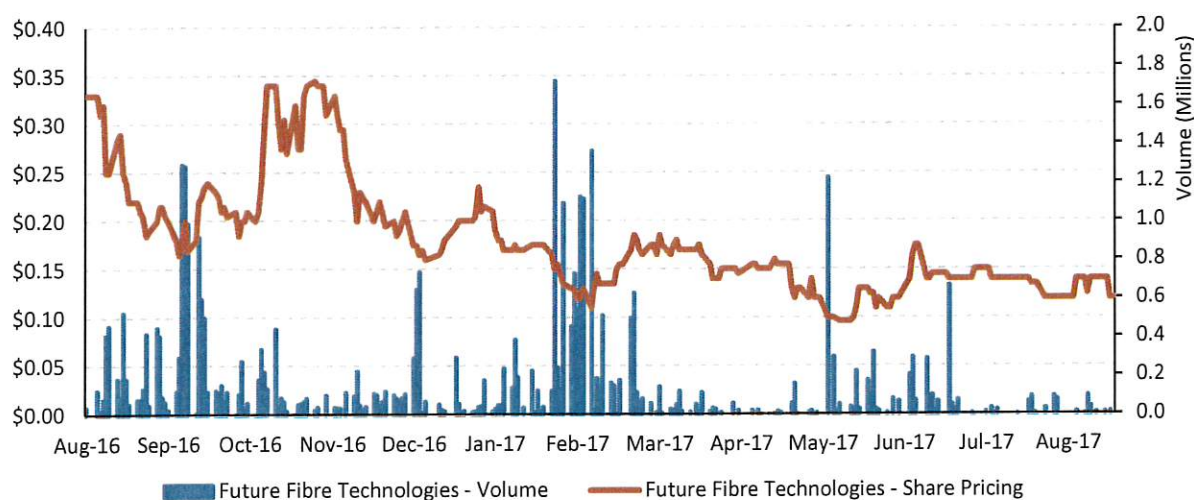
The remainder of this section set outs our assessment of the above values for FFT shares.

9.2 Market-Based Valuation – Recent Share Price

We have reviewed the share trading history of FFT shares prior to the announcement of the Proposed Transaction on 25 August.

We analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of FFT shares for the twelve months to 24 August 2017, being the day before the announcement of the Proposed Transaction. FFT shares are regularly traded on the ASX, with trades being recorded on 215 days during the period.

The following chart summarises the share price movements and volume traded over the year to 24 August 2017.



The closing price of FFT shares over the past 12 months has ranged from a low of \$0.096 in May 2017 to a high of \$0.345 in November 2016. During this period a number of announcements were made to the market, including the release of quarterly or annual results, and updates on new contracts secured, which have been associated with material share price movements. The key announcements are listed in Appendix 5.

As FFT shares had entered into a trading halt on 24 August 2017, the day prior to the announcement of the Proposed Transaction, the share price on 23 August 2017 was \$0.12.

We note that on 25 August 2017 being the date the Proposed Transaction was announced, FFT shares at close of trading were priced at \$0.17. On the two days following the announcement, the closing price of FFT shares were respectively at \$0.15 and \$0.14.

Given the observed movements in the FFT share price around the announcement of the Proposed Transaction, we calculated and assessed the **VWAP** of the shares over a period of 1, 3, 6 and 12 months prior to the announcement date of 25 August 2017. The following tables summarises the VWAP calculated for these periods.

Future Fibre Technologies Limited VWAP and Liquidity Analysis						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
1 Month (24 Jul 2017 to 24 Aug 2017)	582,300	0.5%	0.129	0.120	0.140	14
3 Months (25 May 2017 to 24 Aug 2017)	3,270,715	2.6%	0.136	0.110	0.175	42
6 Months (25 Feb 2017 to 24 Aug 2017)	8,332,432	6.7%	0.139	0.096	0.185	91
12 Months (25 Aug 2016 to 24 Aug 2017)	36,767,529	29.7%	0.175	0.096	0.345	215

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the above recent share trading history, there is liquidity in FFT shares with over 29% of shares on issue being traded over a 12 month period. We reviewed FFT share trading history and determine whether a 'deep' market exists in accordance with RG111.69.

We considered the criteria set out in Section 8.2 above with respect to a liquid and active market and note the following with respect the share trading history of FFT;

- Regular trading in FFT shares has been observed, with trading on 215 days in the past 12 months out of an approximately 250 trading days in a typical year;
- With over 29% of FFT shares traded on an annual basis, there is sufficient liquidity to rely on the share price as an indicator of value, being at the lower end of the range of 25% to 50% we would typically expect for sufficient liquidity to rely on the share price as an indicator of value;
- There is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company's shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed, where such movements occurred around the announcement of new developments or financial results.

We have determined that a range of values for FFT shares based on market pricing is between \$0.129 (being the 1 month VWAP) and \$0.136 (being the 3 month VWAP), being the value of shares on a minority basis.

We also had regard to trading of FFT shares since the Proposed Transaction was announced on 25 August 2017. As summarised in the following table, the FFT shares have traded in a range of \$0.120 to \$0.175, and had a VWAP of \$0.145 which is higher than both the 1 month and 3 month VWAP prior to announcement of the Proposed Transaction.

Future Fibre Technologies Limited Post Announcement Share Trading Summary						
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded
25 Aug 2017 to 13 Oct 2017	1,440,840	1.16%	0.145	0.120	0.175	23

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

While the trading of FFT shares after the announcement would generally be considered more reflective of the value inclusive of the takeover of MaxSec, we note the above period represents only 23 days of trading and a number of days of no trading. Further, the two days where FFT shares closed at highest level during the period of \$0.175 and recorded highest volumes, also coincided with the release of FY2017 annual report and revised FY2018 guidance respectively. As such the VWAP calculated over this short period may not reflect the value of FFT shares purely as a result of the Proposed Transaction with MaxSec. We note that the share price of FFT subsequently fell from these highs to reach a low of \$0.12 on 27 September 2017, and from 27 September 2017 until 13 October 2017 the FFT share price has traded between \$0.12 and \$0.14.

9.3 Net Assets Valuation

As a cross check to the calculation of the value of FFT shares above based on recent share price, we have reviewed the value implied using an asset based methodology. Specifically, we have examined the Net Assets and Net Tangible assets of the Company.

In determining the asset value of FFT, we have principally had regard to the reported Balance Sheet as at 30 June 2017 set out previously in Section 6.4 and summarised in the following table. Based on our review of the nature of the assets and liabilities held and discussions with management, no adjustments have been made to the audited asset and liability balances as at 30 June 2017.

Future Fibre Technologies Limited Net Assets Value			
	Reported	Low	High
Total Assets	20,226		
Total Liabilities	3,324		
Net Assets	16,902		
Less: Intangible Assets	2,758		
Net Tangible Assets	14,144		
Shares Outstanding (thousands)	124,028		
Net Assets per Share (\$)		0.136	0.136
Net Tangible Assets per Share (\$)		0.114	0.114
Less: Minority Discount equivalent to a 25% & 30% Control Premium		23.1%	20.0%
Net Assets per Share (\$) – Minority Basis		0.105	0.109
Net Tangible Assets per Share (\$) – Minority Basis		0.088	0.091

Source: Titan Partners Corporate Finance Analysis

As we have assessed the share price of FFT on minority basis for the purposes of the Proposed Transaction, we have adjusted for the impact of a minority discount of 20.0% to 23.1%, being the equivalent of a control premium of 30% and

25% respectively, as estimated in our analysis for MaxSec in Section 8.2, to derive an asset value on a minority basis for comparison.

We have determined the value of FFT on a net tangible asset basis is \$0.088 per share and on a net asset basis of \$0.105 per share on a minority interest basis. These valuations represent the proportion of recognised tangible assets or total assets per the Company's balance sheet attributable to each FFT share.

Our assessed value using the recent share price methodology of \$0.129 to \$0.136 per share is approximately 1.3 times the net assets per share calculated above, and approximately 1.5 times the net tangible assets value. We consider the additional value reflects the market's assessment of the above factors with respect to the FFT business and its prospects.

From the above analysis, we consider our valuation determined under the recent share price methodology to be appropriate for the purpose of assessing fairness and reasonableness for the Proposed Transaction.

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10. Evaluation of Proposed Transaction

10.1 Approach

We have adopted the guidelines set out in Regulatory Guides issued by ASIC including RG74 and RG111, which govern the content and use of experts' reports in corporate transactions.

In particular, RG111.30 states that where non-cash consideration is offered in a control transaction, the value of that consideration shall be compared to the value of the target's securities. Accordingly, we assessed the value of both MaxSec shares and FFT shares as set out in Sections 8 and 9 above.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness", in accordance with RG111.10. We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

10.2 Fair

RG111 considers that a transaction is fair if the value of the offer price or consideration received is greater than the value of the securities subject to the offer. The comparison should be undertaken assuming a knowledgeable, willing but not anxious buyer and knowledgeable, willing but not anxious seller, where both parties act on an arm's length basis.

Further for non-cash consideration, RG111.31 requires a comparison of the value of shares offered by the bidder inclusive of a minority discount, and the value of the target's securities to include a control premium regardless as to whether control is obtained by the acquirer. Therefore, to determine whether the Proposed Transaction is fair, we compare the assessed market value per MaxSec share on a controlling basis with value of the FFT share being offered as consideration on a minority basis.

As summarised in the following table, the assessed value per MaxSec share on a controlling basis is between \$0.039 and \$0.043, which is equivalent to \$0.156 and \$0.172 for four MaxSec shares. The value of the consideration offered, being one FFT share (on a minority basis) for every four MaxSec shares, is \$0.129 and \$0.136. As the value of the consideration offered in FFT shares is less than the value of MaxSec shares on a controlling basis, we therefore consider the Proposed Transaction is 'not fair' for the Shareholders.

MaxSec Group Limited Fairness Assessment		
	Low	High
Assessed Value per MaxSec Shares	0.038	0.043
Offer Ratio (4 MaxSec shares per FFT shares)	4	4
Assessed Value of 4 MaxSec's shares	0.150	0.172
Assessed Value of Consideration (1 FFT Share)	0.129	0.136
Difference	(0.021)	(0.036)
Transaction Assessment	NOT FAIR	NOT FAIR

Source: Titan Partners Corporate Finance Analysis

10.3 Reasonable

RG111 states that a transaction is also "reasonable" if it is "fair". It also states a transaction may be considered "reasonable" if not "fair", where an expert concludes there are sufficient reasons to proceed with a transaction in the absence of a higher offer.

Even though we have assessed the Proposed Transaction as “not fair”, we are still able to conclude that it is “reasonable” under guidelines set out in RG111 after a review of the advantages and disadvantages of the Proposed Transaction. Accordingly, we review the key advantages and disadvantages of the Proposed Transaction below.

10.4 Advantages

In accordance with RG111, we assess the qualitative aspects of the Proposed Transaction to identify the advantages and disadvantages to the Shareholders upon Completion.

Retain Participation in Future Earnings and Growth

The Shareholders will continue to participate in the future performance of the BQT and AVA businesses in the Company, with exposure to the business opportunities and growth achieved under the strategy adopted by MaxSec management, as they become shareholders in the enlarged FFT business after the Proposed Transaction.

Improved liquidity

The Proposed Transaction provides the Shareholders with an interest in a listed entity with a larger market capitalisation and broadened shareholder base upon completion. An enlarged share register will result in increased liquidity in the securities held by the Shareholders, where future trading volumes reflect investors in both the current MaxSec and FFT businesses.

Combination of Complementary Businesses

MaxSec and FFT both currently operate within the security solutions industry offering different but complementary products and services. The directors of MaxSec consider FFT to have a complementary client base and comparable go-to-market strategy as the Company. As such, the Proposed Transaction will enable the companies to integrate their respective proprietary technologies into a combined product offering, in order to deliver increased and diversified revenues for both businesses. Such revenue gains will benefit the Shareholders by way of potential increased returns as long as they retain their holdings in the enlarged FFT business post completion.

Operational synergies

MaxSec currently incurs a range of operating expenses as an independent, public company, including statutory audit requirements, directors fees and compliance costs with respect to the ASX listing. The directors envisage that the Proposed Transaction will result in synergies between MaxSec and FFT with respect to corporate, compliance and administration costs. Such cost savings will benefit the Shareholders by way of potential increased returns as long as they retain their holdings in the enlarged FFT business post completion.

Expanded Market Exposure

The addition of MaxSec to the current FFT operations as part of the Proposed Transaction will result in an enlarged security solutions business with a greater range of products and technologies when combined. Future developments within either the MaxSec or FFT business, when announced to the ASX, will result in potential increased market exposure for both businesses. Increased exposure by way of more frequent of announcements under an enlarged FFT, will contribute to building the reputation of MaxSec both within the security industry and as a public company, ultimately improve access to investment capital in the future.

Strengthened Balance Sheet

The combination of current MaxSec balance sheet comprising net assets of \$4.813 million as at 30 June 2017 with that of FFT comprising \$16.865 million in net assets creates an enlarged entity with total assets in excess of \$27 million and net assets in excess of \$20 million. Consequently, the Shareholders therefore will hold an interest in a business with a stronger balance sheet and no long term borrowings upon completion of the Proposed Transaction.

No alternative offers

At the date of this Report, there are no alternative offers received from other parties with respect to MaxSec. Accordingly, the Proposed Transaction offers an opportunity to shareholders.

10.5 Disadvantages***Integration Risk***

The acceptance of the Proposed Transaction and subsequent implementation of integration of the MaxSec businesses into FFT is subject to risk commensurate with any business combination. In particular, the cost synergies and increase in revenues may not be realised to the quantum and extent as anticipated by the directors, or is subsequently realised under a protracted timeframe. The inability to generate the expected synergies or realise sales opportunities may have an adverse impact on future financial performance of the enlarged FFT, and ultimately a reduction in the returns derived by the Shareholders.

Implementation Costs

Once approved by the Shareholders, execution of the Proposed Transaction will result in additional one-off costs to fully implement the integration of MaxSec into an enlarged FFT business. The additional expenditure may result in pressure on operating cash flows, as well as temporarily divert management resources and attention from day-to-day operations and execution of the MaxSec strategy for FY2018.

Deters alternative offers

Announcement and acceptance of the Proposed Transaction by Shareholders may prevent alternative offers or proposals from being lodged by other parties. There is always the possibility that a higher offer will be submitted for the shares in MaxSec, creating a larger return for the Shareholders. In our opinion this is highly unlikely, given that MaxSec is not actively seeking offers, there are no other bidders currently seeking to make a counter offer and that MaxSec is currently not profitable as at FY2017.

Dilution

The relatively interest of current Shareholders in the MaxSec business, who currently hold 100% of the Company collectively, will be diluted after the Proposed Transaction. MaxSec will become part of FFT, for which the Shareholders will hold a combined 49% in the enlarged FFT entity as set out in Section 4.3.

10.6 Conclusion

Based on our assessment of the factors outlined above, in our opinion, the Proposed Transaction is considered to be not fair but reasonable to the Shareholders.

The decision of any individual shareholder to vote for or against the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

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Financial Services Guide

Titan Partners Corporate Finance Pty Limited ABN 38 177 095 636 ("**Titan Partners Corporate Finance**", "**we**", "**us**") has been engaged to prepare general financial product advice in the form of an Independent Expert's Report to be provided to you.

In this circumstance we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to assist retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The FSG herein contains information with regards to:

1. who Titan Partners Corporate Finance is and how we can be contacted;
2. services we authorised to provide under our Australian Financial Services Licence;
3. remuneration that we, our staff and any associates receive in connection with the general financial product advice provided; and
4. our complaints handling process and the avenues available to lodge a complaint.

Titan Partners Corporate Finance

Titan Partners Corporate Finance is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Titan Partners Corporate Finance holds Australian Financial Services Licence Number 427275.

Financial services we are licensed to provide

The Australian Financial Services Licence we hold authorises us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities (including debentures, shares and bonds), derivatives and interests in managed investment schemes.

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

General Financial Product Advice

In our Report, we provide general financial product advice. It was prepared without taking into account your personal objectives, financial circumstances or needs.

You should consider your own personal objectives, financial circumstances or needs in assessing the appropriateness of the general advice we provide and may wish to seek personal advice from the holder of an Australian Financial Services Licence.

Fees, commissions and benefits we may receive

We charge fees to provide reports, including the IER provided herein. These fees are negotiated and agreed with the entity which engages us to provide a report. Our fees are determined on either a fixed amount or charged on an hourly time cost basis. Titan Partners Corporate Finance are expected to receive a fee of approximately \$25,000 for the preparation of this Report. The fee is not affected by whether the Non-Associated Shareholders approve or reject the Proposed Transaction. Except for such fees, Titan Partners Corporate Finance nor any of its directors, officers or associates receive any commissions or further benefits in connection with the report provided.

All of our employees receive a salary. Our employees do not receive any commissions or benefits arising directly from services provided to our clients.

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

Complaints

As the holder of an Australian Financial Services Licence, we are required to have a complaints handling system for persons to whom we provide financial product advice. All complaints must be in writing, addressed to Titan Partners Corporate Finance Pty Ltd, PO Box R415, Royal Exchange NSW 1225.

In the event we are unable to satisfactorily resolve your complaint within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited ("FOS"), an independent external complaints resolution service established to provide advice and assistance to consumer to assist in resolving complaints relating to the financial services industry. You will not be charged for using the FOS service.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

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Appendix 2 – Qualifications, Declarations and Consents**Qualifications and Responsibilities**

Titan Partners Corporate Finance Pty Limited is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Mr Brad Higgs, *B.Com, CA, F.Fin* is responsible for this Report. Mr Higgs has a significant number of years' experience in relevant business advisory and corporate finance matters.

Mr Higgs is acting as a Representative of Titan Partners Corporate Finance pursuant to its Australian Financial Services Licence (No. 427275) held under Part 7 of the *Corporations Act 2001* (Cth) to provide advice on the valuation of securities.

Disclaimers

This Report has been undertaken in accordance with the instructions from the Directors of MaxSec. In performing this assignment we have accepted all information as presented to us as being free of material misstatement. We have relied on information provided, as set out in Section 3.3. We have evaluated this information through analysis, enquiry and review as appropriate. We do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

The purpose of this Report, as set out in Section 3.1, is to satisfy Section 640 of the *Corporations Act 2001*. We understand that the Directors wish to obtain an Independent Expert's Report to assist the Shareholders in their decision to accept or reject the takeover offer from FFT.

This report has been prepared solely to assist the Shareholders in considering their decisions with respect to the Proposed Transaction. We do not assume any responsibility or liability for any losses suffered by any party as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

This Report has been prepared by Titan Partners Corporate Finance with care and diligence and that statements and opinions given by Titan Partners Corporate Finance in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Titan Partners Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Titan Partners Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Declarations

Our Report has been prepared in accordance with *Regulatory Guide 111 Content of Expert Reports* issued by ASIC, professional standard *APES 225 Valuation Services*, issued by the Accounting Professional and Ethical Standards Board ("APESB") and any other applicable professional standards and statutory requirements, including the *Corporations Act 2001*.

Titan Partners Corporate Finance nor its Representatives or staff have at the date of this Report nor has ever had any shareholding in or other relationship with MaxSec that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Titan Partners Corporate Finance will receive a fee based on time costs for the preparation of this Report. This fee is not contingent on the outcome of the valuation report. Titan Partners Corporate Finance will receive no other benefit for the preparation of this Report.

MaxSec have agreed that to the extent permitted by law to indemnify Titan Partners Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report; including any claim arising from or in connection with its reliance on information or documentation provided by or on

behalf of MaxSec which is false, misleading or omits material information. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct or fraud. MaxSec have also agreed to indemnify Titan Partners Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Titan Partners Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct or fraud in which case Titan Partners Corporate Finance shall bear such costs.

Consents

Titan Partners Corporate Finance consents to the inclusion of this Report in the form and context in which it is included in the Target's Statement to be issued to Shareholders with respect to the Proposed Transaction. Other than this Report, none of Titan Partners Corporate Finance or its affiliates has been involved in the preparation of the Target's Statement.

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Appendix 3 – Glossary of Key Terms

Term	Definition
ASX	Australian Securities Exchange Limited
EBITDA	Earnings before interest and tax, depreciation and amortisation
FFT, the “Bidder”	Future Fibre Technologies Limited
FY2015	Audited financial information for financial year ended 30 June 2015
FY2016	Audited financial information for financial year ended 30 June 2016
FY2017	Preliminary financial information for financial year ending to 30 June 2017
MaxSec, the “Company”	MaxSec Group Limited, ACN 000 029 265
Placement	An issue of 61,500,000 ordinary shares to FFT at a price of \$0.03 per Share to raise \$1,835,000 on 24 August 2017
Proposed Transaction	Proposed offer by FFT to acquire MaxSec at 1 FFT for every 4 MaxSec shares
the “Report”	This Independent Expert’s Report on the Proposed Transaction
Titan Partners Corporate Finance, “we”	Titan Partners Corporate Finance Pty Limited, AFSL: 427275.
USD	United States dollar
VWAP	Volume Weighted Average Price of listed securities

Appendix 4 – Sources of Information

The information set out below was considered, adopted and relied upon by us in forming our opinion and preparing the report herein:

- Audited Financial Statements of MaxSec for the years ended 30 June 2016 ("FY2016") and 30 June 2017 ("FY2017"), with comparative information for the year ended 30 June 2015 ("FY2015");
- Investor Presentations prepared by MaxSec and released as ASX announcements in respect of FY2016 and FY2017 earnings results;
- Audited Financial Statements of FFT for the years ended 30 June 2016 ("FY2016") and 30 June 2017 ("FY2017"), with comparative information for the year ended 30 June 2015 ("FY2015");
- Investor Presentations prepared by FFT and released as ASX announcements in respect of FY2016 and FY2017 earnings results;
- ASX announcement by FFT on 24 August 2017 in respect of the Placement;
- ASX announcements by both MaxSec and FFT on 25 August 2017 in respect of the Proposed Transaction;
- ASX announcements by both MaxSec and FFT on 20 September 2017 in respect of a presentation on the Proposed Transaction;
- Management information with respect to the business operations of MaxSec;
- Management information with respect to the business operations of FFT;
- Other ASX announcements issued by MaxSec and FFT;
- Corporate transaction data and other market data as sourced from S&P Capital IQ;
- Industry Research Reports published by Technavio and Grand View Research;
- 'Control Premium Research 2014' paper, published by Halligan & Co
- 'Control Premiums Study 2017' paper, published by RSM Australia; and
- Discussions with directors, management and advisors of MaxSec, including the Chief Executive Officer and Chief Financial Officer, as well as provision of internal accounting work papers and analysis.

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Appendix 5 – Recent ASX Announcements

MaxSec Group Limited	
Company Announcements for the period from 21 April 2017 to 21 September 2017	
Announcement Date	Title
21/09/2017	Change in substantial holding
20/09/2017	MSP - FFT Merger Presentation
20/09/2017	FFT: FFT presentation re proposed merger with MSP
18/09/2017	Becoming a substantial holder x 6
01/09/2017	Change in substantial holding
31/08/2017	Ceasing to be a substantial holder
31/08/2017	Becoming a substantial holder
30/08/2017	Response to ASX Aware Query
29/08/2017	Becoming a substantial holder from FFT
28/08/2017	Notice pursuant to Section 708A(5)(e) Corporations Act
28/08/2017	Appendix 3B
25/08/2017	Future Fibre Technologies Limited ASX FFT Placement Clarif
25/08/2017	FFT: Intention to Make Takeover Bid
25/08/2017	Proposed Merger of MSP and FFT
24/08/2017	MSP Investor Update August 2017
24/08/2017	Preliminary Final Report
24/08/2017	Trading Halt
24/08/2017	FFFT makes strategic investment in MSP acquiring 13.7% stake
24/08/2017	FFT acquires 13.7% stake in MSP
28/07/2017	Appendix 4C - quarterly
27/07/2017	Ava Global Update
19/06/2017	Ava Global Update
08/06/2017	Ceasing to be a substantial holder
08/06/2017	Ceasing to be a substantial holder
01/06/2017	Ceasing to be a substantial holder
31/05/2017	Change in substantial holding
29/05/2017	Ceasing to be a substantial holder
28/04/2017	Appendix 4C - quarterly
21/04/2017	Ava Global Update

Source: ASX

Appendix 6 – Market Takeover Premium

Set out below are the takeover premiums on recent transactions in Australia in the past 24 months. A summary of each of the identified transactions and a summary of the business operations of the target company in each transaction are set out on the following page.

MaxSec Group Limited Comparable Transaction Takeover Premium								
Target	Bidder	Industry	Share price per offer (\$)	Market Share Price (\$)	Premium, %	Enterprise Value (m)	Announcement Date	Notes
Iproperty Group Limited	REA Group Limited	Software	4.00	3.51	14.00%	754.1	02/11/2015	A
Onthehouse Holdings Limited	Group of purchasers*	Software	0.85	0.58	46.60%	70.3	23/12/2015	B
ASG Group Limited	Nomura Research Institute, Ltd.	IT Services and Consulting	1.63	1.36	19.90%	342.0	30/09/2016	C
Oakton Limited	Dimension Data Australia	IT Services and Consulting	1.90	1.46	30.10%	167.0	12/08/2014	D
Royal Wolf Holdings Ltd	GFN Asia Pacific	Logistics	1.80	1.30	38.73%	284.5	12/07/2017	E
Affinity Education Group Limited	G8 Education Limited	Childcare	0.7	0.54	29.63%	183.2	03/07/2015	F
Vision Eye Institute Limited	Pulse Health Limited	Healthcare	0.84	0.68	24.44%	195-221	06/08/2015	G
Average					29.06%			

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

*Group of purchasers include 77 Victoria Street Venture Pty Ltd., PIQ1 Pty Limited, Macquarie Corporate Holdings Pty Limited and Sandrift Pte Limited.



Note A – iProperty Group Limited develops and operates Internet-based real estate property portals under the iProperty.com brand. Announcement with respect to transaction was disclosed on November 2, 2015. Share price on the last day before announcement was \$3.51.

Note B - Onthehouse Holdings Limited provides real estate software in Australia and New Zealand. It offers Console GatewayLive, a locally-installed property management software program, ClientManager, a cloud-based sales customer relationship management software solution, and WebChoice, a cloud based platform to deliver Websites for real estate agencies. On 23 Dec 2015 Onthehouse Holdings Limited made an announcement about proposed purchase of shares for \$0.755 and subsequently on 9 March 2016 the offer was revised to \$0.85 per share. Market price of share of \$0.58 is on 22 December 2015, being the day before the first announcement on takeover.

Note C - ASG Group Limited provides information technology services in Australia. Its managed services include service and delivery management, database administration, network management, storage area network administration, security management, data center hosting, and remote database administration services. Additionally, the Company provides business solutions which comprise Oracle business solutions and Oracle PeopleSoft services, SAP solutions consist of SAP Business One and ProSuite products, as well as iVend Retail, an integrated retail management suite; and enterprise analytics and performance solutions. Share price on the last day before announcement was \$1.36.

Note D - Oakton Limited provides consulting and information technology based services to corporate and government clients across a range of industries in Australia. The company provides its services in the areas of business assurance, managed services, business systems, digital channels, customer insights, IT transformation, customer management, service integration, digital workplace, business planning and change, and business analytics. It also delivers various applications in Applications as a Service model for enabling the social enterprise, grants management, and ERP. Share price on the last day before announcement was \$1.46.

Note E - Royal Wolf Holdings Limited, together with its subsidiaries, engages in the hire, sale, and modification of new and refurbished shipping containers in Australia and New Zealand. It offers intermodal and freight, dangerous goods, refrigerated, building and construction, mining and defence, retail and events, self-storage, and removal containers, as well as container accessories and accommodation units. Share price on the last day before announcement was \$1.30.

Note F - Affinity Education Group Limited provides education and care services to children aged 6 weeks to 12 years in Australia. It owns and operates 120 child care centers, and manages 9 child care centers across Queensland, New South Wales, Victoria, Western Australia, and the Northern Territory. Share price on the last day before announcement was \$0.54.

Note G - Vision Eye Institute Limited, together with its subsidiaries, provides ophthalmic services in Australia. The company offers a range of services, including specialist eye care in the areas of corneal, refractive, cataract, and vitreo-retinal surgery; ocular plastics; glaucoma treatment and surgery; and treatment for macular degeneration. It operates 18 consulting clinics, 8 day surgeries, and 7 refractive surgery facilities in Victoria, New South Wales, and Queensland. Share price on the last day before announcement was \$0.68.