MaxSec Group Limited
(ACN 000 029 265)

Supplementary Target's Statement

This document is a supplementary target's statement issued by MaxSec Group Limited (ACN 000 029 265) (**MaxSec**) under section 644 of the *Corporations Act 2001* (Cth) (**Supplementary Target's Statement**). It is the first Supplementary Bidder's Statement prepared by MaxSec in response to the off-market takeover bid made by Future Fibre Technologies Ltd (ACN 064 089 318) (**FFT**) for all of the ordinary shares in MaxSec (**Offer**), made pursuant to the bidder's statement dated 18 October 2017 (**Bidder's Statement**).

This Supplementary Bidder's Statement supplements, and should be read together with MaxSec's target's statement dated 18 October 2017 (**Target's Statement**).

This Supplementary Target's Statement is dated 1 November 2017 and was lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) on that date. None of ASIC, the ASX and their respective officers take responsibility for the contents of this Supplementary Target's Statement.

Except where defined in this Supplementary Target's Statement, capitalised terms have the same meaning as defined in the Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

This Supplementary Target's Statement does not take into account the individual investment objectives, financial situation or particular needs of any person. You may wish to seek independent professional advice before making a decision as to whether to accept or reject the Offer.

Independent Directors' recommendations

Section 2.1 of the Target's Statement details the reasons that the Independent Directors recommend Shareholders accept the Offer. Section 2.1(d) refers to the Offer representing a "*fair value*" for MaxSec Shares.

The Independent Expert Report (**IER**) accompanying the Target Statement opines that the Offer is "*not fair but reasonable*". The IER was prepared in accordance with ASIC Regulatory Guide 111 (**RG111**). The Independent Directors' references to "*fair value*" in section 2.1(d) was not meant to convey that the Offer is "*fair*" for the purposes of RG111.

Maxsec Shareholders should read the 2 references to "*fair value*" in section 2.1(d) as to representing value the Independent Directors recommend be considered acceptable for the reasons contained in section 2.1(d).

Calculation of shareholding and voting rights in the combined entity

Section 2.1(d) states that MaxSec Shareholders will hold 49% of the combined entity. This statement is based on the calculation of MaxSec Shareholders' shareholding and voting rights which includes FFT's current shareholding in MaxSec. If FFT's shareholding is excluded, MaxSec Shareholders will, subject to the Offer being successful, hold 45% of the fully paid ordinary shares and voting rights in the combined entity.

Estimated cost savings

The following statement in section 2.1(d) is deleted:

"*These savings are estimated by FFT at more than $1M per year.*"

Shareholding required for compulsory acquisition

The reference to "*80% shareholding required for compulsory acquisition*" in the first sentence of section 2.1(f) is amended to read "*90% shareholding required for compulsory acquisition*".

Merger benefits

The various merger benefits referred to in the Target’s Statement and the IER are subject to FFT’s detailed review of the operations, assets, structure and employees of MaxSec. There is a risk that following the review FFT may decide not to fully merge the two businesses.

Supplementary Independent Expert’s Report

A supplementary independent expert’s report prepared by Titan Partners Pty Limited to be read in conjunction with the IER is set out in Appendix A.

Directors’ Authorisation

This Supplementary Target’s Statement has been approved by a resolution passed by the directors of the Company.

This Supplementary Target’s Statement has been signed by Robert Broomfield, for and on behalf of the Company.

Robert Broomfield

Chairman

Appendix A

TITAN PARTNERS

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
T +61 2 9268 3300
www.titanpartners.com.au

1 November 2017

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

Dear Sirs

SUPPLEMENTARY INDEPENDENT EXPERT'S REPORT – MAXSEC LIMITED

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**"), to prepare an Independent Expert Report dated 18 October 2017 (our "**Report**"), to provide an opinion on the proposal by Future Fibre Technologies Limited ("**FFT**", the "**Bidder**") to acquire all the issued ordinary shares in the Company ("**Proposed Transaction**").

This Supplementary Independent Expert Report ("**Supplementary Report**") is to be read in conjunction with our Report. Terms used in this Supplementary Report have the same meaning as defined in our Report.

The following additional information is provided to MaxSec Shareholders to clarify certain sections of the Report. We note that our opinion of the Proposed Transaction as "not fair but reasonable" to MSP shareholders and our valuation conclusions for MSP and FFT as set out in our Report has not changed.

1. **Selection of Valuation Methodology**

   In respect of the selection of valuation methodologies in Section 7.5 of our Report, we considered that revenue based approaches are not reliable to form the basis for valuation conclusions in the Proposed Transaction for the following reasons;

   - The FY2018 management budgets for MSP and FFT indicated investments in new products and services (such as Aura AI in FFT and the expansion of AVA in MSP) which are expected to generate significant new revenues. The generation of those new revenues in line with the budgets is inherently uncertain, due to the nature of those new revenues, as well as the new projects and new clients from which those revenues are derived. As the budgets reflect only one potential outcome of future performance, we do not consider these revenue or earnings forecasts to be sufficiently reliable for using as a method for ascertaining value; and
   - We consider that revenue based approaches are not as reliable and using them can result in distorted valuation outcomes, due to different cost bases between MSP and FFT, and that of potential comparable businesses. Such approaches would typically be cross-checked to an earnings-based approach, which is not possible for MSP and FFT due to a lack of current and historical earnings, as set out in Sections 5.5 and 6.2 of our Report respectively.

2. **Approach for Valuing Consideration received by MSP Shareholders**

   As the Proposed Transaction results in MSP becoming a subsidiary of FFT, RG111.34 is applicable where our assessment of the consideration received by MSP shareholders under the Proposed Transaction can also be valued assuming a notionally combined entity (where the FFT shares received by MSP Shareholders includes the respective value of MSP as a subsidiary of FFT).

   In our opinion, the notionally combined entity approach is more appropriate where the primary valuation methodology is the capitalisation of maintainable earnings (or net assets approach) and where the financial performance (or net assets) of MSP and FFT could be aggregated to derive earnings (or net assets) for a notional

TITAN PARTNERS

merged company as the basis of valuation. It is our opinion that using a recent ASX share price based methodology to construct a notionally combined entity is less reliable. We consider that the ASX listed share price of FFT is a reasonable proxy for the value which MSP shareholders could expect to receive, if their holdings in FFT were sold at the time of acceptance of the offer for their MSP shares under the Proposed Transaction.

As a cross check, we did perform analysis of the Proposed Transaction using a recent ASX share price based methodology to construct a notionally combined entity and to derive an implied value of the consideration to be received by MSP shareholders (even though we consider that this method to be less reliable as discussed above). In that cross check there was no material variance to our valuation conclusion or fairness conclusion.

3. **Control Premium applied to MSP Shares**

   In our assessment of value per MSP share in Section 8.2 of our Report, we applied a control premium to our market based valuation (on a minority basis) using recent ASX share price. Our selection of an appropriate control premium is based on analysis of historical transactions, where a range of control premiums were achieved as shown in Appendix 6 of our Report. While the average control premiums observed where between 27.5% and 30.0%, we considered that a range of 25% to 30% was appropriate, given the following attributes of MSP;

   - A low level of net asset backing in MSP;
   - The Company's requirement for additional capital in future to fund growth in the absence of the Proposed Transaction; and
   - The relative infancy of the AVA business.

4. **Advantages of Proposed Transaction – Improvement in Long Term Share Trading Liquidity**

   Further to Section 10.4 of our Report, we consider that an advantage of the Proposed Transaction is an improvement in expected long term trading liquidity of the merged entity shares, when compared to the expected long term trading liquidity of MSP. This is as a result of broader shareholder base, larger free float of the merged entity. In absolute terms, the volume of shares traded over a given period would increase as a result of the Proposed Transaction, as the share trading activity would reflect the combination of both the current MSP and FFT shares after the Proposed Transaction is completed. In our opinion, the larger shareholder base and broader free float would support a larger number of shares being traded and improved level of liquidity for MSP shareholders in the long term. In the absence of the Proposed Transaction to provide this larger shareholder base, we expect that liquidity in MSP shares may fall to levels significantly lower than that observed over past 12 months and lower than that of the merged entity.

5. **Advantages of Proposed Transaction – Operational Synergies**

   In Section 10.4 of our Report, we consider that there are operational synergies that are an advantage of the Proposed Transaction. Management consider that the Proposed Transaction is likely to have a positive impact on operating cash flows of MSP, through potential initiatives to drive sales with current FFT operations, as the businesses operate in complementary segments of the security industry. The MSP and FFT businesses currently operate in different segments of the broader security industry, which provides scope for potentially significant revenue synergies. We have reviewed aspects of management's high level plans and expectations for FY2018 and other confidential information for both MSP and FFT, to assess likely synergies between the Companies and we consider this supports managements view around the likely benefits to MSP shareholders from the Proposed Transaction. We have also assessed a number of potential cost savings for the combined businesses, including in compliance costs, regulatory fees and administrative expenditure.

TITAN PARTNERS

6. **Other Reasonableness Considerations**

We identified certain additional advantages of the Proposed Transaction to MSP shareholders that should also be considered when assessing reasonableness.

- Whilst there are accumulated tax losses in MSP, management notes it was and remains unlikely that any benefit can be derived by MSP from the utilisation of such losses in the future, regardless as to whether the Proposed Transaction is approved or not.
- Based on the historical performance of MSP and our assessment of budgets and management strategies for the current year, we consider MSP will require additional capital from alternative sources, should the Proposed Transaction not proceed, to execute the growth plans envisaged and steer the MSP business towards profitability. The requirement to raise this capital to facilitate the future growth should the Proposed Transaction not take place, indicates additional risk on MSP achieving its forecast and strategic objectives in the absence of the Proposed Transaction. Accordingly the Proposed Transaction not taking place, could have a negative impact on the share price of MSP.

As set out in the analysis in Section 10 of our Report, we have concluded the Proposed Transaction is not fair but reasonable to MSP Shareholders. The above additional information complements and does not alter the conclusions outlined in our Report. 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.

Yours faithfully
Titan Partners Corporate Finance Pty Limited

BRAD HIGGS
Director