



Authorised
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ASX ANNOUNCEMENT
10 August 2018

The purpose of this announcement is to provide an update on the announcement made by the Company dated 5 July 2018 titled "Dispute relating to Box Digital Media Pty Ltd", and to inform the market of the outcome of the Company's attempts to seek further clarity surrounding the dispute.

On 5 July 2018 the Company announced that it had received an unsolicited communication from an unknown third party alleging a claim in connection with Box Digital Media Pty Ltd (**BDM**). The Company requested a trading halt on 3 July 2018 in order for directors to investigate the allegations and to determine what affect, if any, it may have on the Company's investment in BDM.

Subsequent to requesting the trading halt, the Company became aware of the following:

- In 2015 a contract of sale was entered into (**Sale Agreement**) for BDM to acquire the Watch Magazine and Box Magazine businesses from vendor companies Cool Time Equity Pty Ltd and Box International Pty Ltd (**Vendors**). The unsolicited communication was from a director of the Vendors, Troy Barbagallo (**Barbagallo**).
- On or around 7 March 2017, the Vendors initiated a claim in the District Court of Western Australia against certain natural persons who were parties to the Sale Agreement, including BDM's director John Iliopoulos, to claim outstanding payments of the purchase price under the Sale Agreement (**Claim**). BDM was not a party to the Claim. The Claim was announced by the Company on 5 July 2018.
- Under the Sale Agreement, there existed a default of payment clause whereby in the event the purchase price of either Box Magazine or Watch Magazine was not paid in accordance with the payment instalment schedule, the Vendors have the right to seek the return of all business assets under the Sale Agreement and any improvements made to such assets.
- Business assets included the intellectual property of Watch Magazine and Box Magazine, and thus the Vendor could (pursuant to the Sale Agreement) seek to reclaim, subject to non-payment of the purchase price any Watch Magazine and Box Magazine intellectual property including any improvements made to such intellectual property.
- BDM advises that no formal proceedings have been brought with respect to any of BDM's intellectual property. However Barbagallo has now made demands to reclaim all the intellectual property BDM acquired under the Sale Agreement. Barbagallo's demand extends to the intellectual property of E-Mersion on the basis that the E-Mersion platform is an improvement upon the intellectual property acquired by BDM under the Sale Agreement.



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- BDM has repeatedly denied Barballago's allegations that the E-Mersion intellectual property could be considered as an improvement to any intellectual property it acquired under the Sale Agreement. BDM considers that the right under the Sale Agreement to claw-back intellectual property was only for the print magazines "Box Magazine" and "Watch Magazines" and does not relate to BDM's intellectual property in the E-Mersion digital platform.
- BDM has made it clear to the Company that it is defending Barbagallo's allegations.
- The Company has also been made aware of a separate dispute between BDM and software developer Clint Ebbesen (**Ebbesen**), for which a negotiated heads of agreement has now been signed. Ebbesen was the software developer involved with BDM in the creation of the E-Mersion platform. Ebbesen and his related entity had entered into an agreement in April 2017 to assign all ownership and rights of the E-Mersion intellectual property to BDM. A heads of agreement has now been signed to allow both parties to negotiate on matters related to services and costs.
- BDM has confirmed that the dispute with Ebbesen does not relate to BDM's ownership of E-Mersion intellectual property.

The Company will continue to monitor the situation and may make further market announcements on this matter.

For and on behalf of the Board

Cathy W. Lin
Company Secretary