

Notice of meeting and explanatory statement

ApplyDirect Limited
ACN 123 129 162

Date: 19 March 2019

Time: 11.00am

Location: MinterEllison, Level 23, 525 Collins Street
Melbourne VIC 3000

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE RESOLUTIONS. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

If, after reading this document, you have any questions, please contact AD1 for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

If you have recently sold all of your Shares, please disregard this document.

YOUR INDEPENDENT DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF ALL RESOLUTIONS

Important Notices

General

This Notice of Meeting and explanatory statement is dated 18 February 2019.

This document is important. The explanatory statement provides additional information on matters to be considered at the Meeting and forms part of the Notice of Meeting. You should read this document in its entirety before making a decision on how to vote on the Resolutions to be considered at the Meeting.

A Proxy Form for the Meeting is also enclosed. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Interpretation

Capitalised terms used in the Notice of Meeting (such as the Independent Expert's Report) are defined in the Glossary at the end of this document, or where the relevant term is first used.

Any documents reproduced in this Notice of Meeting may have their own defined terms, which are sometimes different from those in the Glossary.

All numbers are rounded unless otherwise indicated. A reference to \$ and cents is to Australian currency, unless otherwise stated. All times referred to in this Notice of Meeting are references to the time in Melbourne, Australia, unless otherwise stated.

A reference to a Section is to a section in the Notice of Meeting, unless otherwise stated.

Responsibility for information

Except as outlined below, the information contained in this Notice of Meeting has been prepared by AD1 and is its responsibility. Except as outlined below, neither AD1 nor any of its subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of such information.

USS has prepared and provided all information relating to USS set out in Sections 7, 8 and 9 of this document and is responsible for that information. AD1 does not assume any responsibility for the accuracy or completeness of such information.

BDO Corporate Finance (East Coast) Pty Ltd has prepared the Independent Expert's Report and takes responsibility for that report. Neither AD1, USS nor any of their respective subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of AD1 and USS, in relation to the information which they have provided to the Independent Expert. Shareholders should read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the sources of information and the assumptions made.

AD1 is responsible for the balance of this document but accepts no responsibility for any errors, omissions or misstatements in the Notice of Meeting that are attributable to errors, omissions or misstatements in publicly available information or third party sources or otherwise. Subject to the Corporations Act, AD1 makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

ASIC and ASX

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Notice of Meeting.

Forward looking statements

Some of the statements appearing in this document may be in the nature of forward looking statements. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected.

None of AD1, its directors, officers, or any person named in this document or involved in the preparation of this document, make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, and you are cautioned not to place undue reliance on those statements.

The forward looking statements in this document reflect views held only as at the date of this document. AD1 has no obligation to disseminate after the date of this document any updates or revisions to any such statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any of those statements are based unless required under the Corporations Act to update or correct this document or pursuant to AD1's continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

Privacy and personal information

AD1 is required to collect personal information about you to implement the Transactions. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Meeting. The collection of some of this information is required or authorised to be collected under the Corporations Act.

Information may be disclosed to AD1 and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Transactions. If the information outlined above is not collected, AD1 may be hindered in, or prevented from, conducting the Meeting or implementing the Transactions effectively, or at all. If you appoint an individual as your proxy, corporate representative or attorney to vote at the Meeting you should inform that individual of the matters outlined above and that AD1 has collected their personal information from you.

If you are an individual, you have certain rights to access or correct the personal information collected about you. You may also contact the Share Registry if you wish to exercise those rights to update your personal information held by the Share Registry. AD1 will otherwise collect, hold, use and disclose your personal information in accordance with our Privacy Policy, which sets out how you can access and correct the personal information that AD1 holds about you and how to lodge a complaint relating to AD1's treatment of your personal information (and how AD1 will deal with your complaint).

No financial product advice

This document is not financial product or investment advice nor is it a recommendation in respect of the Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act, Shareholders and other persons should consider the appropriateness of the information having regard to their own objectives, financial situation and needs, and seek legal, taxation, financial

and other advice appropriate to their jurisdiction and circumstances. AD1 is not licensed to provide financial product advice in respect of the Shares.

Financial information presentation

Investors should be aware that certain financial data included in this Notice of Meeting is 'non-IFRS financial information' under *Regulatory Guide 230 Disclosing non-IFRS financial information*, published by ASIC. AD1 believes this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Enlarged AD1. The non-IFRS measures do not have standardised meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information included in this Notice of Meeting.

Independent Directors' recommendation

- The Independent Directors, being Michael Kay and Bryan Petereit, unanimously recommend that Shareholders vote in favour of each Resolution at the Meeting, in the absence of a superior proposal.
- Each Independent Director intends to vote the Shares that Independent Director controls in favour of each of the Resolutions proposed at the Meeting, in the absence of a superior proposal.

Reasons to vote in favour

- As noted in the 2018 Chairman's Address at AD1's Annual General Meeting, the Board and Management of AD1 retained independent advisers shortly prior to the AGM to assist AD1 with assessing and executing upon AD1's capital management options. The process involved consideration of AD1's ability to access alternative sources of funding and other options including a trade sale or potentially external administration in the absence of any viable alternatives.
- The process undertaken by the Board and Management to assess the capital management options available to AD1 was detailed and following its conclusion, the Transactions were identified by the Independent Board Committee as the most viable and reasonable option available to AD1 in the circumstances.
- In this regard, the AD1 Board and Management formed the view that, under each of the other capital management options explored, there was no reasonable prospect of any of those other options providing any comfort to shareholders in relation to the going concern issues raised by AD1 in its 2018 Annual Report.
- It was in this context that the Independent Board received and considered a proposal led by AD1 Director and substantial Shareholder, Michael Norster, to vend USS into AD1 and provide a much needed equity capital injection into AD1 (ie. the Transactions).
- The Independent Board Committee established to consider the Transactions has formed the view that the Transactions are in the best interests of AD1 and its Shareholders because, among other things, they provide some immediate capital required to fund the Enlarged AD1 in the immediate term and, of all the capital management options explored by AD1, the Transactions (in the opinion of the Independent Directors) provide the clearest and most viable path towards the business of the Enlarged AD1 ultimately becoming a successful and profitable business.
- The prospects of success of any subsequent capital raising required to take the Enlarged AD1 to a breakeven position is, in the view of the Independent Directors, may well be enhanced as a result of the Transactions.
- USS is a SaaS provider and IT consulting and support service firm with particular expertise in the retail energy sector. The Acquisition will enable the sharing of technical capability within the Enlarged AD1 whilst also reducing the overall cost base.
- USS provides a significant and diversified revenue stream. Apart from accessing this revenue stream, there is the opportunity for the Enlarged AD1 to

grow its own existing functions through accessing the technical capability of the USS development team, at low cost.

- The Acquisition may also help the Enlarged AD1 build its market capitalisation.
- If the Transactions are not implemented, then it is the view of the Independent Directors that the ability of AD1 to continue as a going concern and to fund its operating activities will be dependent on securing urgent additional funding through share placements to new or existing investors or an entitlement issue with existing Shareholders. Access to this urgent additional funding in circumstances where the Transactions are not implemented, is unlikely to be available within the relevant time frame. In this event, the Independent Directors may be required to appoint an external administrator.

Reasons to vote against

- As a Shareholder, you may form the view that the Transactions as currently proposed and structured are not in your best interests.
- There are inherent risks associated with the Transactions and you may consider that these risks outweigh the potential benefits from the Transactions. See Section 10 for more information on significant risk factors.
- You may want to maintain your current investment profile. The profile, capital structure and size of the Enlarged AD1 will be different from that of AD1 as it currently stands. Some AD1 Shareholders may prefer to continue to invest in a listed company with the specific characteristics, operational focus and scale of the current AD1, and do not seek an exposure to the business of USS.
- As a Shareholder, you may not agree with the value attributed to USS or AD1 by the Transactions.
- If the Transactions are implemented, your proportionate shareholding in AD1 will be diluted significantly. Further, on implementation of the Transactions, the Enlarged AD1 will be effectively controlled by Potentate and the Potentate Associates. As a Shareholder, you may not want your proportionate ownership of AD1 to be diluted in this way or to this extent.

Table of contents and key dates

Table of contents

	Letter from the Independent Chairman	8
Section 1	What to do now and how to vote	10
Section 2	Important information about the Transactions	12
Section 3	Rationale for Transactions	22
Section 4	Overview of the Transactions	27
Section 5	Industry overview	32
Section 6	Information about AD1	34
Section 7	Information about USS	38
Section 8	Information about the Enlarged AD1	40
Section 9	Financial information	45
Section 10	Risk Factors	54
Section 11	Additional Information	60
	Notice of Meeting	66
	Glossary	70
	Independent Expert's Report	72

Key dates

Date of this Notice of Meeting	18 February 2019
Time and date for determining eligibility to vote at the Meeting	7.00pm (Melbourne time) on 17 March 2019
Last date and time for receipt of Proxy Form by AD1	11.00am (Melbourne time) on 17 March 2019
Time and date of the Meeting	11.00am (Melbourne time) on 19 March 2019
Completion of the Transactions	26 March 2019

The above dates are indicative only and are subject to change. Any changes to the above timetable will be announced through the ASX companies announcement platform.

Letter from the Non-executive and Independent Board Chairman

18 February 2019

Dear Shareholder,

I am pleased to introduce the Transactions, for your consideration.

The Transactions

Subject to Shareholder approval, the transactions involve the Acquisition by ApplyDirect Limited (**AD1**) of Utility Software Services Pty Ltd ACN 126 959 304 (**USS**) and a Placement to Potentate and the Potentate Associates to raise \$990,000 at \$0.027 per Share to provide working capital to the Enlarged AD1. The USS Shareholders will be issued approximately 132.89 million ordinary shares in AD1 at an effective price of \$0.027 per Share as consideration for the sale of USS, for an effective acquisition price of \$3.588 million.

USS is an entity that is controlled by Michael Norster, who is currently a Director of AD1. Through his investment entity, Potentate, Michael Norster is currently the largest Shareholder in AD1 – Potentate currently holds 11.51%. If Shareholders vote in favour of the proposed Resolutions and the Transactions are implemented then Potentate's shareholding in AD1 will increase from 11.51% to 32.12%. When aggregated with the holdings of the Potentate Associates, the Relevant Interest of Michael Norster and the other Potentate Associates will increase from 12.18% in AD1 to 40.46% in the Enlarged AD1.

It is due to the scale of this proposed increase in Michael Norster's Relevant Interest in AD1 Shares and his position as a Director of AD1 that the approval of the Resolutions by Shareholders is needed in order for the Transactions to be implemented.

Upon completion of the Transactions, Andrew Henderson, current director of USS and a Potentate Associate, will also be appointed as a Non-Executive Director of AD1. At this time, I will stand down as Chairman and a Director of AD1.

Benefits of the Transactions

The Acquisition will provide AD1 with access to important technical capability to support the extension of SaaS platform technology and digital services to large ecosystems, given USS is also a SaaS platform provider with similar people and technological infrastructure.

Further, the Acquisition should add a diversified revenue stream of around \$4 million per annum, whilst also providing access to important costs savings.

Your Independent Directors believe that the Acquisition should begin to gradually reduce the existing and persistent drain on AD1's working capital. Further, having engaged external advisors and conducted a capital management options review, the Independent Directors believe that the Transactions would provide some of the immediate capital required to fund the Enlarged AD1 in the short term and, of all the capital management options explored by AD1, the Transactions (in the opinion of the Independent Directors) provide the clearest and most viable path towards the Enlarged AD1 ultimately becoming a successful and profitable business. Importantly, the Independent Directors consider that the prospects of success of any subsequent capital raising required to take the Enlarged AD1 to a breakeven position may well be enhanced as a result of the Transactions. That is, we consider that future capital raisings are more likely to be supported because of the Transactions being implemented than if the status quo is maintained.

Conditions of the Transactions

Shareholders are being asked to approve the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transactions to proceed.

Completion of the Transactions is conditional on, among other things, Shareholders approving the Resolutions set out in this Notice of Meeting, no material adverse change occurring in respect of USS, no breach of warranty given by the USS Shareholders under the Share Purchase Agreement and other conditions common for an acquisition of this nature.

Independent Expert

AD1 has engaged BDO Corporate Finance (East Coast) Pty Ltd (**Independent Expert**) for the purposes of preparing an Independent Expert's Report with respect to the Transactions in accordance with the Corporations Act.

The Independent Expert, has determined that the Transactions are not fair, but that they are nevertheless reasonable to non-associated Shareholders. A copy of the Independent Expert's Report is attached to this Notice of Meeting.

Conclusion

Further detailed information about the Resolutions and the Transactions are set out in the enclosed explanatory statement. Noting that the Independent Directors believe that the benefits of the Transactions are in the best interests of the Company, we recommend you vote in favour of the Resolutions.

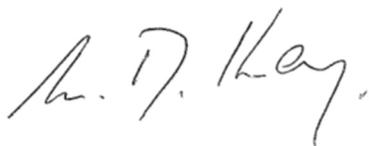
I strongly encourage you to read the full contents of the accompanying documents carefully and participate in the voting process.

If you have any questions or queries about this Notice of Meeting or the Transactions, please contact AD1 at Prashant.Chandra@applydirect.com.au, for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

I look forward to your participation at the Meeting.

If you have any queries regarding your holding of AD1 shares or other AD1 Share Registry matters, please contact Link Market Services Limited.

Yours sincerely



Michael Kay
Non-Executive & Independent Board Chairman
ApplyDirect Limited

1. What to do now and how to vote

What to do now

1. Carefully read this document

Shareholders are being asked to consider, and if thought fit approve, the Resolutions set out in this Notice of Meeting that are necessary under the Corporations Act and ASX Listing Rules in order for the Transactions to proceed.

This document sets out information about the Transactions and provides Shareholders with the information to assist them in deciding how to vote on the Resolutions to be considered at the Meeting. This information is important.

You should read this document carefully, and in its entirety, before making a decision as to how to vote at the Meeting.

2. Seek further information if required

If you have any queries about any matter contained in this document please contact AD1 for more information or alternatively seek independent professional advice on any aspects of which you are not certain.

How to vote

1. Vote in person

To vote in person, attend the Meeting at 11.00am (Melbourne time) on 19 March 2019 at MinterEllison, Level 23, 525 Collins Street, Melbourne VIC 3000.

2. Vote by proxy

If you are not able to attend the Meeting, please complete and sign the Proxy Form enclosed with the Notice of Meeting as soon as possible.

To complete the Proxy Form, record your vote on the Proxy Form in relation to each Resolution to be considered at the Meeting as follows:

- if you wish to approve the Resolution, place a cross (X) in the space provided under the word 'FOR' in respect of that Resolution;
- if you do not wish to approve the Resolution, place a cross (X), in the space provided under the word 'AGAINST' in respect of that Resolution; and
- if you do not wish to vote in respect of the Resolution, place a cross (X) in the space provided under the word 'ABSTAIN' in respect of that Resolution.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by AD1, at least 48 hours before the time for holding the Meeting (ie. by no later than 11.00am (Melbourne time) on 17 March 2019:

- (a) by mail: ApplyDirect Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- (b) by fax: +61 2 9287 0309; or
- (c) by hand: Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 (please do not use this address for mailing purposes).

Proxies given by corporate shareholders must be executed in accordance with their constitutions, or under the hand of a duly authorised attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Company's constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

If a Shareholder appoints the chairperson of the Meeting as the Shareholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that Shareholder, in favour of the item on a poll.

3. Vote by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by AD1 before the start or resumption of the Meeting at which the representative is to vote, in person or by post in the reply paid envelope provided.

4. Vote through broker or nominee

If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.

5. Scrutineer

The Company's registrar, Link Market Services Limited will act as scrutineer for any polls that may be required at the Meeting.

2. Important information about the Transactions

This Section provides a summary only of important information about the Transactions and the Resolutions, as well as information on how to vote at the Meeting. This Section also highlights key information about AD1, USS and the Enlarged AD1, and explains where you can find more detailed information about the Transactions within the Notice of Meeting. This Section should be read in conjunction with the entire Notice of Meeting before you decide how to vote on the Resolutions.

Information about the Transactions

What are the Transactions?

The Transactions involve:

- AD1 acquiring 100% of the issued shares in USS in exchange for the issue of approximately 132.89 million Shares in AD1 to the USS Shareholders. USS is controlled by Michael Norster, a Director of AD1.
- AD1 undertaking a placement to Potentate and the Potentate Associates to raise \$990,000 at \$0.027 per Share for the short term working capital requirements of the Enlarged AD1. Potentate is an entity controlled by Michael Norster, a Director of AD1.
- An increase in voting power in AD1 of Potentate and the Potentate Associates from 12.18% to 40.46%.

What is the consideration AD1 has agreed to pay under the Acquisition?

AD1 has agreed to acquire all of the shares in USS for a purchase price of \$3.588 million, payable entirely by way of the issue of approximately 132.89 million Shares to the USS Shareholders on completion of the Acquisition.

The Shares to be issued by AD1 to the USS Shareholders on completion of the Acquisition under the Share Purchase Agreement will be issued at a share price of \$0.027 for each new AD1 Share, being the same price as the Shares to be taken up under the Placement.

The price of \$0.027 is the 25 day VWAP of the Shares prior to 3 January 2019, being the date of the Share Purchase Agreement.

What is AD1 acquiring under the Acquisition?

AD1 is acquiring all of the shares in USS and therefore all of the assets and trading liabilities of USS. The assets relevant to USS's business include cash of \$850,000 to fund the business including working capital.

What are the conditions to the Transactions being completed?

Completion of the Transactions is conditional on:

- an independent expert report being commissioned that concludes the purchase of the Shares by AD1 is "fair and reasonable to", "not fair but reasonable to" or "in the best interests of" AD1's non-associated shareholders;
- approval by AD1 Shareholders of the Resolutions at the Meeting;
- any material third party or regulatory approvals or consents (including from ASX and ASIC) reasonably required or desired by AD1 to be obtained in connection with the acquisition of the

shares in USS or the issue of the new AD1 Shares to USS Shareholders being obtained on terms reasonably satisfactory to AD1; and

- there being no breach of a warranty given by USS Shareholders under the Share Purchase Agreement or any material adverse change in relation to USS.

See Section 11.1 for a summary of the key terms and conditions of the Share Purchase Agreement, including the conditions precedent.

What will happen to my Shares if the Transactions proceed?

Nothing will happen to the Shares held by existing Shareholders under the Transactions, except that their proportionate ownership of AD1 will be diluted significantly by the issue of new Shares under the Transactions.

See Section 8.5 for the dilutionary impact the Transactions will have on existing Shareholders.

How will the structure of AD1's ownership change if the Transactions proceed?

At the date of this Notice of Meeting, Potentate (an entity controlled by Michael Norster) holds 11.51% of AD1 Shares and Potentate and the Potentate Associates collectively have a Relevant Interest in 12.18% of AD1 Shares.

If Shareholders vote in favour of the Resolutions, upon completion of the Acquisition (but not the Placement), approximately 34% of the Shares of the Enlarged AD1 will be held by the USS Shareholders (disregarding the impact of the Placement and existing Shares held by Potentate and the Potentate Associates).

Upon completion of the Transactions (including the Placement):

- Shares representing approximately 40% of the Enlarged AD1 will be issued to USS Shareholders and their Associates;
- including the existing Shares held by Potentate and the Potentate Associates:
 - (i) the USS Shareholders and their Associates will hold 47.15% of the Shares of the Enlarged AD1; and
 - (ii) Potentate and the Potentate Associates will have a Relevant Interest in 40.46% of the Enlarged AD1's Shares.

Note, whilst Potentate, Michael Norster, Christopher Kuperman and Andrew Henderson are all Associates, the Independent Directors understand that no other USS Shareholders are Associates of Potentate or any of the Potentate Associates.

Will there be management changes if the Transactions proceed?

AD1's current CEO, Lorcan Barden, will vacate his position as CEO on 1 March 2019. AD1's founder Bryan Petereit will become the new CEO of AD1 from this time.

AD1's current Chairman, Michael Kay, will also be resigning his position as Chairman and Non-Executive Director on completion of the Transactions.

Andrew Henderson, a current director of USS, will be appointed as a Non-Executive Director of AD1 on completion of the Transactions.

See Section 8.8 for further information about the AD1 management team.

Will AD1 remain listed on ASX if the Transactions proceed?

Yes, AD1 will remain listed on ASX after completion of the Transactions.

Will the Shares issued under the Transactions be escrowed?

No, the new AD1 Shares to be issued under the Transactions will not be escrowed.

What will happen if the Transactions do not proceed?

If the Resolutions are not passed by Shareholders, or the other conditions are not satisfied or waived, the Transactions will not proceed.

If the Transactions do not proceed, AD1 will not acquire USS and no new Shares will be issued under the Placement.

In those circumstances, the Board intends to continue to focus on AD1's existing core business in providing recruitment marketing platforms and related digital services. However, if the Transactions do not proceed then AD1 will need to obtain urgent additional funding to continue as a going concern and to fund its operating activities. There can be no guarantee that such urgent funding would be available if the need to secure it arises within the required timeframe.

Highlights of the Transactions

Reasons to vote in favour of the Transactions

The reasons why you might decide to vote in favour of the Transactions include:

- The Board and Management of AD1 retained advisers shortly prior to AD1's 2018 AGM to assist AD1 with assessing and executing upon AD1's capital management options. The process involved consideration of the Company's ability to access alternative sources of funding and other options including a trade sale or potentially external administration in the absence of any viable alternatives.
 - The process undertaken by the Board and Management to assess the capital management options available to AD1 was detailed and following its conclusion, the Transactions were identified by the Independent Board Committee as the most viable and reasonable option available to AD1 in the circumstances.
 - In this regard, the AD1 Board and Management formed the view that, under each of the other capital management options explored, there was no reasonable prospect of any comfort to shareholders in relation to the going concern issues raised by AD1 in its 2018 Annual Report.
-

-
- It was in this context that the Independent Board received and considered a proposal led by AD1 Director and substantial Shareholder, Michael Norster, to vend USS into AD1 and provide a much needed equity capital injection into AD1 (ie. the Transactions).
 - The Independent Board Committee established to consider the Transactions has formed the view that the Transactions are in the best interests of AD1 and its Shareholders because, among other things, they provide some immediate capital required to fund the Enlarged AD1 in the immediate term and, of all the capital management options explored by AD1, the Transactions (in the opinion of the Independent Directors) provide the clearest and most viable path towards the business of the Enlarged AD1 ultimately becoming a successful and profitable business.
 - The Acquisition will enable both AD1 and USS to share technical capability within the Enlarged AD1 whilst also reducing the overall cost base.
 - As a SaaS provider and IT consulting and support services firm with expertise in the retail energy sector, USS is expected to provide a diversified revenue stream of approximately \$4 million per annum.
 - The existing management team of USS, who are proposed to be employed by the Enlarged AD1 following completion of the Transactions, are experienced and have expertise in IT consulting and services and will enhance the technical capability that already exists within AD1.

See Section 3.3 for more detailed information on potential benefits of the Transactions and the Enlarged AD1.

Potential reasons to vote against the Transactions

The reasons why you might decide to vote against the Transactions include:

- As a Shareholder, you may form the view that the Transactions as currently proposed and structured are not in your best interests.
- There are inherent risks associated with the Transactions and you may consider that these risks outweigh the potential benefits from the Transactions. See Section 10 for more information on significant risk factors.
- You may want to maintain your current investment profile and not take on any exposure to USS.
- As a Shareholder, you may not agree with the value attributed to USS or AD1 by the Transactions.
- As a Shareholder, you may not want your proportionate ownership of AD1 to be subject to significant dilution.

See Sections 3.4 and 10 for more information on significant risks and potential disadvantages associated with the Transactions and the Enlarged AD1.

What is the Independent Expert's recommendation?	The Independent Expert's Report comments on the fairness and reasonableness of the Acquisition. The Independent Expert has determined that the Acquisition is not fair, but reasonable to the non-associated Shareholders of AD1.
---	---

What are the recommendations of the Independent Directors?	<p>The Independent Directors (being the Directors other than Michael Norster) unanimously recommend that Shareholders vote in favour of the Resolutions at the Meeting, in the absence of a superior proposal.</p> <p>Each Independent Director intends to vote the Shares that Independent Director controls in favour of each of the Resolutions proposed at the Meeting, in the absence of a superior proposal.</p>
---	--

Information about the Placement

What is the Placement?	<p>The Placement is being made to Potentate (an entity controlled by Michael Norster) and the Potentate Associates. The Potentate Associates include Christopher Kuperman (a 20.15% shareholder in USS) and Andrew Henderson (a director of USS and a proposed new Director of AD1, to be appointed upon completion of the Transactions).</p> <p>AD1 expects to raise a total of \$990,000 from the issue of approximately 36.67 million new AD1 Shares at \$0.027 per Share under the Placement. Of the total number of new AD1 Shares to be issued under the Placement, Potentate will receive approximately 29.63 million new AD1 Shares, Christopher Kuperman will receive approximately 4.26 million new AD1 Shares and Andrew Henderson will receive approximately 2.78 million new AD1 Shares.</p>
-------------------------------	---

How will the proceeds of the Placement be used?	The funds raised from the Placement will be used for short term working capital purposes for the Enlarged AD1.
--	--

Will I be able to participate in the Placement?	No, firm commitments for all of the funds to be raised under the Placement have already been received.
--	--

What are the conditions to the Placement taking effect?	The Placement is conditional on the Resolutions being passed by the Shareholders at the Meeting and the conditions precedent under the Share Purchase Agreement being satisfied or waived.
--	--

Key information about AD1, USS and the Enlarged AD1

What is the Enlarged AD1?	<p>The Enlarged AD1 will be created on completion of the Acquisition.</p> <p>Following completion of the Transactions, the scale of AD1's existing operations will be materially expanded. The shared technical capabilities and expertise will create a broader IT service and consulting organisation provided by the Enlarged AD1.</p>
----------------------------------	---

What will be the strategy of the Enlarged AD1?

From a target market and customer standpoint, AD1 will continue its focus on high yielding customers particularly in the Government and institutional corporate sectors, whilst USS will focus on expanding its IT and BPO services offering.

Whilst sales and customer delivery will continue to operate independently across both businesses, the bulk of the cost savings and synergies are expected to relate to the sharing of senior management, technical expertise and support services.

Further cost savings are expected to be identified through reducing the number of low yielding customers of AD1.

Following integration of USS, other complimentary acquisition targets may be considered to further accelerate the growth of the Enlarged AD1.

The acquisition of USS will provide the Enlarged AD1 with the following:

- shared resources and expertise
- immediate access to incremental capital via the Placement;
- important cost savings and synergies that should reduce its drain on working capital; and
- an accelerated pathway to breakeven.

The enhanced scale and strategic benefits associated with the acquisition of USS are expected to facilitate other inorganic growth opportunities for the Enlarged AD1.

What are the key risks for the Enlarged AD1?

There are risks associated with an investment in the Enlarged AD1, the value of the Shares and other risks of which Shareholders should be aware.

These include:

- risks specific to the Transactions, including risks:
 - to completion of the Transactions;
 - of AD1 being able to continue operating as a going concern;
 - of reliance on information relating to and provided to AD1 by USS;
 - of AD1 acquiring all the shares in USS; and
 - of dilution of current Shareholders and of control of the Enlarged AD1 effectively being assumed by Potentate and the Potentate Associates;
- risks to the Enlarged AD1, including risks relating to:
 - not realising expected cost savings;
 - recruitment, retention and motivation of key personnel across AD1 and USS;
 - the competitive SaaS/ IT market;
 - the protection of the Enlarged AD1's intellectual property;
 - the business model of the Enlarged AD1; and
 - legal and other claims of disputes; and
- general risks, including risks relating to:

- the IT industry generally and SaaS more particularly; and
- financial and regulatory risks.

See Section 10 for more detailed information on key risks for the Enlarged AD1.

What is the Enlarged AD1's aggregated historical pro forma performance?

Enlarged AD1 – Aggregated Unaudited Pro-Forma Historical Performance

\$AUD ('000)	FY 15	FY 16	FY 17	FY 18
Total revenue	1,539	2,586	4,044	5,554
Total operating expenses	(2,612)	(6,130)	(8,639)	(10,587)
Net profit/(loss)	(1,135)	(3,717)	(4,717)	(5,200)

Where can I find more financial information about the Enlarged AD1?

Section 9.5 contains a summary of the financial information in relation to the Enlarged AD1.

Significant accounting policies upon which that information is based are included in Section 9.5.

Who will sit on the board of the Enlarged AD1 after the Transactions are completed?

On completion of the Transactions the board of AD1 will comprise:

- Mr Bryan Petereit – Chief Executive Officer and Managing Director;
- Mr Michael Norster – Non-Executive Director; and
- Mr Andrew Henderson – Non-Executive Director.

See profiles of each Director and Proposed Director in Sections 6.3 and 7.5.

Who will manage the Enlarged AD1 after the Transactions are completed?

The senior management team of the Enlarged AD1 will include:

- Bryan Petereit – CEO (currently AD1's CTO);
- Daniel Pludek – CTO (currently USS's CEO); and
- Prashant Chandra – CFO & Company Secretary (currently holds these positions).

AD1's existing Chief Executive Officer, Lorcan Barden, will vacate his position as CEO on 1 March 2019 and Bryan Petereit will assume the role of CEO from this time.

What significant benefits are payable to the Directors and other persons connected to the Transactions, and what significant interests do they hold?

Michael Norster is currently a Director and also a director of USS. Potentate (an entity controlled by Michael Norster) is currently a substantial Shareholder in AD1 and the majority shareholder in USS. Accordingly, Michael Norster is not considered independent for the purposes of the Transactions and the Resolutions.

Andrew Henderson, an existing director of USS and a Potentate Associate, will become a Non-Executive Director of AD1 on completion of the Transactions.

Other than:

- new AD1 Shares to be issued to Potentate in consideration for the acquisition of its USS shares;
- the appointment of Mr Andrew Henderson as Director of the Enlarged AD1; and

-
- the new AD1 Shares to be issued to Potentate and the Potentate Associates under the Placement,

no fees or benefits have been given or agreed to be given to the Directors or senior management of AD1 in connection with the Transactions.

Information about Shareholder approvals required for the Transactions

Why is Shareholder approval required for the Transactions?

- Potentate and the Potentate Associates will acquire a Relevant Interest and voting power in more than 20% of the issued AD1 Shares as a result of the Transactions. Pursuant to section 606 of the Corporations Act, a person must not acquire a Relevant Interest in issued voting shares in a listed company if, because of the transaction, the person's (or someone else's) voting power in the company increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Resolution 1 seeks approval for a total of approximately 132.89 million new AD1 Shares to be issued to the USS Shareholders (including Potentate and some of the Potentate Associates) and for Potentate and the Potentate Associates to be issued Shares under the Placement, increasing the total voting power of Potentate and the Potentate Associates from 12.18% to 40.46%.

- ASX Listing Rule 10.11 prohibits the issue of securities to a related party without prior Shareholder approval. Accordingly Resolution 1 also seeks approval in respect of the issue of a total of approximately 107,276,608 new AD1 Shares to related parties of AD1, specifically Potentate (an entity controlled by Michael Norster, a Director or AD1) under the Transactions, increasing the voting power of Potentate and the Potentate Associates from 12.18% to 40.46%.
- In order to preserve AD1's full ASX Listing Rule 7.1 and 7.1A placement capacity following implementation of the Transactions, Shareholder approval of the issue of new AD1 Shares is being sought under ASX Listing Rule 7.1. Resolution 1 also seeks such approval.
- Listing Rule 10.1 requires that any acquisition of a "substantial asset" (value greater than 5% of the entity's equity interests) from a "substantial holder" (a person who has with his or her Associates a Relevant Interest of at least 10% in the entity's voting shares) be approved by shareholders. The shares in USS being acquired from Potentate fall into this category.

Resolution 2 seeks approval for the acquisition of all the shares in USS from Potentate in consideration for the issue of a total of approximately 77,646,978 new AD1 Shares for the purpose of ASX Listing Rule 10.11 (in respect of the Consideration Shares issued to Potentate under the Share Purchase Agreement).

- Chapter 2E of the Corporations Act prohibits the giving of a "financial benefit" to a "related party" unless an exception applies. While AD1 considers the Share Purchase Agreement was negotiated on arm's length terms, the Independent Directors have considered it prudent to extend Resolution 2 to seek approval for the acquisition of USS shares from Potentate in consideration for the issue of the relevant new AD1 Shares to Potentate.

What am I being asked to vote on?	<p>Shareholders are being asked to vote on 2 Resolutions which provide the following approvals:</p> <ul style="list-style-type: none"> • Resolution 1: Approval of the issue of the new AD1 Shares to the USS Shareholders (including Potentate and some of the Potentate Associates) under the Share Purchase Agreement and, where relevant, Shares issued under the Placement to Potentate and the Potentate Associates, increasing the total voting power of Potentate and the Potentate Associates from 12.18% to 40.46%, for all purposes, including for the purposes of item 7 of section 611 of the Corporations Act, ASX Listing Rule 7.1 and ASX Listing Rule 10.11. • Resolution 2: Approval of the acquisition of all the shares in USS held by Potentate in consideration for the issue of the new AD1 Shares to Potentate for all purposes, including for the purposes of ASX Listing Rule 10.11 and Chapter 2E of the Corporations Act.
What are the voting intentions of the Chairman as proxy?	<p>The AD1 Chairman, Michael Kay, intends to vote all undirected proxies over which he has control in favour of the Resolutions, in the absence of a superior proposal.</p>
When and where will the Meeting be held?	<p>The Meeting will take place at 11.00am (Melbourne time) on 19 March 2019 at MinterEllison, Level 23, 525 Collins Street Melbourne VIC 3000.</p>
What are the voting approval thresholds for the Resolutions?	<p>Each of the Resolutions is an ordinary resolution, requiring simple majority approval. This means that more than 50% of the votes cast on each of the Resolutions, respectively, by Shareholders who are eligible to vote on the Resolution must be cast in favour of the Resolution in order for it to be passed.</p> <p>See the Notice of Meeting for further information.</p>
Are the Resolutions inter-conditional?	<p>Each of the Resolutions is conditional on each other being passed. That is, neither the Acquisition nor the Placement will proceed unless all Resolutions are passed. That is, the Acquisition and the Placement both proceed, or neither proceeds.</p>
Who is eligible to vote on the Resolutions?	<p>In accordance with the Corporations Regulations, the Board has determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded in AD1's share register at 7.00pm (Melbourne time) on 17 March 2019.</p> <p>See the Notice of Meeting for further information.</p>
Is voting compulsory?	<p>Voting is not compulsory. However, your vote is important.</p> <p>If you cannot attend the Meeting you are strongly encouraged to complete and return the Proxy Form that is enclosed with the Notice of Meeting.</p> <p>If you hold your Shares through a broker or nominee holder, you should contact them as soon as possible to instruct them to vote on your behalf.</p> <p>If you require any assistance in completing or lodging your proxy form, please contact the Share Registry on +61 1300 554 474, or contact your legal, financial or other professional advisor.</p>

Transaction timetable

What is the indicative timetable for the Transactions?	Date of this Notice of Meeting and explanatory statement	18 February 2019
	Time and date for determining eligibility to vote at the Meeting	7.00pm (Melbourne time) on 17 March 2019
	Last time and date for receipt of Proxy Forms by AD1	11.00am (Melbourne time) on 17 March 2019
	Time and date of the Meeting	11.00am (Melbourne time) 19 March 2019
	Completion of the Transactions	26 March 2019

Further questions

Where can I find more information about USS, including financial information?	<p>Please see Section 7 for information about USS.</p> <p>Please see Section 9 for historical financial information about USS and pro forma financial information about the Enlarged AD1.</p>
Where can I find more information about AD1, including financial information?	<p>Please see Section 6 for information about AD1.</p> <p>Please see Section 9 for historical financial information about AD1 and pro forma financial information about the Enlarged AD1.</p>
What should I do if I have further questions about the Transactions?	<p>If you have any queries about any matter contained in this document please contact AD1 for more information or alternatively seek independent professional advice on any aspects of which you are not certain.</p>

3. Rationale for Transactions

This Section 3 sets out the recommendation of the Independent Directors in respect of the Transactions. It also includes an overview of the Independent Expert's opinion on the fairness and reasonableness of the Transactions and AD1's strategic rationale for the Transactions. This Section 3 also sets out some potential disadvantages associated with the acquisition of USS and the Enlarged AD1.

3.1 Overview of Acquisition and Placement

AD1 is to acquire 100% of the issued shares in USS in consideration for the issue of approximately 132.89 million new AD1 Shares.

Under the Acquisition, the purchase price to acquire all the shares in USS is \$3.588 million, with the issue price of each of the 132.89 million new AD1 Shares to be issued to USS Shareholders being \$0.027 (2.7 cents).

The value of USS as assessed by the Independent Expert is significantly lower than \$3.588 million (as described in Section 11 of the Independent Expert's Report), however this is partially offset by the valuation of AD1 being lower than the issue price of the new AD1 Shares to be issued under the Transactions of \$0.027 per Share.

AD1 will also raise \$990,000 in cash under the Placement through the issue of approximately 36.67 million new Shares to Potentate and the Potentate Associates, also at \$0.027 per Share, conditional on the Resolutions being approved and the conditions to the Acquisition being satisfied or waived. Potentate (an entity controlled by Michael Norster, a Director, and with currently 11.51% voting power in AD1) will cornerstone the Placement with an \$800,000 investment. The funds raised under the Placement will be used for short term working capital purposes.

The issue price of \$0.027 per Share is the 25 day VWAP of the Shares prior to 3 January 2019, being the date of the Share Purchase Agreement.

USS Shareholders will receive approximately 132.89 million new Shares in AD1 as consideration for the sale of 100% of USS.

Following completion of the Acquisition (disregarding the Placement and existing Shares held by USS Shareholders), the USS Shareholders are expected to hold approximately 34% of the Enlarged AD1.

Following completion of the Acquisition and Placement, the USS Shareholders and their Associates are expected to own approximately 40% of AD1 (again, this does not include existing Shares held by USS Shareholders and their Associates).

Following completion of the Acquisition and Placement, Potentate and the Potentate Associates (which include Andrew Henderson and Christopher Kuperman) will have a Relevant Interest in 40.46% of the Enlarged AD1.

3.2 Capital Management Issues

As noted in the 2018 Chairman's Address at AD1's Annual General Meeting, the Board and Management of AD1 retained advisers shortly prior to the AGM to assist AD1 with assessing and executing upon AD1's capital management options.

A number of options were explored by AD1 and its advisers to deal with its capital requirements and ability to operate as a going concern, including:

- consideration of the Company's ability to access alternative sources of funding;
- entering into a trade sale; or
- potentially external administration in the absence of any viable alternatives.

The process undertaken by the Board and Management to assess the capital management options available to AD1 was detailed and following its conclusion, the Transactions were identified by the Independent Board Committee as the most viable and reasonable option available to AD1 in the circumstances.

In this regard, the AD1 Board and Management formed the view that, under each of the other capital management options explored, there was no reasonable prospect of any of those other options providing any comfort to shareholders in relation to the going concern issues raised by AD1 in its 2018 Annual Report.

Subsequently, the Independent Board received and considered a proposal led by AD1 Director and substantial Shareholder, Michael Norster, to vend USS into AD1 and provide an important equity capital injection into AD1 (ie. the Transactions).

The Independent Board Committee established to consider the Transactions has formed the view that the Transactions are in the best interests of AD1 and its Shareholders because, among other things, they provide some of the immediate capital required to fund the short term working capital requirements of the Enlarged AD1 and, of all the capital management options explored by AD1, the Transactions (in the opinion of the Independent Directors) provide the clearest and most viable path towards the business of the Enlarged AD1 ultimately becoming a successful and profitable business.

Further, the Independent Directors consider that the prospects of success of any subsequent capital raising required to take the Enlarged AD1 to a breakeven position may well be enhanced as a result of the Transactions.

If the Transactions are not implemented, then it is the view of the Independent Board Committee that the ability of AD1 to continue as a going concern and to fund its operating activities will be dependent on securing urgent additional funding through share placements to new or existing investors or an entitlement issue with existing Shareholders. Access to this urgent additional funding in circumstances where the Transactions are not implemented, is unlikely to be available within the relevant time frame.

In this event, if no other reasonable options are available, the Independent Directors may need to consider the appointment of an external administrator.

Overview of USS

USS is an IT consulting and services business.

Divisional Overview

USS provides IT consulting services to the retail energy sector and CIS Vendor community:

- **Energy Consulting:** assisting clients in understanding the cost of retail energy operations, identifying and quantifying improvement opportunities and reducing regulatory risk exposure;

- **Change Management:** helping clients to adapt iteratively, taking those involved on a journey towards change and adoption. USS offers services to assist with behavioural, technical, political, organisational and transformational change;
- **Technical Assistance:** assisting clients with software and hardware advisement, including CIS configuration, script and code management, workflow interrogation, infrastructure tuning, architecture design, application integration and data insight generation;
- **Possibility Assessments:** reviewing current business practices, reporting and analytics to provide insights and actions required for optimisation of the CIS and resources, assisting COs and managers to tune the business for efficiencies and aligning effort to the strategic vision;
- **New Entrants:** partnering with clients that are new to retail energy competition, to help them establish their business operations and processes for compliance and to make efficient and effective use of resources and the chosen CIS; and
- **New Markets and Products:** assisting clients enter new markets by providing advice and support in CIS configuration, product sales, business process design/review, regulatory and market compliance and new ecosystem application integration.

Financial Summary

USS delivered unaudited revenue of \$3.41 million and normalised EBITDA of negative \$414,238 in FY18 (ie. a normalised loss of \$414,238).

3.3 Benefits of the Transactions and the Enlarged AD1

The Acquisition would create the following benefits:

- access important cost savings and synergies that should reduce its drain on working capital and avoid potential external administration in the immediate term;
- accelerate execution of its technology roadmap, particularly the 'employment ecosystems' required for its institutional corporate customers;
- focus its resources on high yielding revenue, reducing the customer base where necessary to achieve this outcome;
- incorporate a significant and diversified annual revenue stream of ~\$4 million; and
- accelerate the pathway to breakeven.

The AD1 Board recognises that the Acquisition will provide access to material cost savings and synergies, associated with:

- exiting of low yield customers;
- leveraging shared service functions;
- technical capabilities; and
- sharing of Senior Management expertise.

Benefits of management team

The management team of the Enlarged AD1 will combine the specialised knowledge and experience of USS from the retail energy sector and CIS vendor community and AD1's expertise in cloud-based SaaS platforms and digital marketing. By combining these capabilities, the Enlarged AD1 should be able to reduce its drain on working capital and accelerate the pathway to breakeven.

See Sections 6.3, 7.5 and 8 for further information on the directors and the management team of the Enlarged AD1.

3.4 Significant risks and potential disadvantages

The Transactions, and an investment in the Enlarged AD1, have possible risks and disadvantages for Shareholders. The most significant risks and potential disadvantages are summarised in Section 10, and include:

- Risks specific to the Transactions, including:
 - completion of the Transactions;
 - ability of AD1 to continue as a going concern;
 - reliance on information relating to and provided to AD1 by USS;
 - AD1 acquiring all the shares in USS;
 - dilution of current Shareholders and of control of the Enlarged AD1 effectively being obtained by Potentate and the Potentate Associates; and
 - that counterparties to AD1 and USS with material contracts may not consent to (or support in the future) the Acquisition;
- Risks to the Enlarged AD1, including:
 - not realising expected cost savings or synergies;
 - recruitment, retention and motivation of key personnel across AD1 and USS;
 - the level of competition in the SaaS/ IT industry;
 - the viability of the business model of the Enlarged AD1; and
 - legal and other claims or disputes; and
- General risks, including risks relating to:
 - the industries the Enlarged AD1 will operate in or be affected by, including SaaS/ IT and energy retailing; and
 - financial and regulatory risks.

The Independent Directors believe that the potential advantages of the Transactions outweigh the risks and potential disadvantages of the Transactions.

3.5 Independent Directors' recommendation

The Independent Directors believe that the Transactions are likely to be beneficial to you as a Shareholder for a number of reasons. This Section 3 summarises the key potential benefits of the Transactions and the Enlarged AD1, as well as the significant risks and potential disadvantages associated with the Transactions and the Enlarged AD1. Risks are outlined in further detail in Section 10.

The Independent Directors unanimously consider the Transactions to be in the best interests of Shareholders in the absence of a superior proposal.

The Independent Directors (being Michael Kay and Bryan Petereit) unanimously recommend that Shareholders who are not excluded from voting, vote in favour of Resolutions 1 and 2 at the Meeting in the absence of a superior proposal.

Each Independent Director intends to vote that Shares the Director controls in favour of each of the Resolutions proposed at the Meeting, in the absence of a superior proposal.

3.6 Independent Expert's Opinion

AD1 appointed the Independent Expert to prepare an independent assessment of the Transactions and provide an opinion as to whether the Acquisition is fair and reasonable. The Independent Expert is independent of AD1 and USS and the USS Shareholders and has no interest in the outcome of the Transactions other than the preparation of the Independent Expert's Report.

The Independent Expert has concluded that the Acquisition is not fair, but reasonable to the non-associated Shareholders. In forming this opinion, the Independent Expert

assessed whether the proposal is “fair” by comparing the value of the consideration (being the 132.89 million new AD1 Shares being issued to the USS Shareholders) and the value of the equity of USS, and the value of a Share before the Transactions against the value of a Share in the Enlarged AD1 following completion of the Transactions.

The Independent Expert assessed whether the Acquisition is “reasonable” for the non-associated Shareholders by assessing the implications of the Transactions, any available alternatives and the consequences if the Transactions were not completed.

Shareholders should read the Independent Expert’s Report contained at Schedule 1 in its entirety before making a decision as to whether or not to vote in favour of the Resolutions.

4. Overview of the Transactions

This Section 4 sets out a brief overview of the Transactions and should be read in conjunction with the entire Notice of Meeting and Explanatory Statement before you decide how to vote on the Resolutions.

4.1 Overview

The Transactions involve:

- the acquisition by AD1 of all the shares in USS by way of AD1 issuing 132.89 million new AD1 Shares to the USS Shareholders; and
- a Placement to Potentate and the Potentate Associates to raise \$990,000.

4.2 Acquisition of USS

Under the terms of the Share Purchase Agreement, AD1 has agreed to purchase all of the shares in USS for scrip consideration. The USS Shareholders will be issued approximately 132.89 million Shares representing approximately 34% of the total issued Shares in AD1 after completion of Acquisition (disregarding the impact of the Placement). These new AD1 Shares will rank equally with existing Shares on issue.

Under the Acquisition, the purchase price to acquire all the shares in USS is \$3.588 million. The issue price of each of the 132.89 million new AD1 Shares to be issued to USS Shareholders is \$0.027.

At the date of this Notice of Meeting, there are 8 USS Shareholders. A breakdown of the ownership structure of USS is outlined in the table below.

USS Shareholder	% of USS shares held
Potentate Investments Pty. Ltd (ACN 112 551 612) as trustee for the Norster Family Trust	58.43%
Christopher Kuperman	20.15%
All other USS Shareholders (none of whom are Potentate Associates)	21.42%

More detailed information about the Share Purchase Agreement is set out in Section 11.1.

4.3 Placement

Under the Placement, AD1 will raise a total of \$990,000 from the issue of 36,666,667 new Shares at \$0.027 per Share for short term working capital purposes. These new AD1 Shares will rank equally with existing Shares on issue.

The Placement is being made to Potentate (an entity controlled by Michael Norster, a Director of AD1) and Associates of Potentate (Christopher Kuperman and Andrew Henderson). More detailed information regarding Potentate's existing and future interests in AD1 is set out in Section 4.7.

More detailed information about the Placement is set out in Section 11.2.

4.4 Valuation methodology

The value of the consideration for the acquisition of USS was determined by applying a 1x multiple to the approximate \$4 million annual revenue of USS less a potential pre-existing CGT liability amount of \$412,000.

The Shares to be issued by AD1 to the USS Shareholders on completion of the Acquisition under the Share Sale Agreement will be issued at a share price of \$0.027.

The price of \$0.027 is the 25 day VWAP of the Shares prior to 3 January 2019, being the date of the Share Purchase Agreement.

The same price per Share has been used for the Placement.

The Independent Expert considered the 'capitalisation approach' as the most suitable methodology available by the Independent Expert to value both AD1 and USS. The capitalisation approach, also referred to as the 'relative' valuation approach, involves the application of a multiple (selected from market evidence) to the future maintainable earnings of AD1 and USS, as is typical for early stage technology companies. In this case, the Independent Expert valued both AD1 and USS using a revenue multiple approach and its valuation of the Enlarged AD1 represents an aggregation of these values with adjustments for the Placement. Accordingly, the Independent Expert has considered it appropriate to compare the value ranges of AD1 before and after the Transactions.

The Independent Expert also referred to shareholder transactions that USS completed in December 2018 as a method of cross-checking the valuation of USS.

Similarly, the valuation of AD1 was cross-checked using the 'quoted market prices' approach, which is common for listed companies and involves an analysis of the trading activity of AD1's Shares.

Refer to Section 9 of the Independent Expert's Report for further information on the methodologies used to value USS and AD1 and the Enlarged AD1.

4.5 Enlarged AD1 aggregated historical pro forma performance

An overview of the aggregated unaudited historical financial performance of USS combined with the audited financial performance of AD1 businesses is set out below.

\$AUD ('000)	FY 15	FY 16	FY 17	FY 18
Total revenue	1,539	2,586	4,044	5,554
Revenue from services	1,324	2,334	3,756	5,129
R&D Tax Incentive	215	252	288	425
Net revenue	1,527	2,563	3,982	5,415
Total operating expenses	(2,612)	(6,130)	(8,639)	(10,587)
Salary & wages	(1,267)	(2,327)	(5,057)	(5,902)
Professional fees & Consulting	(268)	(1,460)	(1,018)	(1,730)
General & administrative	(235)	(498)	(735)	(760)
Software & Technology	(378)	(492)	(432)	(735)
Marketing	(465)	(1,353)	(1,397)	(1,461)
EBITDA	(1,085)	(3,568)	(4,657)	(5,172)
Depreciation	(10)	(27)	(44)	(29)
EBIT	(1,095)	(3,595)	(4,701)	(5,202)
Interest expense (net)	(24)	(122)	(16)	2
Pre-tax income	(1,119)	(3,717)	(4,717)	(5,200)
Tax	(15)	0	0	0
Net profit/(loss)	(1,135)	(3,717)	(4,717)	(5,200)

Notes:

1. The financial information presented above is a summary only and should be read in conjunction with the more detailed discussion of the financial information in Section 9, including the assumptions, management discussion and analysis.

4.6 Management team and changes to the Board

As announced by AD1 on 3 January 2019, current CEO Lorcan Barden will leave AD1 and vacate his position as CEO on 1 March 2019. AD1's founder Bryan Petereit will become the new CEO and Managing Director of the Company from this time.

AD1's current Chairman, Michael Kay, will also be resigning his position as Chairman and Non-Executive Director on completion of the Transactions.

Andrew Henderson, a current director of USS, will be appointed as a Non-Executive Director upon completion of the Transactions and the management team will be enhanced by the appointment of Daniel Pludek, who will have overall responsibility for the IT operations across the Enlarged AD1. See Section 7.5 for information about the qualifications and experience of Andrew Henderson and Daniel Pludek.

The management structure of the Enlarged AD1 will continue to evolve post-completion as the businesses are integrated.

4.7 Significant Shareholders of the Enlarged AD1

At the date of this Notice of Meeting, Potentate (an entity controlled by Michael Norster) holds 11.51% of AD1 Shares and Potentate and the Potentate Associates collectively have a Relevant Interest in 12.18% of AD1 Shares.

As set out in the table and information below:

- upon completion of the Acquisition, approximately 34% of the Shares will be held by the USS Shareholders (disregarding the impact of the Placement and existing Shares held by Potentate and the Potentate Associates); and
- upon completion of the Transactions:
 - Shares representing approximately 40% of the Enlarged AD1 will be issued to USS Shareholders and their Associates;
 - including the existing Shares held by Potentate and the Potentate Associates:
 - the USS Shareholders and their Associates will hold 47.15% of the Shares of the Enlarged AD1; and
 - Potentate and the Potentate Associates will have a Relevant Interest in 40.46% of the Enlarged AD1's Shares.

Item	Before Transactions	After Acquisition only	After Transactions
Total Shares on issue	256,299,656	389,188,545	425,855,212
Shares issued to USS Shareholders and Associates under the Transactions	-	132,888,889 (34.15%)	169,555,556 (39.82%)

Potentate currently holds 29,489,383 Shares, being a shareholding in AD1 of 11.51%. Potentate will be issued 77,646,978 new AD1 Shares as part of the Acquisition and 29,629,630 new AD1 Shares under the Placement. By including the AD1 Shares currently held by Andrew Henderson (refer below), Potentate currently has a Relevant Interest in 12.18% of AD1 Shares.

The Potentate Associates will also be issued new AD1 Shares, being:

- Christopher Kuperman (an existing USS Shareholder) who will be issued 26,777,112 Shares as part of the Acquisition and 4,259,259 Shares under the Placement; and
- Mr Andrew Henderson (an existing Shareholder and a director of USS) who will be issued 2,777,778 Shares under the Placement. Mr Andrew Henderson also currently holds 1,733,988 Shares.

The voting power of Potentate and the Potentate Associates on completion of the Transactions is set out in the table below.

Item	Shares held after Transactions
Potentate	136,765,991
Christopher Kuperman	31,036,371
Andrew Henderson	4,511,766
Total	172,314,128
	Voting power: 40.46%

4.8 Conditions of Transactions

The acquisition of USS is conditional upon, among other things:

- Shareholders approving the Resolutions;
- no material adverse change occurring in respect USS;
- no warranty breaches occurring under the Share Purchase Agreement; and
- any material third party or regulatory approvals or consents (including from ASX and ASIC) reasonably required or desired by AD1 to be obtained in connection being obtained.

The Placement is conditional upon, among other things, the conditions to the Acquisition being satisfied or waived.

Refer to Section 11 for further information about the conditions to the Transactions being completed.

5. Industry Overview

This Section sets out information about the industry in which AD1 and USS operate.

5.1 Market overview

Enlarged AD1's operations in the market and the competitive landscape

AD1 and USS service different industries in the broader SaaS market, with AD1 providing and developing customer branded recruitment marketing platforms and related digital services and USS providing IT consulting services and computer system design to energy retailers.

The Enlarged AD1 will continue to operate in those industries in the SaaS market.

Online Recruitment

Companies operating in the online recruitment industry generally derive revenue from employers paying to list potential job openings on their site. These companies focus on maintaining and providing an online database of potential employee candidates, which customers (ie. employers) may access for a fee. Paid online advertisements (or 'banners') also provides a source of revenue for such companies.

Computer System Designs

The computer system design industry involves participants providing outsourced IT expertise to customers. Companies in this industry develop and implement software systems and business-specific solutions, and provide IT consulting services, testing and user support. Implementation of software systems and business-specific solutions requires integrating those systems into the customer's hardware, software, cloud and telecommunications technologies.

Please refer to Section 8 of the Independent Expert's Report for further details.

5.2 Industry drivers and trends

AD1 and USS operate in competitive environments.

AD1

AD1 differentiates itself from its competitors with its focus on reducing reliance on intermediary recruitment companies or agencies, and allowing the customer (the employer) to drive the recruitment process.

Key drivers of the industry include:

- demand from employment services;
- increase in the size of the total labour force;
- positive business confidence;
- reductions in national unemployment;
- the total number of part-time employees in the labour force; and
- the number of internet connections in Australia.

The industry is currently undergoing significant disruption from Google, as it moves into the online recruitment space. AD1 has announced its collaboration with Google's Cloud Job Discovery to leverage its technology platform and drive increased traffic to their customers' websites.

Please refer to Sections 8.1.2 and 8.1.3 of the Independent Expert's Report for further details.

USS

Advancements in technology and the rapid increases in adoption of cloud computing are viewed as drivers the computer design services and IT consulting industries, as they directly result in increased demand for system upgrades and support services.

Other key drivers include:

- increased expenditure on computer software;
- increased expenditure on computer systems by the government departments and public companies;
- positive business confidence;
- increased use of computers, internet, mobile phone and other business technologies; and
- the number of internet connections in Australia.

Please refer to Section 8.2.2 of the Independent Expert's Report for further details.

5.3 Industry outlook

The revenue outlook for online recruitment services in Australia is set to continue its trend upwards with spending on recruitment intermediaries expected to reach \$17.2 billion by 2025. Currently, an estimated \$12 billion is spent in the recruitment market on intermediaries. AD1 will continue to target its customers' use of recruitment intermediaries, with the growth and development of its recruitment marketing platform, intended to eliminate the need for these intermediaries.

Similarly, the growth of the computer design services industry is expected to increase and reach approximately \$62.1 billion by 2025.

The rapid increase in the use of technology in businesses has fostered increased demand for IT consulting and user support, particularly with the recent trend of cloud computing in Australia.

Please refer to Section 8 of the Independent Expert's Report for further details.

6. Information about AD1

This Section provides information on AD1.

6.1 Overview of AD1's key business components

AD1 listed on the Australian Securities Exchange by way of an IPO in June 2016. At the time of listing, the Company's focus was on developing its own branded market-wide online database and search platform to link employers and job candidates directly to live job opportunities on the employer's website.

In the 18 months post-IPO and ASX listing the industry experienced profound changes, most notably the proliferation of job advertising on social media, as well as the launch of Google Job Search and Google for Jobs. This changing landscape, combined with customer feedback, informed the Company's strategic pivot, which centred on leveraging its intellectual property to the development of customer branded recruitment marketing platforms and the provision of related digital services.

6.2 Overview of AD1's business model

AD1 generates its revenue from the following sources:

- **Managed Services:** fees paid by employers for the hosting and maintenance of their AD1 powered recruitment marketing platforms and the provision of related digital marketing services. Managed services continue to be a key focus area for AD1. In addition, AD1 is also in the process of converting legacy clients, with standalone digital marketing contracts, to the managed services model which is more consistent with the industry direction as noted above. Management notes that project revenue (refer below) ultimately contributes to higher managed services fees and creates greater reliance on AD1 from such customers.
- **Projects:** the initial development and implementation of recruitment marketing platforms (e.g. Careers.VIC), and subsequent functionality enhancements (e.g. development of the iworkfor.nsw mobile app) and new e-recruitment integrations (e.g. integration of VicRoads and Department of Education to the Careers.VIC portal). It is noted that a significant portion of project revenue generated has proven to be recurring, particularly in relation to new e-recruitment integrations.
- **Digital media & advertising:** fees for AD1 conducting marketing campaigns by generating visits to a customer's advertisements placed on AD1's platforms. AD1 generates visits organically via its own subscriber base and also drives traffic where required through paid advertising, e.g. Google Ads. Consistent with its strategy, the Company will shift its focus from media advertising on ApplyDirect and HealthBuzz platforms, to media advertising on the customer branded platforms.

6.3 Director profiles

Director	Expertise, experience and qualifications
Michael Kay Non-Executive Chairman	Michael Kay is currently Chairman of City Chic Collective Limited (ASX:CCX), IMF Bentham Limited (ASX:IMF) and ApplyDirect Limited (ASX:AD1) and a Non-Executive Director of Royal

Director	Expertise, experience and qualifications
	<p>Automobile Club Insurance (WA) Pty Limited. He was previously a non-executive director of Quintis Ltd.</p> <p>A qualified lawyer, Michael brings a broad range of commercial experience to the Board. Michael was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX:MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law.</p>
<p>Michael Norster Non- Executive Director</p>	<p>Michael Norster has been and is the major driving force in forming a number of successful, start up, Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006.</p> <p>He is the founder and executive chairman of the Green Generation group of private companies which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy.</p> <p>Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications). Michael is also the controller of Potentate Investments Pty Ltd, which is the holder of 11.51% of AD1's voting shares and AD1's largest single shareholder.</p> <p>Michael was appointed to the Board on 29 May 2018.</p>
<p>Bryan Petereit CTO and Executive Director</p>	<p>Bryan is the founder and Chief Technology Officer of AD1. Bryan commenced his working career with IBM Australia. Subsequently, he worked in the IT sector in management roles with Ferntree Computer Corporation and, following its acquisition with IT division of GE Capital. Prior to his current role at AD1, Bryan commenced, ran and ultimately sold (to the Finite Group) his own IT recruitment business. Bryan holds a Master of Applied Finance from Macquarie University and a Bachelor of Science Degree, major in Computer Science.</p> <p>Bryan has been a Director of AD1 since prior to its ASX listing.</p>

6.4 Interests and benefits of Directors

Other than:

- the current shareholdings of Directors;
- the issue of new AD1 Shares to Potentate and the Potentate Associates to acquire their USS shares (details of which are set out in Section 4); and
- the participation in the Placement by Potentate and the Potentate Associates (details of such participation are set out in Section 4),

no current Director holds at the date of this Notice of Meeting an interest in or material to the Transactions.

(a) Directors interests in Shares and Options as at the date of this Notice of Meeting

As at the date of this Notice of Meeting, the number of Shares and Options owned or controlled by the Directors (not including their Associates) is as follows:

Director	No. of Shares	No. of Options	% of all Shares on issue before Transactions
Michael Kay	7,277,776	17,444,443	2.84%
Michael Norster	29,489,383	2,055,555	11.51%
Bryan Petereit	21,237,521	277,777	8.29%

(b) Directors interests in Shares and Options – immediately following completion of the Transactions

Immediately following completion of the Transactions, the number of Shares and Options owned or controlled by the Directors as at that time (not including their Associates) will be as follows:

Director	No. of Shares	No. of Options	% of all Shares on issue after Transactions
Michael Norster	136,765,991	2,055,555	32.12%
Bryan Petereit	21,237,521	277,777	4.99%
Andrew Henderson	4,511,766	444,444	1.06%

(c) Fees given or agreed to be given in connection with the Transactions

No fees or benefits have been given or agreed to be given to the current Directors or senior management of AD1 in connection with the Transactions.

6.5 AD1 capital structure and ownership

(a) Shares and Options on issue

As at the date of this Notice of Meeting:

- there are a total of 256,299,656 Shares on issue held by approximately 623 Shareholders;
- the top 20 Shareholders hold approximately 49.64% of all issued Shares; and
- there are also a total of 77,949,053 Options on issue.

Other than Shares and Options, AD1 does not have any other type of securities on issue.

(b) Substantial holders

As at the date of this Notice of Meeting, AD1's substantial holders (excluding nominee holders) are as follows:

Name	Number of Shares held	% of all Shares on issue
Potentate Investments Pty Ltd (an entity controlled by Michael Norster)	29,489,383	11.51%
Werndex Pty Ltd (an entity controlled by Bryan Petereit)	19,431,967	7.58%

6.6 Publicly available information

Shares are listed for quotation on ASX and AD1 is obliged to comply with the continuous disclosure requirements of ASX and the Corporations Act.

Announcements made by AD1 to the ASX announcement platform are available from the ASX's website at www.asx.com.au).

7. Information about USS

This Section provides information on USS.

7.1 What is USS?

USS is a privately-owned company providing professional services into the Australian retail energy sector. Services provided by USS include IT consulting, BPO and implementation of programming systems and business solutions. USS' particular expertise is in developing and integrating enterprise cloud-based platforms for Australian energy retailers to automate their customer billing, sales and marketing operations.

The company has grown over the past four years as information technology in the energy industry required regular upgrades and enhancements, with energy providers outsourcing non-essential systems operations.

In the financial year ending 30 June 2018, USS generated (unaudited) revenue of \$3.41 million, with a normalised EBITDA of (\$414,238).

For more information on USS go to www.utilitysoftwareservices.com.

7.2 How is USS structured?

The corporate structure of USS is straightforward, being an Australian proprietary company with 8 shareholders (including Potentate, an entity controlled by Michael Norster, a Director of AD1, which owns 58.43% of the share capital of USS). USS has no subsidiaries.

7.3 What is USS's business model?

USS' core business operations include IT consulting and providing energy retailers with a complete cloud based solution that streamlines business operations, regulatory and market compliance.

The company earns revenue from three main service offerings:

- IT systems consulting and support;
- Software-as-a-Service ('SaaS') for billing, sales, price comparison and customer portals (configuration, infrastructure, provisioning and support); and
- BPO services which provide customers with an operational outsourcing arrangement alleviating the retailers need to manage customer billing queries.

7.4 What is USS's strategy?

Due to the complexity of business processes within the retail energy sector, it is not always viable for energy providers to enable their 'SME' customers to manage and track their own consumption and billing.

USS has developed software that provides retailers, sales agents and customers with a customisable billing and energy consumption tracking platform. The short-to-medium term focus of the business is to expand its IT consulting and BPO services. Management of USS believe that no incremental working capital is required to execute its strategy, which is expected to deliver sustainable profitability from the second half of FY2019 onwards.

7.5 Who are the directors and senior management of USS?

Executive	Expertise, experience and qualifications
Mr Michael Norster	See Section 6.3.
Mr Andrew Henderson	<p>Andrew Henderson has over 20 years of experience in Technology products and services businesses. Having worked in Asia in the early 2000's he returned to Australia to found Phoenix IT&T Consulting Pty Ltd, and was acting as CEO and Executive Director of Phoenix for 13 years. Phoenix was sold to ASX listed DWS Limited in 2015 with 240 consultants at the time of the sale. Currently, he is the Executive Director of Jitterbit Pty Ltd in the Australian and New Zealand region, a Gartner leading eiPaaS (Enterprise Integration Platform as a Service) and OCG Systems Pty Ltd an integration managed service business. He is also a Non-Executive Director of Utility Software Services Pty Ltd.</p> <p>Andrew has a Diploma in Financial Markets, a Master of Science (Information Technology), he is a Member of the Australian Institute of Company Director and a Senior Associate of FINSIA.</p>
Mr Daniel Pludek	<p>Daniel Pludek is a global leader of strategy and change with over 19 years of experience adding value and outcomes to a range of organizations from Banking to Energy. He has a deep expertise in business and IT transformation with specific experience in implementing strategies to drive innovation, security, efficiency, growth and true change. His career has included involvement in Tier 1 organisations and start-up businesses which have successfully implemented exit strategies. Daniel is a USS Director and donates his time to helping new residents through the AMES mentor program.</p>

7.6 Who are the USS directors being appointed to the AD1 board?

Mr Andrew Henderson is being appointed as a Non-Executive Director of AD1.

7.7 Is there any litigation affecting USS?

Throughout the due diligence process, AD1 has not become aware of any ongoing litigation impacting USS.

8. Information about the Enlarged AD1

This Section provides information about the Enlarged AD1.

8.1 Overview of the Enlarged AD1

Following completion of the Transactions, the scale of AD1's existing operations will be significantly expanded, creating new revenue streams in the IT consulting and services market, particularly in the retail energy sector.

The Enlarged AD1 will comprise:

- AD1's current business of providing customer branded recruitment marketing platforms and related digital services; and
- USS's IT consulting and support services business with particular expertise and experience in the retail energy sector.

The Enlarged AD1 generated pro forma revenue of \$5.55 million in FY18, based on the FY18 audited accounts for AD1 and the unaudited accounts for USS.

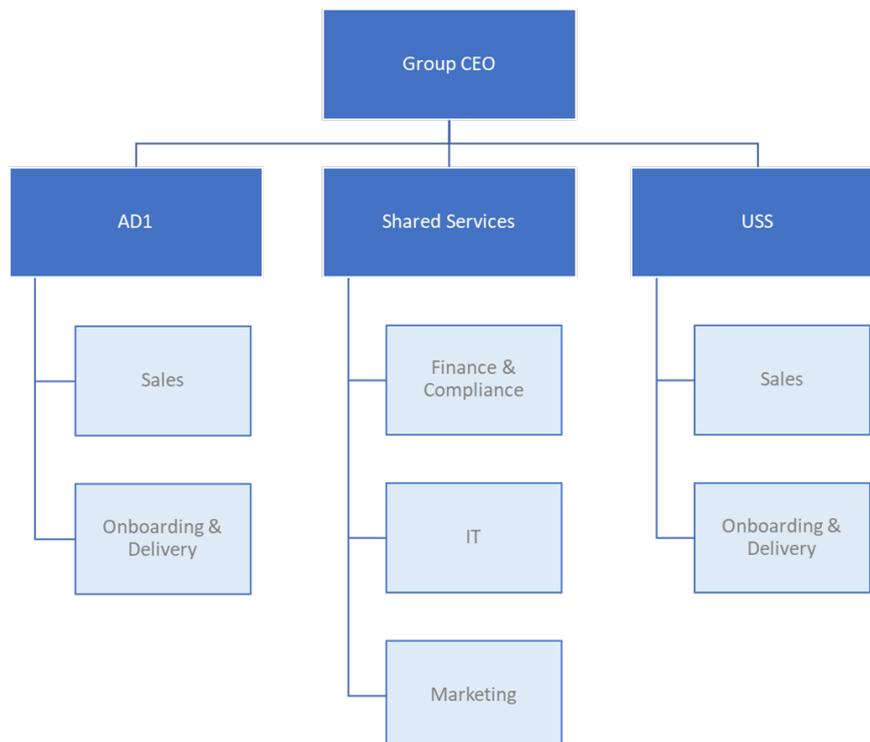
For further information in relation to the existing operations of AD1 and USS refer to Sections 6 and 7 respectively.

8.2 What will the Enlarged AD1's strategy be?

From a target market and customer viewpoint, AD1 will continue its focus on high yielding customers particularly in the Government and institutional corporate sectors. Similarly, USS' focus will remain on expanding its IT and BPO services offering.

As part of its capital management plan, AD1 is currently undertaking a process to focus its resources on high yielding revenue, reducing the customer base where necessary to achieve this outcome.

Illustrated below is the Enlarged AD1 organisational structure, which is intended to be implemented following completion of the acquisition.



From a sales and customer on boarding / delivery perspective, both businesses will operate relatively independently, albeit reporting to the Enlarged AD1's CEO.

However, the bulk of the cost savings and synergies expected to be delivered by the Acquisition relate to senior management, technical expertise and support services, which will be shared across both entities. This includes IT development (local and offshore), finance and compliance and marketing.

Further cost savings are expected to be generated through the reduction in low yielding customers referred to above.

A detailed review of the Enlarged AD1 will be undertaken shortly following Completion to confirm the initial synergies assessment.

Following integration of USS, management intends to explore other complimentary acquisition targets to further accelerate the growth of the Enlarged AD1.

8.3 What are the other intentions for the Enlarged AD1?

The statements set out in this Section 8 are statements of current intentions only which may change as new information becomes available or circumstances change. Any decisions will only be reached after implementation when all material facts and circumstances are known to the Board of the Enlarged AD1.

8.4 What will the Enlarged AD1 capital and ownership structure be?

(a) Shares, Options and Performance Rights on issue after Completion of the Transactions

Issued Share Capital	Number of Shares
Existing Shares on issue as at the date of this Notice of Meeting	256,299,656
Options on issue as at the date of this Notice of Meeting	77,949,053
Consideration Shares to be issued on completion of the Acquisition	132,888,889*
New Shares issued under the Placement	36,666,667
Total (undiluted) Shares on issue after completion of the Transactions	425,855,212
Total (fully diluted) Shares on issue after completion of the Transactions	503,804,265

*Subject to rounding in accordance with the Share Purchase Agreement

(b) **Voting power of substantial holders of the Enlarged AD1 at completion**

	Voting power before the Transactions		Voting power after the Transactions	
	No. of Shares ¹ in which hold a Relevant Interest	% of Shares on issue	No. of Shares ¹ in which hold a Relevant Interest	% of Shares on issue
Potentate Investments Pty Ltd ² , Christopher Kuperman and Andrew Henderson	31,223,371	12.18%	172,314,128	40.46%
Entities controlled by Bryan Petereit	21,237,521	8.29%	21,237,521	4.99%

Notes:

1. Assuming Options are not exercised.
2. Christopher Kuperman and Andrew Henderson are Associates of Potentate.

8.5 What is the dilutive impact of Shares issued under the Transactions on existing Shareholders?

The Transactions contemplate the issue of Shares for the acquisition of USS and under the Placement. As a consequence of the issue of these new AD1 Shares, the number of Shares on issue will increase by approximately 66.16% and, to the extent that existing Shareholders do not participate in the Placement, their proportional ownership of AD1 will be reduced quite significantly.

In this regard, immediately following completion of the Transactions, the 256,299,656 AD1 Shares on issue as at the date of this Notice of Meeting will only comprise around 60% of the Enlarged AD1's share capital.

In addition, AD1 may need to raise further capital shortly after completion of the Transactions. Any further capital raisings will have a further dilutive effect on the holdings of an existing AD1 Shareholder.

8.6 How will the Enlarged AD1 be financed?

It is expected that the Enlarged AD1's operations in the short term will be financed out of cash balances and the proceeds of the Placement as well as some operating cash flows.

After completion of the Transactions, it is expected that the Enlarged AD1 may need to raise further capital to continue to fund its ongoing working capital requirements.

In this regard, AD1 has always been a loss making entity and on completion of the Transactions this will remain the case.

(a) Pro forma net cash

The Enlarged AD1 had pro forma (unaudited) net cash of \$2.74 million at 30 June 2018.

(b) Placement

The Placement will raise further cash of \$990,000 which will be used for short term working capital needs.

(c) Transaction costs

Certain transaction costs will be incurred by AD1 and USS in connection with the Transactions, which include due diligence, advisor, legal, printing and other service provider costs and which are estimated at \$267,000 in total.

(d) Pro forma equity and indebtedness

The table below sets out the expected equity and indebtedness of the Enlarged AD1 at completion of the Transactions.

Item	28 February 2019 \$ (million)
Cash	\$2.62 million
Net Current Debt	\$632,000
Net Non-current Debt	\$333,000
Net total indebtedness / (net cash)	\$1.65 million
Total equity	\$1.65 million

8.7 Who will be the directors of the Enlarged AD1

Michel Kay, Non-Executive Chairman, will be resigning his position on completion of the Transactions.

In addition to the other existing Directors, Michael Norster and Bryan Petereit (information about these Directors is set out in Section 6.3), Andrew Henderson will join the Board as a Non-Executive Director.

Information about Andrew Henderson is set out in Section 7.5.

8.8 Who will be the senior management of the Enlarged AD1?

Lorcan Barden's role as CEO of AD1 will end on 1 March 2019. Bryan Petereit will assume the role of AD1's CEO and Managing Director from this time.

The executive team will comprise of Daniel Pludek, who will have overall responsibility for the IT operations across the Enlarged AD1, and Prashant Chandra who will be the Enlarged AD1's CFO & Company Secretary.

8.9 What are the interests of the Enlarged AD1's directors on completion of the Transactions?

Director	No. of Shares in which Director holds a Relevant Interest immediately after Acquisition and Placement	Voting power after Acquisition and Placement
Michael Norster / Andrew Henderson	172,314,128	40.46%
Bryan Petereit	21,237,521	4.99%

8.10 Corporate Governance of the Enlarged AD1

The Board believes it is important that the Enlarged AD1 is properly managed to protect and enhance Shareholder interests, and that the Enlarged AD1, its Directors, officers, employees and contractors operate in an appropriate environment.

The Enlarged AD1 intends to remain listed on ASX. The ASX Corporate Governance Council has developed and released the Corporate Governance Principles and Recommendations (ASX Recommendations) for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The Enlarged AD1 will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period.

The Enlarged AD1 intends that AD1's existing charters, policies and procedures will remain effective immediately following completion of the Transactions. Those corporate governance charters and policies reflect the ASX Recommendations to the extent the Board considers it reasonable for AD1 to comply with them. The Enlarged AD1 intends to review those charters, policies and procedures following completion of the Transactions, and may make changes to them that the Enlarged AD1 considers to be necessary or desirable to reflect the structure and operations of the Enlarged AD1. The Board may not consider it appropriate for AD1 to comply with all of the ASX Recommendations after that review.

8.11 Dividend policy of the Enlarged AD1

The Board will consider dividend levels from time to time, taking into account such factors including maintenance of a prudent level of working capital reserves and subject always to all relevant laws. The Enlarged AD1 will not be in a position to declare any form of dividend or distribution in the short term.

No assurances can be given by any person, including the directors, about the payment of any dividend and the level of franking on any such dividend.

8.12 Capital management policy of the Enlarged AD1

The Placement is being undertaken to provide funding for AD1's short term working capital needs.

8.13 Related party transactions of the Enlarged AD1

USS provides services to BlueNRG Pty Ltd under a long term contract. It is noted that Michael Norster and Christopher Kuperman are both directors of BlueNRG Pty Ltd. The directors of USS believe that this contract is on an arm's length basis.

9. Financial information

This Section 9 provides an overview of relevant financial information relating to AD1 and USS and the Enlarged AD1 on completion of the Transactions.

9.1 Introduction

This Section 9 comprises a summary of the financial information that the Directors consider is relevant for:

- AD1 for the year ended 30 June 2018;
- USS for the year ended 30 June 2018; and
- the Enlarged AD1 on completion of the Transactions.

9.2 Overview and basis of preparation

(a) AD1 Overview

Section 9.3 contains a summary of the following financial information in relation to AD1:

- (i) the historical consolidated Statement of Profit & Loss for the year ended 30 June 2018, as set out in Section 9.3(a);
- (ii) the historical consolidated Statement of Financial Position for the year ended 30 June 2018, as set out in Section 9.3(b); and
- (iii) the historical consolidated Statement of Cash Flows for the year ended 30 June 2018, as set out in Section 9.3(c),

collectively referred to as “**Historical Financial Information – AD1**”.

Historical Financial Information – AD1 summarises selected financial data derived from AD1’s latest audited financial statements for the year ended 30 June 2018. AD1’s consolidated financial statements for the year ended 30 June 2018 were audited by Grant Thornton.

Grant Thornton's audit opinion was not modified but it did note the existence of a material uncertainty with respect to AD1's standing as a going concern. In this regard, in the notes to AD1's financial statements for the year ended 30 June 2018, the Directors note that their view (at the date of AD1's 2018 Annual Report, being 27 September 2018) was that the ability of AD1 to continue as a going concern and being able to fund its operating activities is dependent on securing additional funding through share placements to new or existing investors or an entitlement issue with existing Shareholders, prior to the end of FY19.

AD1 is listed on ASX and AD1 is obligated to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

Announcements made by AD1 to the ASX companies announcement platform are available from the ASX website (www.asx.com.au).

(b) USS Overview

Section 9.4 contains a summary of the following financial information in relation to USS:

- (i) the unaudited historical Statement of Profit & Loss for the year ended 30 June 2018, as set out in Section 9.4(a);

- (ii) the unaudited historical Statement of Financial Position for the year ended 30 June 2018, as set out in Section 9.4(b); and
- (iii) the unaudited historical Statement of Cash Flows for the year ended 30 June 2018, as set out in Section 9.4(b),

collectively referred to as “**Historical Financial Information – USS**”.

Significant accounting policies on which the Historical Financial Information – USS is based are included in Section 9.4(d).

The Historical Financial Information – USS summarises selected financial data derived from USS’s unaudited management accounts for the year ended 30 June 2018.

As the USS business is not considered to be a reporting entity, it is not required to have its financial statements audited.

Investors should be aware that past performance is not an indication of future performance.

(c) Enlarged AD1

Section 9.5 contains a summary of the following financial information in relation to the Enlarged AD1:

- (i) the pro-forma Statement of Profit & Loss for the year ended 30 June 2018, as set out in Section 9.5(a); and
- (ii) the pro-forma Statement of Financial Position for the year ended 30 June 2018, as set out in Section 9.5(b),

collectively referred to as “**Pro Forma Financial Information – Enlarged AD1**”.

(d) Basis of Preparation

The Historical Financial Information – AD1, the Historical Financial Information – USS and the Pro Forma Financial Information – Enlarged AD have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, and have been prepared in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of Australian Accounting Standards. The Historical Financial Information – AD1, the Historical Financial Information – USS and the Pro Forma Financial Information – Enlarged AD1 are presented in an abbreviated form and do not include all of the disclosures usually provided in financial statements prepared in accordance with the Corporations Act.

The information set out in Sections 9.3, 9.4 and 9.5 should be read together with:

- (i) the information outlined in Sections 6 and 7; and
- (ii) the risk factors described in Section 10.

The Pro Forma Financial Statements – Enlarged AD1 has been prepared in order to give investors a guide as to the performance and position as if the Transactions had taken place at 30 June 2018 and (as it relates to cash) 31 December 2018 and in the circumstances noted in this Notice of Meeting and does not purport to state the actual financial performance and position at the time the Transactions are effected and implemented.

Investors should be aware that past performance is not an indication of future performance.

9.3 Historical Financial Information – AD1

(a) Historical consolidated Statement of Profit & Loss

The historical consolidated Statement of Profit & Loss has been extracted from the audited consolidated financial statements of AD1 for the year ended 30 June 2018.

For the purposes of this Notice of Meeting, the Independent Directors have considered the proposed disclosure in the context of the Transactions and have determined that no adjustments need to be made to the presentation and disclosure of any of the items disclosed above.

Statement of Profit & Loss	
₩AUD ('000)	FY 18
Net revenue	2,148
Revenue from services & other income	1,724
R&D Tax Incentive	425
Total operating expenses	(6,906)
Salary & wages	(3,079)
Professional fees & Consulting	(1,168)
General & administrative	(464)
Software & Technology	(735)
Marketing	(1,461)
EBITDA	(4,758)
Depreciation	(13)
EBIT	(4,770)
Interest expense (net)	10
Pre-tax income	(4,761)
Tax	0
Net income	(4,761)

(b) Historical consolidated Statement of Financial Position

The historical consolidated Statement of Financial Position has been extracted from the audited consolidated financial statements of AD1 for the year ended 30 June 2018.

Statement of Financial Position	
\$AUD ('000)	FY 18
ASSETS	
Current assets	
Cash & cash equivalents	2,729
Trade debtors/receivables	834
Total current assets	3,563
Non-current assets	
Property, plant and equipment	35
Other non-current assets	17
Total non-current assets	51
TOTAL ASSETS	3,614
LIABILITIES	
Current liabilities	
Short term interest bearing liabilities	-
Trade creditors/payables	479
Employee provisions	200
Unearned revenue	74
Total current liabilities	753
Non-current liabilities	
Employee provisions	6
Total non-current liabilities	6
Total liabilities	759
Net assets/total	2,855
Equity	
Issued capital	20,439
Reserves	1,429
Accumulated losses	(19,013)
Total equity	2,855

(c) Historical consolidated Statement of Cash Flows

The historical consolidated Statement of Cash Flows has been extracted from the audited consolidated financial statements of AD1 for the year ended 30 June 2018.

Statement of Cash Flows	
(\$AUD ('000))	FY 18
CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	1,540
Payments to suppliers and employees	(6,690)
Interest and other costs of finance paid	(5)
Other income	14
R&D claim	287
Total	(4,854)
CASH FLOW FROM INVESTING ACTIVITIES	
Payments for PP&E	(15)
Total	(15)
CASH FLOW FROM FINANCING ACTIVITIES	
Repayments of Borrowings	-
Proceeds from Borrowings	-
Proceeds from Issue of Shares	4,575
Capital Raising Costs	(187)
Total	4,388
Net change in cash	(481)
Cash opening balance	3,210
Cash closing balance	2,729

The closing cash position of AD1 as at 31 December 2018 was \$1.69 million.

9.4 Historical Financial Information – USS

(a) Historical consolidated Statement of Profit & Loss

Statement of Profit & Loss	
\$AUD ('000)	FY 18
Revenue	3,405
Gross profit	3,266
Salary & wages	(2,522)
Commissions	(257)
Contractors	(562)
General & administrative (excl. D&A)	(296)
Director fees	(44)
Total operating expenses	(3,680)
EBITDA	(414)
EBITDA margin	(0)
Depreciation	(16)
EBITA	(431)
Amortisation	0
EBIT	(431)
EBIT margin	N/A
Interest expense (net)	(8)
Pre-tax income	(439)
Effective taxes	0
Net income	(439)

(b) Historical consolidated Statement of Financial Position

Statement of Financial Position	
\$AUD ('000)	FY 18
CURRENT ASSETS	
Cash	9
Trade and other debtors/receivables	68
Total current assets	77
NON-CURRENT ASSETS	
Property, plant and equipment	72
Intangible assets	400
Other non-current assets	-
Total non-current assets	472
LIABILITIES	
Short term interest bearing liabilities	220
Trade creditors/payables	58
Other creditors/payables	137
Provisions	237
Other short/long term liabilities	-
Total liabilities	652
NET ASSETS	(103)
EQUITY	
Issued capital	240
Revaluation reserves	400
Retained earnings	(743)
Total equity	(103)

(c) USS cash position as at 20 January 2019

The cash balance of USS as at 20 January 2019 is \$866,079.

(d) Summary of USS's significant accounting policies

Basis of Preparation

USS is a non-reporting entity since there are unlikely to be any users who would rely on general purpose financial statements of USS.

The special purpose financial statements have been prepared in accordance with the significant accounting policies described below and do not necessarily comply with Australian Accounting Standards unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Specific policies

The following is an extract from the unaudited US\$ general purposes financial statements for the year ended 30 June 2018.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(ii) Property, Plant and Equipment

Property, plant and equipment are carried at cost. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the company.

(iii) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST.

(iv) Trade and Other Payables

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the company that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

(v) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

9.5 Pro Forma Financial Information – Enlarged AD1

(a) Pro Forma Statement of Profit & Loss

Statement of Profit & Loss	
\$AUD ('000)	FY 18
Total revenue	5,554
Total operating expenses	(10,587)
Net profit/(loss)	(5,200)

(b) Pro Forma Statement of Financial Position

Statement of Financial Position	
\$AUD ('000)	FY 18
ASSETS	
Current assets	
Cash & cash equivalents	2,738
Trade debtors/receivables	902
Total current assets	3,640
Non-current assets	
Property, plant and equipment	107
Intangible assets	400
Other non-current assets	17
Total non-current assets	524
TOTAL ASSETS	4,164
LIABILITIES	
Current liabilities	
Short term interest bearing liabilities	220
Trade creditors/payables	537
Employee provisions	437
Other creditors/payables	137
Unearned revenue	74
Total current liabilities	1,405
Non-current liabilities	
Employee provisions	6
Total non-current liabilities	6
Total liabilities	1,411
Net assets/total	2,753
Equity	
Issued capital	20,679
Reserves	1,829
Accumulated losses	(19,756)
Total equity	2,753

9.6 Transaction costs

AD1 expects to incur transaction costs of approximately \$267,000 if the Transactions complete.

10. Risk Factors

10.1 Introduction

Before deciding how to vote on the Resolutions, you should carefully consider the risk factors discussed in this Section 10, as well as other information contained in this document and seek independent professional advice.

This Section 10 provides a summary of risks only. It does not take into account the investment objectives, financial situation, taxation position or particular needs of Shareholders.

Additional risks and uncertainties not currently known to AD1, or which AD1 considers to be immaterial, may also have an adverse effect on the value of Shares. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.

This Section 10 outlines the key, but not all, risks associated with an investment in the Enlarged AD1 and the value of the AD1 Shares and other risks that Shareholders should be aware of.

These risks include:

- risks specific to the Transactions;
- risks to the Enlarged AD1; and
- general risks.

10.2 Risks specific to the Transactions

Completion Risks

- (a) Completion of the Transactions will only occur where all the conditions to completion have been either satisfied or waived, including:
- (i) the Independent Expert's Report concluding that the Acquisition is "fair and reasonable to", "not fair but reasonable to" or "in the best interests of" the non-associated Shareholders;
 - (ii) the Shareholders approving the Resolutions;
 - (iii) any material third party or regulatory approvals or consents (including from ASX and ASIC) reasonably required or desired by AD1 to be obtained in connection with the Transactions or the issue of the new AD1 Shares being obtained on terms reasonably satisfactory to AD1;
 - (iv) the absence of any material adverse change in respect of USS; and
 - (v) there not being a breach of warranty given by the USS Shareholders under the Share Purchase Agreement.

There is no assurance that all of the above conditions will be satisfied, noting however that AD1 has no reason to believe that any of the above conditions will not be satisfied.

Going Concern Risks

- (b) If the Proposed Transactions are not implemented, then it is the view of the Independent Directors that the ability of AD1 to continue as a going concern and to fund its operating activities will continue to be dependent on securing urgent additional funding through share placements to new or existing investors or an

entitlement issue with existing Shareholders. Access to this additional funding may not be available within the relevant time frame, which could potentially lead to placing the company into external administration if all other options have been exhausted.

Dilution and Control Risks

- (c) The Enlarged AD1 will still be at a development stage of its life cycle. Whilst the Placement will provide short term funding to help meet the Enlarged AD1's short term working capital requirements, it is likely that additional funding will be required in the future to continue to fund the Enlarged AD1's ongoing capital requirements. Any further capital raisings after the Placement will further dilute the interest of Shareholders in the Enlarged AD1.
- (d) If the Transactions are implemented, Potentate and the Potentate Associates would acquire effective control of AD1. This would include the ability to control the assets and the strategic direction of the Enlarged AD1. This significant change in shareholding composition and the emergence of a group of shareholders acquiring effective control of AD1 creates risks that the decision making processes and governance structures of AD1 may change. However, as an entity that will continue to be listed on ASX, AD1, even with a change in shareholding composition, must continue to adhere to relevant laws and regulations.

Reliance Risks

- (e) The information in relation to USS in this Notice of Meeting and on which AD1 has relied on in relation to the Transactions has been derived from limited unaudited financial information and other information made available to AD1 by USS during AD1's due diligence process in connection with the Transactions.
- (f) Whilst AD1 has conducted due diligence on USS, AD1 is unable to verify the accuracy or the completeness of the information provided to it by USS and there is no assurance that the due diligence was conclusive and that all material issues and risks in relation to the Transactions and USS have been identified. To the extent that this information is incomplete, incorrect, inaccurate or misleading, or the actual results achieved by USS are weaker than those indicated by AD1's analysis, there is a risk that the future results of the operations of the Enlarged AD1 may differ (including in a materially adverse way) from AD1's expectations as reflected in this Notice of Meeting, or that additional liabilities of a material nature may emerge.

Disclosure Risks

- (g) On completion of the Transactions, AD1 will assume the liabilities of USS, including legal and regulatory liabilities, for which it may not be adequately indemnified. The Share Purchase Agreement contains a number of representations, warranties and indemnities. However, the warranties and indemnities may not be sufficient to cover the actual liabilities incurred in connection with any known or unknown liabilities of USS, and AD1 may not be able to recover sufficient funds from the USS Shareholders under the indemnities to cover these actual liabilities. Any material unsatisfied warranty or indemnity claims could adversely affect the Enlarged AD1's business, results of operations or financial condition and performance.

Material Contract Risks

- (h) Entities in the Enlarged AD1 group are party to contracts containing change of control provisions that, in the absence of counterparty consent, may be triggered by implementation of the Transactions. If continued business with the counterparties is desirable, there are risks of each counterparty refusing to or imposing onerous or unacceptable conditions on their consent or decreasing the level of business with USS or AD1 following completion of the Transactions. If a counterparty's consent is not obtained, the Transactions may not be completed or the Enlarged AD1 may lose the benefit of that contract, which may potentially adversely impact the Enlarged AD1's operations and performance.

10.3 Risks specific to the Enlarged AD1

Synergy Risks

- (a) An important factor to the success of the Acquisition will substantially depend on the extent to which the Enlarged AD1 is able to realise costs synergies. There is a risk that unforeseen issues or difficulties may arise that may result in integration benefits and/or synergies for the Enlarged AD1 being delayed, or being achieved only in part, or not at all. Areas of particular risk include:
- difficulties or unexpected costs in reducing corporate and administration costs and rationalising duplicated operating infrastructure and corporate support services;
 - difficulties or unexpected costs relating to integration of management and technology systems;
 - unexpected losses of key personnel during or following integration and possible reduction in employee morale caused by uncertainty arising from the Transactions;
 - higher than expected levels of client attrition arising as a result of the Transactions, and anticipated benefits of the Transactions, not occurring to the extent anticipated; and
 - the extent to which cost savings are offset by any incremental compliance or operating costs that arise as a result of the Enlarged AD1.

In addition, the process of realising costs synergies from the Transactions may require senior management of the Enlarged AD1 to devote significant time to this task, which may decrease the time they have to manage the Enlarged AD1's businesses and to focus on generating additional revenue.

Key Personnel Risks

- (b) The IT industry is highly dependent on the technical skills of the personnel of its employees and contractors and their relationships with clients. Any inability to attract, retain and motivate key employees and contractors could impact the Enlarged AD1's operations which could adversely impact the Enlarged AD1's future operating and financial performance.

Market Risks

- (c) The Enlarged AD1 will operate in a competitive industry which is subject to increasing competition from companies in Australia and throughout the world, through a combination of established organisations and new entrants to the market.

- (d) Many existing competitors of AD1 (such as Seek, Indeed and Adzuna) and USS (such as SAP, Gentrack, Agility CIS) are well established organisations with long standing reputations in the marketplace. Further, these and other existing competitors are, or are financially backed by, well funded organisations. Those competitors could, with their industry knowledge and access to substantial funding, seek to directly compete with the AD1 and USS business models.
- (e) AD1 and USS cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in the online recruitment advertising market.
- (f) The actions of an existing competitor may become more focussed in the Enlarged AD1's specific sectors of the market or more effective. New competitors may enter the market. If the Enlarged AD1 is unable to compete effectively, attract new customers and expand its employer base, the Enlarged AD1's financial performance and/or operating margins may suffer.
- (g) The ability of the Enlarged AD1 to achieve growth of its business is dependent on the successful implementation of the Enlarged AD1's growth strategies, business plans and strategic initiatives. An inability to successfully implement these plans and initiatives, whether wholly or partially, could adversely affect the Enlarged AD1's operating and financial performance.

Information Technology

- (h) The Enlarged AD1 will rely heavily on information technology systems to ensure the efficient and effective operation of its business. These information technology systems could be damaged or cease to function properly due to any number of causes, such as catastrophic events, power outages, security breaches, computer viruses or cyber-based attacks and malicious or deliberate hacking could cause major disruption to the Enlarged AD1's business and could adversely affect its operating and financial performance. While there are contingency plans in place to prevent or mitigate the impact of these events, if they were to occur and AD1's disaster recovery plans do not effectively address the issues on a timely basis, the Enlarged AD1 could suffer interruptions in its ability to manage its operations, which may adversely affect its business and financial results. Further, as with all technology based products, there is a risk that AD1's technology and platform could be superseded by new technologies that have various advantages over AD1's offerings or deliver employer to candidate communications in a more efficient, engaging and reliable manner.

Intellectual Property and Privacy Risks

- (i) The Enlarged AD1's ability to leverage its innovation and expertise largely depends on its ability to protect its intellectual property and any improvements to it. Intellectual property (including copyright and know how) that is important to the Enlarged AD1 includes, but is not limited to, its trade names, database, cataloguing systems and software systems.
- (j) A challenge by a third party in respect of the Enlarged AD1's ownership or right to use of its intellectual property may cause the Enlarged AD1 to incur significant cost in defending the challenge and may prevent the Enlarged AD1 from using certain intellectual property in its business, which could cause material loss to the Enlarged AD1.
- (k) Increased cyber-security threats and computer crime also pose a potential risk to the security of the Enlarged AD1's information technology systems, including

those of contracted third party service providers, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive employer, employee or investor information maintained in the ordinary course of business. Any such event could cause damage to reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

Regulatory Risks

- (l) Changes in the political and regulatory landscape in which the Enlarged AD1 operates could adversely affect the Enlarged AD1's operating and financial performance. The Enlarged AD1's business is subject to numerous laws and regulations (federal and state) and the policies of regulatory authorities (for example, ASX, ASIC and the ATO). Changes in laws and regulations and policies, including their interpretation or enforcement, that affect, or may in the future affect, the Enlarged AD1's business or services, including changes in accounting standards, tax laws and regulations, restrictions or requirements related to privacy, licensing, reporting and consumer protection, could adversely affect the Enlarged AD1's financial results.

Solvency, further capital and dilution

- (m) AD1 has historically made significant losses. USS was also a loss-making entity in the year ended 30 June 2018. In this regard, AD1 incurred an operating loss of \$4.76 million for the year ended 30 June 2018. USS incurred an operating loss of \$431,000 for the year ended 30 June 2018 (and a normalised loss of \$414,238).
- (n) The Enlarged AD1 will very likely need to pursue subsequent capital raisings in the short term to provide the working capital required to continue to fund the short term working capital requirements of the Enlarged AD1. The required capital will need to be secured by funding through additional share placements to new or existing investors or an entitlement issue with existing Shareholders which will cause further dilution of existing Shareholders investment in the Enlarged AD1. There is also no guarantee that these subsequent capital raisings will be successful or that sufficient capital will be available in the relevant time frame to enable the Enlarged AD1 to meet its short term working capital requirements.

Litigation Risks

- (o) As with all businesses, the Enlarged AD1 will be exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. An adverse outcome in litigation or the cost of responding to potential or actual litigation may have a materially adverse impact on the financial performance of the Enlarged AD1.

10.4 General Risks

Industry Risks

- (a) The Enlarged AD1's business may be affected by changes in the nature of the IT consulting and services industry, such as changes to demand for different products and services.

- (b) The IT industry is subject to rapid and significant change in technology and the impact of this change on the Enlarged AD1 and its businesses cannot be predicted. The cost of implementing emerging and future technologies could be significant. The development or anticipated development of new technology, or use, or anticipated use, of existing technology may have a materially adverse effect on the Enlarged AD1.

Financial Risks

- (c) The Enlarged AD1 is likely to require ongoing funding, through the raising of additional equity capital in order to fund its ongoing capital requirements. This is likely to require the raising of additional capital in the short to medium term as the Enlarged AD1 will not be profitable or cash flow position on completion of the Transactions.
- (d) Therefore, the Enlarged AD1's ability to continue to fund its working capital requirements and carry out its business objectives will depend, in large part, on its ability to source sufficient capital to operate its businesses and meet its obligations. There can be no assurance that this capital will be available on acceptable terms, or at all.
- (e) The Enlarged AD1's revenue and profitability will be correlated to spending levels by Australian and overseas businesses, which in turn could be affected by changes in macroeconomic conditions in Australia and internationally. Changes in the macroeconomic environment are beyond the control of the Enlarged AD1 and include, but are not limited to:
 - (i) changes in inflation and interest rates;
 - (ii) changes in employment levels and labour costs, which will affect the cost structure of the Enlarged AD1;
 - (iii) changes in aggregate investment and economic output; and
 - (iv) other changes in economic conditions which may affect the revenue or costs of the Enlarged AD1.

Other risks

- (f) AD1 is exposed to changes in the regulatory conditions under which it operates in Australia. Such regulatory changes include:
 - (i) taxation laws and policies;
 - (ii) accounting laws, policies, standards and practices;
 - (iii) employment laws and regulations, including laws and regulations relating to occupational health and safety.
- (g) The above risks are not an exhaustive list of the risks involved in holding Shares. The risks outlined above and other risks may materially affect the future performance of the Enlarged AD1. Accordingly, no assurances or guarantees of future performance, profitability, distributions or returns of capital are given by AD1 in respect of its future performance.

11. Additional Information

This Section provides you with additional information regarding the Transactions.

11.1 Share Purchase Agreement

As announced by AD1 on 3 January 2019, AD1 entered into the Share Purchase Agreement with the USS Shareholders for the sale and purchase of all of the shares in USS.

The key terms of the Share Purchase Agreement are set out below.

Topic	Summary
<p>Outline of proposed transaction</p>	<p>AD1 will acquire all the shares in USS from the USS Shareholders for a purchase price of \$3.588 million, to be paid entirely by way of the issue of new AD1 Shares to the USS Shareholders at a price of \$0.027 per Share.</p> <p>The total number of new AD1 Shares to be issued to the USS Shareholders is approximately 132.89 million Shares.</p>
<p>Purchase price</p>	<p>The purchase price of \$3.588 million is based on USS having no debt and an agreed level of working capital (including \$850,000 in retained cash). On the original announcement of the Acquisition on 26 November 2018, it was stated that the agreed price for USS was \$4 million. The ultimate purchase price has been reduced by \$412,000 from this original amount (to \$3.588 million) following AD1's identification of a potential pre-existing CGT liability of that amount during due diligence. Rather than obtain an indemnity and then have to seek subsequent compensation from the USS Shareholders if this potential liability crystallises, the parties have agreed to an upfront reduction of the purchase price to account for the possibility of this liability being realised. If the liability eventuates, it will need to be satisfied out of the cash reserves of the Enlarged AD1.</p> <p>By close of business on 4 March 2019 the USS Shareholders are required to provide the USS management accounts (being a balance sheet as at 28 February 2019) to AD1, from which AD1 will prepare a set of completion accounts as at 28 February 2019.</p> <p>If the working capital or retained cash positions specified in the completion accounts are below agreed levels, they will need to be increased by the USS Shareholders prior to or on completion of the Transactions on a dollar for dollar basis. The USS Shareholders are also required to compensate AD1 on a dollar for dollar basis for any "leakage" of assets or creation of liabilities between 28 February 2019 and completion that is not permitted by AD1.</p>
<p>Conditions precedent</p>	<p>Completion of the Acquisition is subject to the following conditions precedent:</p> <p>(a) the Independent Expert's Report concluding that the Acquisition is "fair and reasonable to", "not fair but reasonable to" or "in the best interests of" the non-associated Shareholders;</p> <p>(b) approval by the Shareholders of the Resolutions.</p>

Topic	Summary
	<p>(c) any material third party or regulatory approvals or consents (including from ASX and ASIC) reasonably required or desired by AD1 to be obtained in connection with the purchase of the USS shares or the issue of the Consideration Shares are obtained on terms reasonably satisfactory to AD1;</p> <p>(d) there being no breach of a warranty given by the USS; and</p> <p>(e) there being no material adverse change in respect of USS.</p>
Warranties and indemnities	Each of the USS Shareholders and AD1 give warranties and indemnities to each other that would be typical for a seller of shares in USS (in the case of the USS Shareholders) or buyer of shares in USS (in the case of AD1).
Period before Completion	Each of the USS Shareholders must ensure that USS carries on its business in the ordinary and normal course and, in particular, USS must not agree or commit to do certain specified actions, except as expressly permitted by the Share Purchase Agreement or as consented to by the other party (which must not be unreasonably withheld or delayed).

11.2 Placement

AD1 will also raise \$990,000 in cash from the Placement, under which it will issue approximately 36.67 million new Shares at \$0.027 per Share to Potentate and the Potentate Associates.

Subject to Shareholder approval, subscribers in the Placement will be as follows:

Subscriber	No. of Shares	Aggregate issue price
Potentate	29,629,630	\$800,000
Christopher Kuperman	4,259,259	\$115,000
Andrew Henderson	2,777,778	\$75,000
Total	36,666,667	\$990,000

11.3 Independent Expert's Report

In accordance with the requirements of ASIC's Regulatory Guide 74, AD1 engaged the Independent Expert to prepare and provide the Independent Expert's Report which contains an analysis of whether the Transactions are fair and reasonable to the non-associated Shareholders.

The Independent Expert's Report compares the likely advantages and disadvantages for the non-associated Shareholders if the Transactions are agreed to, with the advantages and disadvantages to those Shareholders if they are not implemented.

The Independent Expert has concluded that the Transactions are not fair, but reasonable to the non-associated Shareholders. For a summary of the Independent Expert's findings, please refer to the Independent Expert's Report.

The Independent Expert has given, and has not before the date of this Notice of Meeting withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice

of Meeting and to the references to the Independent Expert's Report in this Notice of Meeting being made in the form and context in which each such reference is included.

11.4 No requirement to satisfy ASX admission requirements

ASX has provided confirmation that ASX Listing Rule 11.1.3 does not apply to the Transactions and that AD1 is not required to satisfy the provisions of Chapters 1 and 2 of the ASX Listing Rules as if re-applying for admission to the official list of the ASX.

11.5 Further information about the Resolutions

(a) Resolution 1 – Approval of the issue of Shares

Resolution 1 seeks the approval of the Shareholders to the acquisition of new AD1 Shares by the USS Shareholders, including Potentate and the Potentate Associates for the purposes of Chapter 6 of the Corporations Act and the ASX Listing Rules.

Chapter 6 of the Corporations Act

Pursuant to section 606 of the Corporations Act, a person must not acquire shares in an ASX-listed company if it causes their voting power in the company to increase from 20% or below to more than 20% or from a starting point that is above 20% and below 90% unless certain limited exceptions apply.

A person's voting power in a designated body is defined as all of the votes attaching to voting shares of the designated body in which that person and its Associates have a Relevant Interest, as a proportion of the total votes attaching to all of the voting shares in the designated body. Under section 608(1) of the Corporations Act, a person has a Relevant Interest in securities if they are the holder of the securities, have power to exercise, or control the exercise of, a right to vote attached to the securities or have power to dispose of, or control the exercise of a power to dispose of, the securities.

Under item 7 of section 611 of the Corporations Act, an acquisition previously approved by a resolution passed at a general meeting of the listed company is exempt from the prohibition in section 606.

The issue of the new AD1 Shares under the Transactions will result in Potentate (an entity controlled by Michael Norster, a Director of AD1) and the Potentate Associates (which include Andrew Henderson, a proposed new director of AD1) acquiring a Relevant Interest in a total of 172,314,128 AD1 Shares. At the date of this Notice of Meeting, Potentate and the Potentate Associates have a Relevant Interest in 12.18% of AD1 Shares (being 31,223,371 AD1 Shares of a total of 256,299,656 AD1 Shares).

Resolution 1 seeks Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act for the acquisition by Potentate and the Potentate Associates of the new AD1 Shares under the Transactions.

If Shareholders vote in favour of Resolution 1, the aggregate voting power of Potentate and the Potentate Associates will increase from 12.18% to 40.46%.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that an ASX-listed company must not, without the prior approval of shareholders or otherwise pursuant to limited exceptions, issue securities if the number of securities issued, when aggregated with the number of securities issued by the company during the previous 12 months, exceeds 15% of the number of securities on issue at the commencement of that 12 month period. Under ASX Listing Rules 7.1A, eligible ASX listed companies have the opportunity to extend their placement capacity to

25% in a 12 month period, with shareholder approval. AD1 obtained such approval at its Annual General Meeting held on 26 November 2018.

Whilst the 36,666,667 new AD1 Shares to be issued under the Placement is less than AD1's existing placement capacity under ASX Listing Rules 7.1 and 7.1A, the Independent Directors consider it prudent to keep available as much of AD1's placement capacity under the ASX Listing Rules as possible from time to time, particularly given AD1's likely need for further capital in the short term to continue to fund AD1's ongoing working capital requirements. It is for this reason that Shareholder approval for the purposes of ASX Listing Rule 7.1 is sought.

The Shares to be issued under the Placement will be issued for \$0.027 per Share on or about the date of completion of the acquisition of USS, which is scheduled for 26 March 2019, subject to satisfaction of waiver of the conditions in the Share Purchase Agreement, but will in any event be issued within 3 months after the date of the Meeting if the Transactions complete. The subscribers for Placement Shares are set out in the table in Section 11.2.

The funds raised under the Placement will be used for short term working capital purposes.

Resolution 1 seeks Shareholder approval for the issue of new AD1 Shares to Potentate and the Potentate Associates for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides that an ASX-listed company must not issue shares to a related party without shareholder approval unless limited exceptions apply.

It is proposed that Potentate, an entity controlled by Michael Nortser, a Director of AD1, will be issued 77,646,978 new AD1 Shares under the Share Purchase Agreement and subscribe for an additional 29,529,630 new AD1 Shares under the Placement.

Those Shares will be issued on or about the date of completion of the acquisition of USS, which is scheduled for 26 March 2019, subject to satisfaction of waiver of the conditions in the Share Purchase Agreement, but will in any event be issued within 1 month after the date of the Meeting if the Transactions complete. The funds raised under the Placement will be used for short term working capital purposes.

Resolution 1 seeks approval for Potentate to be issued a total of 107,276,608 new AD1 Shares.

(b) Resolution 2 – Approval of acquisition of USS

Resolution 2 seeks the approval of the Shareholders to the acquisition by AD1 of all the shares in USS from the USS Shareholders in consideration for the issue of approximately 132.89 million new AD1 Shares for the purposes of ASX Listing Rule 10.1 and Chapter 2E of the Corporations Act.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 requires that any acquisition of a substantial asset from a substantial holder be approved by shareholders. A person who has, with the person's Associates, a Relevant Interest in at least 10% of all AD1 Shares is a "substantial holder" for the purposes of the ASX Listing Rules. An asset is a "substantial asset" for the

purposes of the ASX Listing Rules if its value is more than 5% of the equity interests in AD1 as set out in its last Annual Report.

Potentate currently has voting power in more than 10% of all AD1 Shares on issue and is a "substantial holder" for the purposes of ASX Listing Rule 10.1.

The shares in USS to be acquired by AD1 from Potentate under the Share Purchase Agreement equate to a value of \$2,096,468.40, based on the purchase price of \$3.588 million and Potentate's existing 58.43% shareholding in USS, which accounts for more than 5% of the equity interests of AD1 as set out in its last Annual Report, with the result being that those shares are a "substantial asset" for the purposes of the ASX Listing Rules.

Accordingly, Resolution 2 seeks the approval of the Shareholders for the acquisition of the shares held by Potentate in USS under the Share Purchase Agreement as required under ASX Listing Rule 10.1.

Chapter 2E of the Corporations Act

Under the Acquisition, AD1 will acquire all the shares in USS in consideration for the issue of approximately 132.89 million new AD1 Shares to the USS Shareholders. Chapter 2E of the Corporations Act requires, unless an exception applies, AD1 to obtain shareholder approval for this because it involves AD1 giving a financial benefit to a related party, namely Potentate (a USS Shareholder that is controlled by Michael Norster, a Director of AD1).

While the Acquisition was negotiated on what AD1 considers to be arm's length terms, and on this basis would be exempt from requiring shareholder approval under Chapter 2E of the Corporations Act, AD1 considers it prudent to obtain Shareholder approval for the purposes of Chapter 2E all the same.

To that end, AD1 makes the following disclosures for the purposes of section 219 of the Corporations Act:

- Those financial benefits that will be provided by AD1 in connection with the implementation of the Acquisition will be given to Potentate.
- The financial benefits that will be provided by AD1 include the issue of 77,646,978 new AD1 Shares to Potentate for the acquisition by AD1 of all the shares in USS held by Potentate.
- The recommendation of each Director (other than Michael Norster) and their reasons for that recommendation are contained in Section 3.
- The interests of each Director in the outcome of Resolution 2 is contained in Section 8.9.
- All other information that is reasonably required by the Shareholders in order to decide whether or not it is in AD1's interests to pass Resolution 2 and is known to AD1 or to any of the Directors is contained in this Notice of Meeting or the Independent Expert's Report.

11.6 Documents available

You can view or download an electronic version of this Notice of Meeting at AD1's website (<https://www.applydirect.com.au/Investors>).

11.7 No other material information

Except as set out in this Notice of Meeting, in the opinion of the Independent Directors, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Independent Director which has not been previously disclosed to Shareholders.

Notice of meeting

Notice is given that a general meeting of Shareholders will be held at 11.00am (Melbourne time) on 19 March 2019 at MinterEllison, 525 Collins Street, Melbourne VIC 3000.

The business to be considered at the Meeting is set out below. Information on the resolutions to which the business relates is contained in the explanatory statement.

This Notice of Meeting should be read in conjunction with the explanatory statement. This Notice of Meeting and explanatory statement is not investment advice. You should seek your own financial and professional advice before making any decision on how to vote at the Meeting.

Terms used in this Notice of Meeting will, unless the context otherwise requires, have the same meaning given to them in the Glossary at the end of this document.

1. Business

Resolution 1 – Approval of the issue of Shares

To consider and, if thought fit, to pass the following ordinary resolution:

'Subject to Resolution 2 set out in the Notice of Meeting being passed, the shareholders of AD1 approve and agree to:

- (a) the issue of 132,888,889 Shares subject to rounding to the USS Shareholders (including Potentate and the Potentate Associates) under the Share Purchase Agreement; and*
- (b) the issue of 36,666,667 Shares to Potentate and the Potentate Associates under the Placement,*

on the terms and conditions described in the explanatory statement accompanying the Notice of Meeting (which will result in the voting power of Potentate and the Potentate Associates increasing from 12.18% to 40.46%), for the purposes of item 7 of section 611 of the Corporations Act, ASX Listing Rule 7.1, ASX Listing Rule 10.11 and for all other purposes.'

Resolution 2 – Approval of acquisition of USS

To consider and, if thought fit, to pass the following ordinary resolution:

'Subject to Resolution 1 set out in the Notice of Meeting being passed, the shareholders of AD1 approve and agree to the acquisition by AD1 of all the shares in USS from the USS Shareholders under the Share Purchase Agreement and the giving of financial benefits to related parties, in each case as described in the explanatory statement accompanying the Notice of Meeting, for the purposes of Chapter 2E of the Corporations Act, ASX Listing Rule 10.1 and for all other purposes.'

2. Voting exclusion statements

Resolution 1 – Approval of the issue of Shares

AD1 will disregard any votes cast in favour of Resolution 1 by each of the USS Shareholders and their Associates, as well as Potentate and the Potentate Associates (and any of their Associates).

However, AD1 need not disregard a vote if:

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

Resolution 2 – Approval of acquisition of USS

AD1 will disregard any votes cast in favour of Resolution 2 by Potentate and the Potentate Associates (and any of their Associates).

However, AD1 need not disregard a vote if:

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

3. Majorities required for the Resolutions to be passed

Each Resolution will be passed if more than 50% of the votes cast on that Resolution (either in person, proxy, attorney or by corporate representative) are in favour of that Resolution. Each of the Resolutions are inter-conditional. This means that in order for the Transactions to proceed, the Shareholders must approve each of the Resolutions.

4. Entitlement to vote

AD1 has determined, in accordance with section 1074E(2)(g)(i) of the Corporations Act and regulation 7.11.37 of the Corporations Regulations, that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the register of members at 7.00pm (Melbourne time) on 17 March 2019.

5. Voting

You may vote in person by attending the Meeting or by proxy.

To vote in person, you must attend the Meeting at 11.00am/pm (Melbourne time) on 17 March 2019 at MinterEllison, 525 Collins Street, Melbourne VIC 3000.

To vote by proxy, a completed proxy form must be delivered to and received by the Share Registry on or before 11.00am (Melbourne time) on 17 March 2019. The attached Proxy Form sets out the instructions for the return of that Proxy Form.

6. Proxies

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- (a) each Shareholder entitled to vote at the Meeting has a right to appoint a proxy;
- (b) the proxy need not be a Shareholder;
- (c) a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportional number is specified, each proxy may exercise half of the Shareholder's votes; and

- (d) a Shareholder may specify the way in which the proxy is to vote on the Resolutions or may allow the proxy to vote at its discretion. If the way in which a proxy is to vote on a Resolution is specified by a Shareholder, the proxy may not vote on that Resolution except as specified by the Shareholder.

7. Voting of proxies

A proxy may decide whether to vote on any motion, except where the proxy is required by law or under the constitution of AD1 to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with that direction. If a proxy is not directed how to vote on an item of business, a proxy may vote as he or she thinks fit.

The Proxy Form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the Company, at least 48 hours before the time for holding the Meeting (ie. by no later than 11.00am (Melbourne time) on 17 March 2019:

- (a) by mail: ApplyDirect Limited, c/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- (b) by fax: +61 2 9287 0309; or
- (c) by hand: Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 (please do not use this address for mailing purposes).

8. Voting by corporate representatives

Corporate Shareholders or proxies wishing to vote by corporate representative should obtain an appointment of corporate representative form from the Share Registry and complete and sign the form in accordance with the corporate Shareholder's constitution or by a duly authorised attorney.

The corporate representative form and the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be received by before the start or resumption of the meeting at which the representative is to vote, by post in the reply paid envelope provided.

9. How the Chairman will vote undirected proxies

If you return your Proxy Form but do not nominate a proxy, the Chairman will be your proxy and will vote on your behalf as you direct on the Proxy Form. If your nominated representative does not attend the meeting then your proxy will revert to the Chairman and he will vote on your behalf as you direct on the Proxy Form.

If a proxy is not directed how to vote on an item of business or Resolution, the proxy (including, if applicable, the Chairman) may vote, or abstain from voting, as they think fit.

If you appoint the Chairman as your proxy (or if the Chairman is appointed by default) and do not direct the Chairman how to vote on a particular Resolution, the Chairman will vote your proxy in favour of that item of business, even if the Chairman has an interest in the outcome of that particular Resolution and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

By order of the Board

A handwritten signature in black ink, appearing to read 'Prashant Chandra', written over a horizontal line.

Prashant Chandra
Company Secretary

18 February 2019

Glossary

Unless the context otherwise requires, the singular includes the plural and vice versa, and the following terms will have the following meaning:

Acquisition means the proposed acquisition by AD1 with USS of 100% of the share capital of USS under the Share Purchase Agreement.

AD1 means ApplyDirect Limited ACN 123 129 162.

AD1 Shares means a fully paid ordinary share in the capital of AD1.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in the meaning given in Division 2 of Part 1.2 of the Corporations Act as if:

- a) section 12(1) of the Corporations Act included a reference to this Notice of Meeting; and
- b) AD1 was the "designated body".

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

ASX Listing Rules means the official listing rules of ASX.

Board means the board of directors of AD1 at the date of this Notice of Meeting.

BPO means business process outsourcing.

Chairman means Michael Kay, the chairman of AD1.

Consideration Shares means the number of Shares to be issued to the USS Shareholders as consideration for the purchase of all the Shares in USS under the Share Purchase Agreement.

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

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Directors means the directors of AD1 at the date of this Notice of Meeting (excluding alternate directors).

Enlarged AD1 means AD1 following completion of the Transactions.

Independent Board Committee means the Board sub-committee formed to consider the Transactions, consisting of the Independent Directors.

Independent Directors means Michael Kay and Bryan Petereit, being those Directors who have no interest in the outcome of the Resolutions other than as Shareholders and who are able to vote the Shares they hold on the Resolutions.

Independent Expert means BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170.

Independent Expert's Report means the report of the Independent Expert attached as Schedule 4.

IPO means initial public offering.

Meeting means the general meeting of the members of AD1 to which this Notice of Meeting and explanatory statement relates, which has been convened to be held at 11.00am (Melbourne time) on 19 March 2019 at MinterEllison, 525 Collins Street, Melbourne VIC 3000.

Notice of Meeting means this notice of general meeting and explanatory statement.

Placement means the proposed offer of new Shares by AD1 to Potentate and Potentate Associates.

Placement Shares means the 36,666,667 new Shares to be issued under the Placement.

Potentate means Potentate Investments Pty Ltd ACN 112 551 612.

Potentate Associates means the Associates of Potentate, being Michael Norster (who controls Potentate), Christopher Kuperman and Andrew Henderson (who controls Invia Custodian Pty Limited).

Proxy Form means the proxy form that accompanies the Notice of Meeting.

Relevant Interest has the meaning given in sections 608 of the Corporations Act, as qualified by section 609 of the Corporations Act.

Resolutions means the resolutions that are set out and explained in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of AD1.

Share Purchase Agreement means the share purchase agreement entered into on 3 January 2019 between AD1 and the USS Shareholders for the sale of 100% of the share capital of USS to AD1.

Share Registry means Link Market Services Pty Limited.

Shareholder means a holder of one or more AD1 Shares.

Transactions means:

- (a) the Acquisition; and
- (b) the Placement.

USS means Utility Software Services Pty Ltd ACN 126 959 304.

USS Shareholders means the holders of shares in USS entitled to receive Consideration Shares under the Share Purchase Agreement which shareholders include (but are not limited to) Potentate and Christopher Kuperman.

voting power has the meaning given in section 610 of the Corporations Act.

VWAP means volume weighted average price.

Schedule 1 – Independent Expert’s Report

Independent Expert's Report prepared by BDO Corporate Finance (East Coast) Pty Ltd, dated 13 February 2019, **attached**.

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

ApplyDirect Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: +61 1300 554 474

PROXY FORM

I/We being a member(s) of ApplyDirect Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

STEP 1

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11.00am (AEDT) on Tuesday, 19 March 2019 at MinterEllison, 525 Collins Street, Melbourne VIC 3000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an

Resolutions

For Against Abstain*

1 Approval of the issue of 132,888,889 Shares subject to rounding to the USS Shareholders (including Potentate Investments Pty Ltd and the Potentate Associates) under the Share Purchase Agreement; and

Approval of the issue of 36,666,667 Shares to Potentate Investments Pty Ltd and the Potentate Associates under the Placement

2 Approval of the acquisition of USS under the Share Purchase Agreement and the giving of financial benefits to related parties

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

STEP 3



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11.00am (AEDT) on Sunday, 17 March 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



BY MAIL

ApplyDirect Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**