

PAYGROUP LIMITED
ACN 620 435 038
NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of the members of PayGroup Limited (PayGroup or **Company**) will be held at Lodge Partners Level 6, 90 Collins Street, Melbourne, Victoria at 10.00 am AEDT on Thursday 10 October 2019.

BUSINESS

RESOLUTION 1 - APPROVAL OF THE ISSUE OF CONSIDERATION SHARES

To consider, and if though fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of ASX Listings Rule 7.1, and for all other purposes, approval is given for the Company to issue the Consideration Shares on the terms and conditions set out in the Explanatory Statement to the vendors of the shares in Astute Ltd.

Short Explanation

On 29 August 2019 the Company announced that it had entered into a term sheet to acquire Astute One Ltd. The consideration for this acquisition will be paid, subject to the Shareholder's approval, by the issue of Consideration Shares. This resolution is to seek approval for the issue of the Consideration Shares for the purposes of ASX Listing Rule 7.3. ASX Listing Rule 7.1 limits the number of equity securities that a listed entity may issue in any 12 month period to 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. Under Listing Rule 7.3 an issue approved by shareholders is not counted for these purposes.

Voting Exclusion Statement

The Company will disregard any votes cast in favour on Resolution 1 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if 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, it is cast by the person chairing the meeting 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.

By Order of the Board

Justin Owen
Company secretary

11 September 2019

NOTES

IMPORTANT: Shareholders are urged to direct their proxy how to vote by clearly marking the relevant box for each item on the proxy form.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

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

- each member has a right to appoint a proxy;
- the proxy need not be a member of the Company; and
- a member 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 the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

The Chairman of the meeting intends to exercise all available proxies by voting in favour of the resolution.

To be valid, the enclosed proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged:

- a) at the offices of the Share Registry – Computershare Investor Services Pty. Limited, Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067 or by post GPO Box 242, Melbourne, Victoria, 3001, Australia;
- b) by faxing it to the Share Registry office on fax number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);
- c) for Intermediary online subscribers only (custodians) - electronically at www.intermediaryonline.com.

not later than 48 hours before the time for commencement of the meeting, being 10.00am AEDT on 8 October 2019.

OTHER INFORMATION

A person may attend the meeting under an appointment of corporate representative pursuant to section 250D of the Corporations Act or Power of Attorney only if a copy of that duly executed appointment or Power of Attorney is lodged with the Share Registry or produced prior to the commencement of the meeting.

The Company has determined that a person's entitlement to vote at the Annual General Meeting will, in accordance with the Corporations Act, be the entitlement of that person set out in the register of Shareholders as at 7:00 pm 8 October 2019. This means that any Shareholder registered at 7:00 pm on 8 October 2019 is entitled to attend and vote at the Annual General Meeting.

Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting, unless it had already been provided to the Share Registry.

EXPLANATORY STATEMENT

INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the meeting and the Resolutions proposed to be considered at the General Meeting. This Explanatory Statement forms part of the Notice of Meeting which it accompanies and should be read in conjunction with it.

1 GENERAL - ACQUISITION OF ASTUTE ONE LTD

1.1 Introduction

On 27 July 2018 the Company announced that it had entered into a term sheet to acquire Astute One Ltd (**Acquisition**). The reasons for the Acquisition are set out in section 1.3 below.

1.2 Astute One Ltd

Operating since 2006, Astute One Ltd (**Astute**) provides human capital management software and services to the Australian and New Zealand recruitment and resource management sector with over 330 clients.

Astute automates and simplifies complex processes with respect to compliance, employment and payment of the temporary workforce providing a business critical solution for recruitment and resource management customers.

The Astute platform is cloud based and connects front-end human resource information systems and back-end general ledger accounting applications

1.3 Reasons for the Acquisition

Furthering PayGroup's successful strategic initiative to expand its SaaS and geographic footprint, the acquisition represents a key plank in delivering this objective. The complementary Human Capital Management modules along with the 3 year customer contracts provides further strength to the existing annual recurring revenues.

Synergies expected from the combined businesses will include;

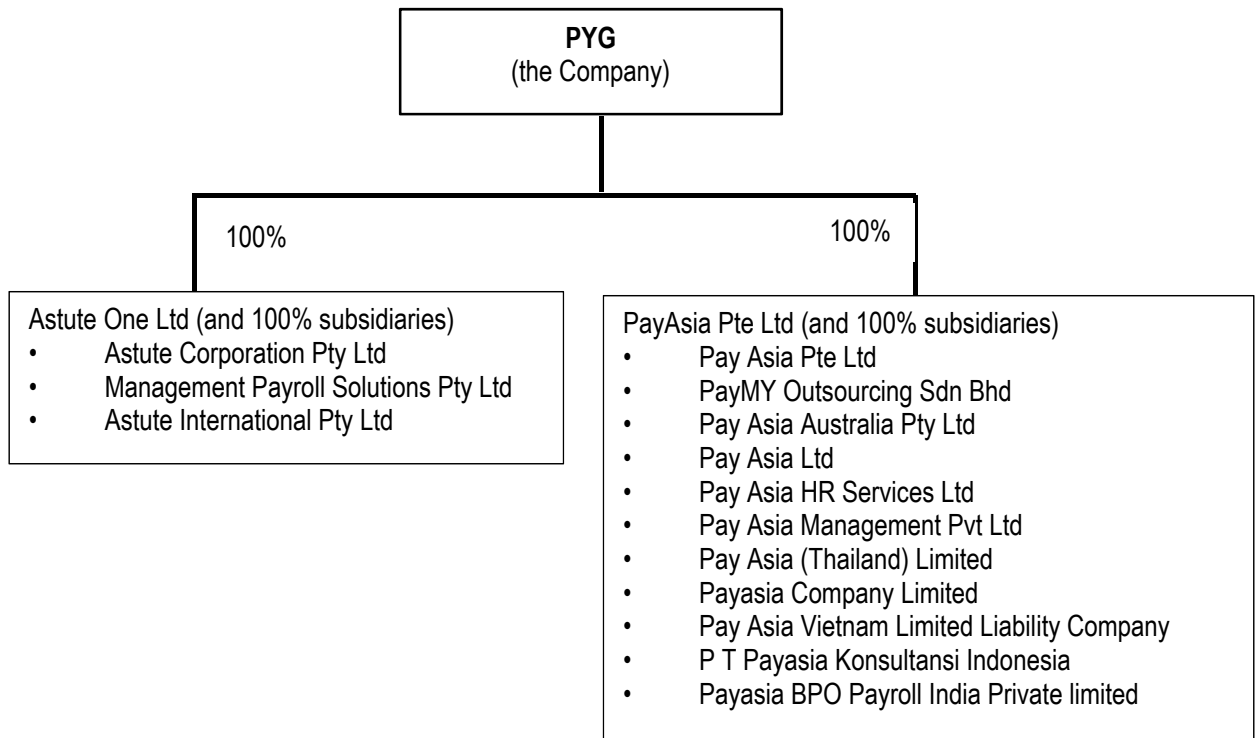
- 1.3.1. highly complementary, client base, offering and vision;
- 1.3.2. a significant opportunity for cross-selling of products and services into the combined customer base both within Australia and into PayGroup's established geographic footprint throughout Asia.;
- 1.3.3. ability to leverage PayGroup's highly skilled and experienced board and management team in the areas of workforce management and Asia Pacific product execution;
- 1.3.4. improved economies of scale; and
- 1.3.5. enhanced workforce capability and alignment.

Both organisations have a strong track record of innovation. Future innovation will focus on combining both Astute's and PayGroup's Human Capital Management modules which represent key driver of future revenue and synergy opportunities.

Astute's existing and forecast strong revenue, cash and EBITDA performance, will enable the business to further accelerate growth. Supporting the strategic and tactical synergies, the acquisition will also provide for increased staff career development and recognition opportunities.

1.4 Corporate Structure of the Group after the Acquisition

After the Acquisition, the Company will become the parent company of Astute and its three corporate entity subsidiaries. The diagram below illustrates the corporate structure of the Company group after the Acquisition:



1.5 Terms and conditions of the Acquisition Agreement

PayGroup and the Astute Vendors entered into the Term Sheet on 29 August 2019. The key terms and conditions of the Acquisition are summarised as follows:

Acquisition	Acquisition of all of the shares in Astute for the purchase price specified below and assuming a normal level of working capital
Astute Vendors	<ul style="list-style-type: none"> • Market Effect Pty Ltd • Kazacos Investments Pty Ltd • Ms Amanda Hudson<AJ Hudson Discretionary a/c> • Destin Pty Ltd • Mrs Vicki Kazacos & Mr Peter Kazacos • Ms Shelley Mackie <The Mackie family a/c> • Winward Investments Pty Ltd • Shared Office Services Pty Ltd • Insor Pty Ltd <Superannuation Fund a/c> • Sam Winward Investments Pty Ltd • Lukas Winward Investments Pty Ltd • Matthew John Hudson <p>(together, Astute Vendors)</p>

Purchase price	\$11.0m less net debt, plus cash subject to working capital adjustment and less Claw Back Amount.
Claw Back Amount	<ol style="list-style-type: none"> On the date of execution of the Share Purchase Agreement (Agreement Date), the Vendors must provide a list of all clients of the Group (Starting Clients) and confirm the revenue for each Starting Client (Starting Client Revenue) for the prior calendar month immediately preceding the Agreement Date (Monthly Reference Revenue) and the aggregate revenue of the Group for all Starting Clients for the calendar Month immediately preceding the Agreement Date (Starting Period Total Revenue). At the end of the 12 month period from the Agreement Date (Claw Back Period), the Purchaser must prepare a list of clients of the Group for the last calendar month of the Claw Back Period (Ending Clients) and confirm the revenue achieved for each Ending Client for that calendar month (Ending Client Revenue) and the aggregate Ending Client Revenue (Ending Period Total Revenue). If Ending Client Revenue is greater than or equal to the Monthly Reference Revenue, then no clawback to the Purchase Price shall apply. If Ending Client Revenue is less than Monthly Reference Revenue, then the following shall apply: <ul style="list-style-type: none"> (a) Finished Client means an Ending Client in relation to which the monthly revenue has reduced to zero in the last month of the Reference Period. (b) Finished Client Revenue means the Starting Client Revenue from the Finished Client. (c) Total Finished Client Revenue means the aggregate of the Finished Client Revenue for all Finished Clients. (d) Client Revenue Increase Amount means, in relation to a Starting Client (but excluding Finished Clients), an amount equal to the revenue increase between the Starting Client Revenue and the Ending Client Revenue for that Starting Client. (e) New Client Revenue Amount refers to Ending Client Revenue for an Ending Client that was not a Starting Client. (f) Clawback Amount means an amount calculated as the Total Finished Client Revenue less the aggregate of: <ul style="list-style-type: none"> (i) the Client Revenue Increase Amount; and (ii) New Client Revenue Amount, <p>Multiplied by a factor of 10</p>

	<p>5. The Claw Back Amount will be applied as a reduction in the Purchase Price.</p> <p>Adjustments to the Purchase Price reflecting the Claw Back Amount will be deducted from the number of Escrow Shares that are released to the Vendors at the expiry of the Claw Back Period, subject to the Escrow Cap Amount.</p>
Purchase price structure	<p>PayGroup will purchase 100% of the shares of Astute via a cash payment, issuance of shares in PayGroup Ltd (Consideration Shares) or a combination of cash and PYG Shares with proportions to be determined at the election of the PayGroup. For the purpose of clarity, PayGroup may elect to settle the acquisition in full though the issuance of PayGroup Shares.</p> <p>The price of any PYG Shares issued as part of the Purchase Price will be based on an issue price of \$0.85 per share. Where the PayGroup elects to issue PYG Shares, the first \$3.63 million in PYG shares will be subject to the following Escrow arrangement:</p> <ul style="list-style-type: none"> • \$3.63 million of PYG shares for a period up to two years following completion; • Shares will be released subject to: <ul style="list-style-type: none"> ○ claims made by PayGroup as Purchaser ○ The Claw Back Amount
Performance rights	<p>Marcus Webb, CEO of Astute and a Related Party to Market Effect Pty Ltd will be granted a further issuance of PYG Shares equivalent to the value of A\$1.5 million, contingent on Astute achieving Profit before tax of A\$1.5 million for the twelve month period post Completion.</p>

1.6 Advantage of the Acquisition and the issue of the Consideration Shares

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- 1.6.1. the Acquisition represents an attractive business opportunity for the Company. See section 1.3 above; and
- 1.6.2. issuing the Consideration Shares rather than paying the full Purchase Price in cash will preserve the cash resources of the Company.

1.7 Disadvantage of the proposals in the Acquisition Resolutions

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolutions:

- 1.7.1. the issue of the Consideration Shares may have a dilutionary effect on the current holdings of Shareholders;
- 1.7.2. there are risk factors associated with the expansion of the nature and scale of the Company's activities; and
- 1.7.3. in connection with the Acquisition, the Company has been required to engage a number of advisors, lawyers and experts to facilitate and report on the Acquisition, which represents sunk, but necessary, costs to the Company.

2 RESOLUTION 1 - APPROVAL OF THE ISSUE OF CONSIDERATION SHARES

2.1 General

As noted in section 1.5 above, part of or the full amount of the consideration for the Acquisition will be the issue of Shares to the Astute Vendors (**Consideration Shares**).

Resolution 1 seeks Shareholder approval for the issue of the Consideration Shares to the Astute Vendors.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of this Resolution 1 will be to allow the Company to issue the Considerations Shares to the Astute Vendors during the period of 3 months after this meeting (or a longer period if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

2.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of Consideration Shares:

- 2.2.1. the Consideration Shares will be issued to Astute Vendors, namely:
- (i) Market Effect Pty Ltd
 - (ii) Kazacos Investments Pty Ltd
 - (iii) Ms Amanda Hudson <AJ Hudson Discretionary a/c>
 - (iv) Destin Pty Ltd
 - (v) Mrs Vicki Kazacos & Mr Peter Kazacos
 - (vi) Ms Shelley Mackie <The Mackie family a/c>
 - (vii) Winward Investments Pty Ltd
 - (viii) Shared Office Services Pty Ltd
 - (ix) Insor Pty Ltd <Superannuation Fund a/c>
 - (x) Sam Winward Investments Pty Ltd
 - (xi) Lukas Winward Investments Pty Ltd
 - (xii) Matthew John Hudson
- 2.2.2. the maximum number of the Consideration Shares to be issued is 12,941,176;
- 2.2.3. the Consideration Shares will be issued no later than 3 months after the date of this meeting (or such later date approved by ASX) and it is intended that issue of all the Considerations Shares will occur on the same date;
- 2.2.4. the Consideration Shares will be issued to the Astute Vendors for nil cash consideration in satisfaction of the consideration for their respective shares in the capital of Astute;
- 2.2.5. the Consideration Shares to be issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares, other than the voluntary escrow conditions set out in para 1.5;
- 2.2.6. no funds will be raised from the issue; and
- 2.2.7. a voting exclusion statement has been included in the Notice.

GLOSSARY

ASIC means Australian securities & Investment Commission

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

ASX Listing Rules means the Listing Rules of ASX.

Acquisition means the acquisition by the Company of all of the shares in Astute Limited ACN 68 614 185 438. See sections 1.1 to 1.5.

Astute means Astute Ltd ACN 68 614 185 438.

Astute Shares means all of the shares in Astute.

Astute Vendors and **Vendors** means the vendors of the Astute Shares as per 1.5 above.

Board means the board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party means in relation to a member of Key Management Personnel;

- a) a spouse or child of the member; or
- b) a child of the member's spouse; or
- c) a dependant of the member or of the member's spouse; or
- d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
- e) a company the member controls; or
- f) a person prescribed by the regulations of the Corporations Act for the purposes of the above paragraphs.

Company and **PayGroup** means PayGroup Limited ACN 620 435 038.

Consideration Shares has the meaning given to it under section 1.5.

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

Directors means the directors of the Company.

Equity Security has the meaning given to it in Chapter 19 of the ASX Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

General Meeting, Meeting means the meeting convened by the Notice.

Issue Price has the meaning given to it in section 1.5.

Notice of Meeting and **Notice** means this notice of meeting including the Explanatory Statement.

Resolution means a resolution in this Notice of Meeting.

Share means fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

PYG
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10.00 am AEDT on Tuesday 8 October 2019.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

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By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of PayGroup Limited hereby appoint

☐

the Chairman
of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of PayGroup Limited to be held at Lodge Partners Level 6, 90 Collins Street, Melbourne, Victoria on Thursday 10 October 2019 at 10.00am AEDT and at any adjournment or postponement of that meeting.

Step 2 Items of Business

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

	For	Against	Abstain
Resolution 1 Approval of the Issue of Consideration Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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Computershare

