

PAYGROUP LIMITED
ACN 620 435 038

PROSPECTUS

For the offer of 1,000 New Shares at an issue price of \$0.70 per New Share (**Offer**).

This Prospectus has been prepared for the purposes of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date without disclosure under Part 6D of the Corporations Act.

Important Notice

This document is important and should be read in its entirety (including the 'Risk Factors' in section 4) before deciding whether to apply for New Shares. If after reading this Prospectus you have any questions about the New Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The New Shares offered by this Prospectus should be considered speculative.

IMPORTANT NOTES

This Prospectus is dated 27 November 2019 and a copy of this Prospectus was lodged with the ASIC on that date. ASIC, ASX and its officers, respectively, take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the New Shares to be granted quotation on ASX.

The Offer is not available to the general public and is only available to those persons to who are personally invited by the Company to accept the Offer. The Company will provide an Offer Application Form to those persons only.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Applications for securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore, persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of

those laws. This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person whom, it would be unlawful to issue in this Prospectus.

Applicants should rely on their own knowledge of the Company, refer to disclosures made by the Company to the ASX and consult their professional advisers before deciding whether to accept the Offer. Announcements made by the Company to ASX are available from the ASX website at <http://www.asx.com.au/>. The information in this Prospectus does not constitute a securities recommendation or financial product advice.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In particular, it is important that you consider the risk factors in section 4 that could affect the performance of the Company before making an investment decision.

Some words and expressions used in this Prospectus have defined meanings which are explained in section 6.

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1. DETAILS OF THE OFFER

1.1 Purpose of the Offer

On 10 October 2019 the Company obtained Shareholder approval to issue Consideration Shares to acquire Astute One Limited (Astute), as set out and defined in the Notice of General Meeting and Explanatory Statement dated 11 September 2019.

On 20 November 2019 the Company announced that it had raised \$3.0m by the issue of 4,285,714 shares at \$0.70 per share to partly fund the acquisition costs of Astute, assist with the expansion of the Astute and PayGroup business into Asia and continue the product development of both Astute and PayGroup as defined by client requirements. Those Shares will be issued on 27 November 2019.

The purpose of this Prospectus is to remove any trading restrictions on the Shares issued by the Company without disclosure.

Any funds raised from the Offer will be applied towards the expenses of the Offer.

1.2 Section 708A(11) Corporations Act

Generally, section 707(3) of the Corporations Act requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

Section 708A(11) of the Corporations Act provides an exemption from this general requirement where:

- (a) the relevant securities are in a class of securities of the company that are already quoted on ASX;
- (b) a prospectus is lodged with ASIC either:
 - (i) on or after the day on which the relevant securities were issued; or
 - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the company that are in the same class of securities as the relevant securities.

The purpose of this Prospectus is to comply with section 708A(11) of the Corporations Act so that the holders of Shares issued without disclosure can, if they choose to, sell those Shares within the next twelve months without disclosure.

The issue of the Shares was not undertaken by the Company with the purpose of selling or transferring. However, the Directors consider that the holders should be able to sell those Shares, should they wish to do so, without the need for disclosure under Part 6D.2 of the Corporations Act.

1.3 Details of the Offer

The Company offers for subscription 1,000 New Shares at an issue price of \$0.70 per New Share under this Offer. The Offer is being extended to unrelated persons who are invited by the Company to subscribe for New Shares and is not open to the general public.

The New Shares offered under this Prospectus will rank equally with the Existing Shares on issue. A summary of the rights and liabilities attaching to the Shares is set out in section 3.1.

1.4 Minimum Subscription

There is no minimum subscription in respect to the Offer.

1.5 Opening and Closing Dates

The opening date of the Offer will be 27 November 2019 and the Closing Date will be 14 December 2019. The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

1.6 Application, Issue of New Shares and Application Money

Only parties invited by the Directors should apply under the Offer.

An Application for New Shares must be made using the Application Form attached to this Prospectus and must follow the procedures advised to them by the Company to apply for New Shares under the Offer.

The Directors reserve the right to reject any Application or to allocate any applicant fewer New Shares than the number applied for.

Where the number of New Shares issued is less than the number applied for, the surplus money will be returned by cheque as soon as practicable after the Closing Date. Where no issue is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on money refunded.

All Application Money received before the New Shares are issued will be held in a special purpose account. After any Application Money is refunded (if relevant) and New Shares are issued to applicants, the Company will be entitled to retain the balance of funds plus all interest that accrues on the bank account and each applicant waives any right to claim that interest.

1.7 Details of substantial holders

No Shares under the Offer will be issued to related parties or substantial shareholders of the Company.

There will be no change to the substantial holders on completion of the Offer.

1.8 Effect of the Offer on the Control of the Company

There will be no effect on control as a result of the Offer.

1.9 Effect on Financial Position of the Company

The maximum the Company will raise under this Prospectus is \$7,000 for the 1,000 New Shares offered. The estimated expenses of the Offer is as set out in section 5.5 of this Prospectus. The immediate financial effect of the Offer will be to decrease cash reserves by an amount equivalent to the estimated expenses of the Offer.

1.10 ASX Quotation

Application will be made within seven days of the date of issue of this Prospectus for the New Shares to be granted Official Quotation by ASX.

If the New Shares are not quoted by ASX within three months after the date of this Prospectus, the Company will not issue any New Shares and will refund all Application Money in full as soon as practicable, without interest.

The fact that ASX may agree to grant Official Quotation of the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares.

1.11 Offer Outside Australia

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the securities or the Offer or otherwise to permit an offering of the securities in any jurisdiction outside Australia.

1.12 Market Prices of Existing Shares on ASX

During the three months immediately preceding the lodgement of this Prospectus with ASIC, and the last market sale price on the date before the lodgement date of this Prospectus:

- (a) the highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, are set out below:

	3 months high	3 months low	Last Market Sale Price
Share Price	\$0.83	\$0.60	\$0.77
Date	28 October 2019	27 August 2019	25 November 2019

1.13 CHESS

The Company participates in the Clearing House Electronic Sub-register System (**CHESS**). ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASX Settlement will send you a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their securities holding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

1.14 Taxation Implications

The Directors do not consider that it is appropriate to give advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of applicants. Applicants should consult their own professional tax adviser in connection with the taxation implications of the Offer.

1.15 Enquiries

Any queries regarding the Offer should be directed to Justin Owen on 03 8692 7248.

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

2. USE OF FUNDS AND EFFECT OF THE ISSUE

2.1 Use of Funds

The Company intends to use any funds raised from the Offer towards offer costs.

2.2 Effect of the Offer on Capital Structure

If the New Shares are issued the number of Shares will increase by 1,000.

The Offer will not have an effect on the Company's other securities on issue.

2.3 Statement of Financial Position

The Company does not consider that the Offer will have a material effect on the Statement of Financial Position of the Company. Any funds raised from the Offer will be used towards offer costs.

3. RIGHTS AND LIABILITIES ATTACHING TO NEW SHARES

3.1 Rights attaching to New Shares

The New Shares will rank equally in all respects with all Existing Shares. The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the Listing Rules and general law. A copy of the Company's Constitution is available for inspection free of charge during business hours at its registered office.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

- (i) Each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) On a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) On a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held.

(c) Dividend rights

The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid is of the total amounts paid and payable in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

(e) Shareholder liability

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of shares**

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

4. RISK FACTORS

This section identifies some, but not all, of the major risks associated with an investment in the Company. You should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares.

4.1 Speculative nature of investment

You should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. An investment in Shares of the Company should therefore be considered very speculative.

4.2 Business risks associated with the Company

(a) Failure to retain existing clients and attract new clients

The Group's success depends on its ability to continue to retain its current client base, organically grow the service requirements of those existing clients and attract new clients. This could be impacted by a number of factors including but not limited to:

- the level of contract renewal for existing clients including failure to increase adoption and usage of the Group's product offering;
- the Group's ability to persuade potential clients to change their current business processes and take up the Group's product offering;
- the Group's ability to meet clients' demands for new products in a timely manner;

- cost-effectiveness and pricing of the Group's product offering;
- the availability of competing products in the market (including new market entrants);
- software / product capabilities and performance;
- the ability to anticipate and quickly respond to changing technology, opportunities, regulatory requirements, industry standards or client requirements in the industry (i.e. first mover advantage); and
- the Group's reputation.

The Group cannot guarantee that it will continue to increase its revenue from existing or new clients. Failure to retain existing clients or attract new clients will materially impact the Group's ability to generate revenue which will have an adverse effect on the Group's operating and financial performance.

(b) Disruption / failure of the software / Cloud HCM modules

A disruption in the functionality or operation of the group's HCM software modules (both on a client premises and in the Cloud) or generally any software failure, information systems failure, external services (network) failure - would have serious consequences in the ability of the Group to deliver its HCM and potentially BPO systems. This could occur through software problems, hacking, unauthorised use or the introduction of a virus into the software system. A number of criminal organisations have used viruses to interrupt business operations in software based modules. Any disruption could also significantly impact on clients (for example in delivery of payroll functions or in cross contamination). While the Group undertakes measures to prevent and detect the occurrence of such attempts to compromise the group's HCM software modules, there is a risk that such measures may not be adequate.

(c) Disruption of business operations

The Group and its clients are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include fraud / dishonesty by its employees or service providers, occupational health & safety (as the Group has a significant number of employees in India), industrial action or disputes and natural disasters. While the Group endeavours to take appropriate action to mitigate these operational risks and, where the Directors consider it practicable, insure against them, the Group cannot remove all possible risks of disruption to its business operations, and it cannot control the risks its clients are exposed to. A disruption in the Group's operations or those of its clients may have an adverse impact on the Group's growth prospects, operating results and financial performance.

(d) Loss and theft of data / failure to implement secure data controls

The Group's business operations involve the storage of its clients' confidential, personal and sensitive information (including for example information relating to the client's employees, payroll and other financial information). The Group's business could be materially disrupted by privacy / data breaches which may impact the security of a client's information / data. This could occur through theft, unauthorised access (e.g. hacking), unauthorised disclosure of confidential client information (including exploitation of data) or loss of information (e.g. system problems). While the Group undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Group's business or the operations of its clients including rendering such operations unavailable for a period of time until the data is restored. A security breach could also have an adverse impact on the Group's growth prospects, operating results, reputation and financial performance.

(e) Failure or delays in a disaster recovery scenario

The ability to implement disaster recovery is a key risk mitigator for any business which stores data or operates software programs (particularly where large amounts of data is stored in the "Cloud"). The Group's operations in its Cloud based HCM modules or software solutions or generally in respect of its BPO services results in the Group storing significant and confidential data for its clients. There is no guarantee that in a disaster scenario the Group will be able to

recover that data and continue the provision of the Group's services / software modules in a timely manner. Where there is a failure or delay in a disaster recover scenario to recover data and continue provision of services to the Group's clients, the Group's reputation may be adversely affected and the Group may be exposed to damages claims from clients.

(f) Reliance on key software / software development

The Group's business model heavily depends on its ability to maintain the functionality of its software (including rectifying any errors or performance issues) and adapt its software to its client's needs / preferences, industry standards and any changes in regulatory requirements. Failure to maintain or continue development of its software effectively and in a timely manner may result in a loss of clients or inability to attract new clients which may have a material adverse effect on the Group's sales revenue and reputation. There is also a significant risk of the development and introduction of new competitive software by third parties which may result in the Group losing clients or not attracting new clients.

(g) Reliance on key personnel

The Group currently employs a number of key management personnel, and the Group's future depends on retaining and attracting suitably qualified personnel. The Group has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Group. Despite these measures, however, there is no guarantee that the Group will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

(h) Competition

The human resources and talent management industry is highly competitive and includes companies with significantly greater financial, technical / software, human, research and marketing resources than the Group. There is a risk that existing or new competitors could increase their market share through new enhanced product offerings, strategic alliances, discounted pricing or strategic marketing campaigns. As a consequence, the Group's current products may become obsolete or uncompetitive, resulting in loss of clients, adverse effects on revenue, margins and profitability.

(i) Regulatory risk

The Group and its operations / services are subject to various laws and regulations including but not limited to employment, accounting standards and tax laws in a number of jurisdictions. Changes in these laws and regulations (including interpretation and enforcement) in any of these jurisdictions could adversely affect the Group's financial performance. Laws and regulations are specific to each geographic location. Additionally, if the Group fails to remain compliant with these various regulatory requirements, there is a risk that the Group's financial performance could be adversely affected.

(j) Currency risk

Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Group's operations cover a wide range of countries and foreign currencies. Accordingly, payment will be made in those countries' currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Group has no plans at this stage to hedge its foreign currency payments.

(k) Reputational risk

The Group's failure to protect its reputation could have a material adverse effect on the Group including its brand and profitability. The Group's brand could be jeopardised if it fails to maintain quality services or if the Group, or the third parties with whom it does business, fail to comply with regulations or accepted business practices (including ethical, social, product, labour and environmental standards, or related political considerations). If damage were to occur to the reputation of the Group or its third party contractors, the demand for the Group's products /and services may be reduced. This will likely have an adverse effect on revenue margins, profitability and the Group's operations.

(l) Pricing risk

A key component of the Group's business model is its ability to generate revenue. While the Group continuously monitors its pricing offered to clients, there is a risk that the Group's product pricing could become uncompetitive which may result in a decrease in product uptake and a loss of clients. Additionally, upon the expiry of a contract term, there is a risk that the Group may need to provide certain discounts to its service fees to retain clients for an additional term. If so, this would result in a reduction in the revenue received by the Group which could have a material adverse effect on the Group's financial performance.

(m) Redundancy risk

There is a risk that the Group could experience system failures and electrical outages from time to time, which could disrupt the Group's operations and its ability to provide services. The Group's servers and routers are currently hosted in a single location which poses site redundancy risk. Such an occurrence could have an adverse impact on the Group's operating results, reputation and financial performance. Daily backups of the environment are made and offsite backups are conducted monthly to minimise this risk.

(n) Failure to effectively manage growth

The Group anticipates continued growth in operations. Failure to adequately manage growth and its resulting resources and working capital requirements could place a strain on the current human, financial and operational resources (including infrastructure). This could have a material adverse effect on the Group's ability to retain certain clients / attract potential new clients.

(o) Recognition of revenue risks

The Group recognises revenues in accordance with Accounting Standards AASB 118. In particular, the Group's recurring revenues are based on the initial term (fixed) contracts, typically beginning in the month that the client entity goes Live. The Group's services revenue is recognised over the period, which is from the contract live date until termination. Some revenues realised in any given reporting period could relate to agreements entered into during a previous reporting period. If the Group were to experience a decrease in demand for its products or a reduction in its existing client base, there is a risk that such occurrences may not be accurately reflected in the revenue results for that period. However, such occurrences are likely to negatively affect the Group's financial results for a subsequent financial reporting period.

(p) Contractual and counterparty risks

As a party to many contracts, the Group will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Group will be successful in securing compliance with the terms of each contract by the counterparties to its contracts.

Likewise the Group has entered into a number of client contracts with clients which have time critical obligations upon the Group. A breach or failure to satisfy the Group's obligations under such client contracts would expose the Group to litigation and damage claims from those counterparties. The Group is not currently involved in any material contractual disputes or

litigation, arbitration or government prosecution matters. There is a risk that the Group may in the future have disputes with its clients, service providers or other third parties (including payment disputes) and this may have an adverse impact on the Group's growth prospects, operating results and financial performance.

(q) The Group's intellectual property / software rights

The Group has licensed software from a number of suppliers. The Group uses and also on-licenses some of those software programs to its clients. If a third party accuses the Group of infringing its IP rights or if a third party commences litigation against the Group for the infringement of patent or other IP rights, the Group may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Group incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

In addition, parties making claims against the Group may be able to obtain injunctive or other equitable relief that could prevent the Group from further developing discoveries or commercialising its products and service offering. In the event of a successful claim of infringement against the Group, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in its product and service introductions and loss of substantial resources while it attempts to develop alternative products and services. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Group or its partners from commercialising available products and services and could cause it to incur substantial expenditure.

4.3 General risks

Most of the general risks discussed below are outside the control of the Group and the Directors and cannot be mitigated.

(a) Market for Shares

Prior to the Offer there has been a public market for the Shares. No assurance can be given that an active market will continue in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

(b) Stock Market Volatility

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Group's operational performance. Investors who decide to sell their Shares after allotment may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by a range of factors including the Group's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements on international stock markets, economic conditions and general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes and general investors' perceptions. Neither the Company nor its Directors have control over these factors.

(c) General economic conditions

The general economic climate may affect the performance of the Group. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Group and their impact cannot be predicted.

(d) Changes in laws and government policy

Changes in laws and government policies including changes to the Group's industry, both domestically and internationally, may adversely affect the financial performance or the current and proposed operations of the Group and the attractiveness of an investment in the Company. Privacy is one example where the laws, regulations and government policies have been subject to change.

(e) Taxation

There are tax implications arising from buying and selling Shares, the receipt of dividends (both franked and unfranked) (if any) from the Company and participation in any on-market Share buy-back. You should seek your own independent taxation advice before applying for Shares. As most of the Group's activities and revenue is outside Australia, dividends are likely to be "unfranked".

(f) Insurance risks

Although the Company maintains insurance, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

(g) Government actions and other events

The impact of actions by domestic and international governments may affect the Group's activities, including in relation to its infrastructure, compliance with environmental regulations, export, taxation and royalties.

Events may occur within or outside Australia that could impact on the world economy, the market for the Group's product and service offerings, the Company's operations and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural disasters. The Company has only a limited ability to insure against some of these risks.

(i) Unforeseen expenses

The proposed expenditure on the Group's projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

4.4 Concluding Comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company / Group or by you as an investor in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.

5. ADDITIONAL INFORMATION

5.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is

required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to this Prospectus are in the same class as Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus, and options over such continuously quoted securities. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights attaching to the New Shares. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the most recent annual financial statements of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year report of the Company lodged with ASIC after the lodgment of the annual financial report in (i) above and before the lodgment of this Prospectus; and
 - (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the annual financial report for the financial year ended 31 March 2019:

Date	Description of Announcement
20-Nov-2019 8:32 AM	Results of Capital Raising
14-Nov-2019 1:09 PM	Appendix 3B
14-Nov-2019 12:54 PM	Completes Astute Acquisition
13-Nov-2019 3:55 PM	Investor Update
31-Oct-2019 4:05 PM	Appendix 4C - quarterly
28-Oct-2019 10:21 AM	Acquires Astute One Limited
10-Oct-2019 2:47 PM	Results of Meeting
13-Sep-2019 9:50 AM	Change of Director's Interest Notice
11-Sep-2019 6:00 PM	Notice of General Meeting/Proxy Form
11-Sep-2019 9:45 AM	Change of Director's Interest Notice
29-Aug-2019 10:37 AM	PayGroup signs Term Sheet to acquire Astute Ltd
22-Aug-2019 3:18 PM	Results of Meeting
15-Aug-2019 9:15 AM	Change in substantial holding
31-Jul-2019 2:39 PM	Appendix 4C - quarterly
22-Jul-2019 2:53 PM	Notice of Annual General Meeting/Proxy Form
22-Jul-2019 2:51 PM	ASX Appendix 4G

Date	Description of Announcement
22-Jul-2019 2:50 PM	Annual Report to shareholders
11-Jul-2019 5:55 PM	Change of Director's Interest Notice

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

5.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of New Shares pursuant to this Prospectus; or
- (c) the offer of New Shares pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or offer of New Shares pursuant to this Prospectus.

Directors' direct and indirect interests in securities of the Company at the date of this Prospectus are:

Director	Shares	Options
Ian Basser	560,145	-
Mark Samlal	22,096,687	-
Franck Neron-Bancel	994,370	-
David Fagan	284,749	-

The Directors may be paid such remuneration as is from time to time determined by the Company in general meeting and all travelling, hotel and other expenses properly incurred by them in attending at and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise in connection with the business of the Company. The Directors remuneration is deemed to accrue from day to day and the remuneration (other than a managing director or other executive director) shall be a fixed sum and not a commission or calculated on a percentage of profits or turnover.

A Director may be paid a fee or other amounts (i.e. non-cash performance incentives such as options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Directors' remuneration for the 2019 financial year, together with the current financial year is set out in the table below:

Director	Remuneration for FY2019	Current financial year
Ian Basser	100,000	100,000
Mark Samlal	315,596	384,420
Franck Neron-Bancel	297,906	374,445
David Fagan	85,000	85,000

5.3 Interests and Consents of Experts and Advisers

Other than as set out in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the two years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the offer of New Shares pursuant to this Prospectus; or
- (c) the offer of New Shares pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of New Shares pursuant to this Prospectus.

5.4 Consents

Other than as set out in this Prospectus, each of the parties named in this Prospectus:

- (a) does not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by any of those parties;
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
- (c) did not authorise or cause the issue of all or any part of this Prospectus.

5.5 Estimated Expenses of the Offer

The estimated expenses of the Offer are approximately \$12,000 including ASIC, ASX and legal costs.

5.6 Litigation

Other than as disclosed elsewhere under this Prospectus, the Company is not currently involved in any material legal proceedings.

5.7 Privacy Act

If you complete an Application, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your New Shares in the context of takeovers, regulatory bodies,

including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules. You should note that if you do not provide the information required on the Application the Company may not be able to accept or process your Application.

5.8 Directors' Consent

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Signed on behalf of the Directors pursuant to a resolution of the Board.

A handwritten signature in dark ink, appearing to read 'Mark Samlal', is positioned above a horizontal line.

Mark Samlal
Managing Director

GLOSSARY

A\$, \$ and dollars	Australian dollars, unless otherwise stated.
AEDT	Australian Eastern Daylight-saving Time.
Application	An application for New Shares pursuant to the Application Form.
Application Form	The application form attached to or accompanying this Prospectus and relating to the Offer.
Application Money	The money received in respect of an Application.
ASIC	The Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) or the market operated by that entity, as the context requires.
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX Settlement Operating Rules	The settlement rules of ASX Settlement.
Board	The board of Directors.
CHESS	ASX Clearing House Electronic Sub-register System.
Closing Date	5.00pm AEDT on 14 December 2019, or such other date as may be determined by the Directors under this Prospectus.
Company	PayGroup Limited (ACN 620 435 038).
Consideration Shares	Has the meaning given in section 1.1.
Constitution	The constitution of the Company, as amended from time to time.
Corporations Act	The <i>Corporations Act 2001</i> (Cth).
Director	A Director of the Company at the date of this Prospectus and Directors has a corresponding meaning.
Existing Share	An issued Share in the capital of the Company.
Listing Rules or ASX Listing Rules	The official listing rules of the ASX.
New Share	A Share in the capital of the Company to be issued under this Prospectus.
Offer	Means the offer of New Shares described in section 1.
Official Quotation	Official quotation on ASX.
Prospectus	The prospectus constituted by this document.
Sale Agreement	Has the meaning given in section 1.1.
Share	A fully paid ordinary share in the capital of the Company.
Shareholder	The holder of a Share.

CORPORATE DIRECTORY

Directors Ian Basser – Non-Executive Chairman David Fagan – Non-Executive Director Mark Samlal – Managing Director Franck Neron-Bancel – Executive Director	
PayGroup's Registered Office 24-26 Second Avenue Box Hill North Victoria www.paygroup.com	
Company Secretary Justin Owen	

ACN 620 435 038

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay. You should read the Paygroup Limited Prospectus dated 27 November 2019 and any relevant Supplementary Prospectus (if applicable) carefully before completing this Application Form. Defined terms in the Prospectus have the same meaning in this Application Form. The Corporations Act 2001 (Cth) prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanied by a complete and unaltered copy of the Prospectus (whether in paper or electronic form).

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A\$

Number of Shares in Paygroup Limited at A\$0.70 per Share or such lesser number of Shares which may be allocated to me/us.

Title or Company Name	Given Name(s)	Surname

[illegible][illegible][illegible]

City/Suburb/Town _____ State _____ Postcode _____

Contact Name _____ Telephone Number - Business Hours (____) _____

[illegible]

Please note that if you supply a CHES HIN but the name and address details on your form do not correspond exactly with the registration details held at CHES, your application will be deemed to be made without the CHES HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				<div> <div>\$</div> <div></div> </div>

Make your cheque, money order or bank draft payable to "Paygroup Limited".

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus, and any relevant Supplementary Prospectus, and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of Paygroup Limited.

See overleaf for completion guidelines ➔

How to complete this Application Form

- A Number of Shares applied for**
Enter the number of Shares you wish to apply for. The Application must be for a minimum of xxxx Shares (A\$X,000.00).
- B Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A\$0.70.
- C Applicant Name(s)**
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.
- D Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

- E Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.
- F CHES**
Paygroup Limited participates in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by Paygroup Limited and allocated a Securityholder Reference Number (SRN).
- G Payment**
Make your cheque, bank draft or money order payable in Australian dollars to **Paygroup Limited** and cross it '**Not Negotiable**'. Cash will not be accepted. The total payment amount must agree with the amount shown in Step B. Complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account..

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in Paygroup Limited is upon and subject to the terms of the Prospectus and the Constitution of Paygroup Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Form must be received by Computershare Investor Services Pty Limited (**CIS**) by no later than 5.00pm (AWST) on 14 December 2019. You should allow sufficient time for this to occur. Return the Application Form with payment attached to:

Computershare Investor Services Pty Limited

GPO Box 52

MELBOURNE VIC 3001 Australia

Neither CIS nor Paygroup Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries regarding the Application Form, please contact 03 8692 7248 (within Australia) or +61 3 8692 7248 (outside Australia).

Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the issuer. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund