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SIGNIFICANT ACQUISITION OF TWO LEADING CLOUD FOCUSED SOFTWARE & SERVICES COMPANIES – TECHNOLOGY EFFECT AND BREEZE

Highlights

- Binding Heads of Agreements signed to acquire 100% of two leading Cloud focused software and services businesses – Technology Effect Pty Ltd (**Technology Effect**) and Breeze Training Pty Ltd (**Breeze**) (subject to various conditions precedent).
- Technology Effect offers a range of consulting, integration and managed services solutions in information communications technology and Cloud related areas with a focus on mid-tier enterprises and the public sectors.
- Breeze is a multi-award winning Microsoft Gold Partner specialising in application integration and development, Cloud computing integration and migration and mobile development.
- The acquisitions provide Montech with a platform to grow their Cloud managed services business and innovate and develop Cloud products on the Microsoft Azure platform and in so doing build a recurring revenue model.
- Technology Effect and Breeze's senior management will join Montech's board, adding a wealth of experience.

Sydney, Australia – Montech Holdings Limited (ASX:MOQ) (**Montech** or the **Company**), is pleased to announce it has entered into binding Heads of Agreements to acquire 100% of the shares in two separate but complementary technology companies offering consulting, integration and application development solutions with a focus on Microsoft Azure and Cloud related areas – Technology Effect Pty Ltd and Breeze Training Pty Ltd (collectively the **Transactions**). The Transactions are still subject to various conditions precedent including satisfactory due diligence, regulatory and shareholder approvals.

ABOUT MONTECH

Montech's strategy is to develop, build and acquire a number of complementary Cloud focused technology businesses. The optimal characteristics of the businesses it is seeking to acquire and develop include those with:

- Software as a Service or managed services offering recurrent annuity-style revenue (preferably not industry specific);
- Australian/New Zealand based with strong Microsoft partnerships;
- Cash flow positive high growth businesses; and
- Businesses with a likeminded culture that are willing to work as a team to continue to grow the broader Montech business over the next few years.

Together with an ongoing structured acquisition program, the Transactions provide Montech an ideal platform to build a business in line with these objectives.

Technology Effect and Breeze's Microsoft Cloud partner status and the imminent launch of the local Microsoft Azure datacentre create exciting opportunities for the following reasons:

- Technology Effect and Breeze are both amongst the top Microsoft Azure Partners in Australia, and in 2014 either won or were finalists for Microsoft Worldwide and Australian awards for their Microsoft Azure integration solutions for customers.
- Both companies work closely with Microsoft to test the local Azure services, on-board Australian customers and raise customer stories as part of the pending launch.
- Technology Effect plan to continue growing its Cloud managed services activities, and Breeze will continue to innovate and develop Cloud products on the Microsoft Azure platform, thereby building on their recurring revenue models as well as continued growth in their respective services arms.

Upon completion of the transaction, the owners of both businesses will become significant shareholders of Montech. Both Technology Effect and Breeze will initially continue to operate as independent businesses under their own brands; however given the strong cultural affinity between all parties, it is envisaged that in time the businesses will merge as they both evolve and expand, cross pollinating the offerings, services and geographies in which they operate.

ABOUT TECHNOLOGY EFFECT

Technology Effect is a leading Brisbane-based organisation known for its innovative, customer-focused practices and for delivering superior IT solutions. They offer a range of consulting, integration and managed service solutions in information communications technology infrastructure and Cloud related areas. Founded in 2005, it has grown to over 60 staff with its customer base largely in Queensland and a strong focus on mid-tier enterprises and the public sector.

Customers include Bank of Queensland, QSuper, Rio Tinto, Bidvest, BDO, Laing O'Rourke, SunSuper, Brisbane Catholic Education, Brisbane Airport Corporation, RP Data and Logan City Council. Additional information about Technology Effect is available at www.technologyeffect.com.au.

ABOUT BREEZE

Breeze is a leading Sydney-based application integration company with over 20 employees. Its portfolio of offerings covers application development and Cloud integration products and solutions. Since its inception Breeze has worked closely with Microsoft. It recently won the 2014 Worldwide and Australia Microsoft Partner of the Year Award in three categories, Application Integration, Application Development and Health Partner of the Year.

Customers include BUPA, Dental Corporation, Sydney Adventist Hospital, Caltex, Sportingbet and Centrebet. Additional information about Breeze is available at www.breeze.net.

EXECUTIVE AND BOARD APPOINTMENTS

At completion of the Transactions, Breeze's Director Nicki Page will be appointed as Director and Chief Executive Officer of Montech, and Technology Effect's co-founder Joe D'Addio will be appointed as Director and Chief Operating Officer of Montech. In addition, Technology Effect co-founder, Scott McPherson, will also be invited to become a Director of the Company.

Mr David Shein will remain Non-Executive Chairman of Montech, working closely with the executive leadership teams at Technology Effect and Breeze, both in supporting and growing their businesses and in fostering new opportunities (including via acquisition), which may complement their activities and Montech's overall strategy.

Mr David Shein said: "I am very excited at the prospect of both Technology Effect and Breeze joining the Montech group. In both businesses I see independently successful operations, built by outstanding entrepreneurs who understand technology and results, and have similar culture with respect to customers, partners and employees. I look forward to welcoming Nicki, Joe and Scott to Montech's Board."

Joe D'Addio also stated: "We are really excited to become part of the broader Montech group. One of the driving forces behind Montech, David Shein, is an IT channel veteran who grew his IT services company, ComTech, to revenues of \$700 million and 1400 staff before selling it to Dimension Data in 2001. David has been actively involved in building, advising and exiting various businesses, most technology related. We are confident David will add significant value to our business".

RATIONALE FOR THE ACQUISITIONS

The emergence of the "Cloud" has brought with it great opportunity, but it is changing the IT landscape significantly and rapidly. To meet this changing market demand, both Technology Effect and Breeze have been exploring how to evolve and expand their respective businesses in terms of market offering, services and geographies.

Breeze and Technology Effect are established market leaders in their fields and this Transaction combines the best of talent and innovation, offering a focused and high quality holistic approach to IT infrastructure and application development services, thereby assisting customers to embark on a journey to the Cloud.

Nicki Page, Breeze CEO and incoming Montech CEO, said: "Our aim is to provide exceptional customer experiences through smart solutions that add significant value. Together we now have the ability to provide a complete Cloud integration offering for our customers. We firmly

believe that there is a market opportunity in this new world for a niche organisation with a 'Customer First, Cloud First' culture, focused on deep integration capability across platforms, applications and data and which will differentiate itself through exceptional people, market leading commercialised IP and strong partnerships with leading technology providers."

Joe D'Addio, Technology Effect co-founder and incoming Montech COO, said "Our two business models are very complementary, but most importantly there is a strong cultural alignment, a focus on high quality outcomes for customers and a common belief in the potential of Cloud Services and Solutions."

For Montech, the Transactions are consistent with its previously stated strategy, utilising a "hub and spoke" model to provide support of and to IT software and service enterprises.

The incoming businesses have achieved strong annual revenue growth and are focussing on growing recurring revenues. Based on the unaudited accounts of the respective businesses they had combined revenues of approximately A\$29 million and normalised EBIT of approximately A\$3 million¹; in the financial year end 30 June 2014. They have a combined workforce of 80 employees.

Phil Goldie, Director of Partner Business and Development, Microsoft said "There are a lot of changes happening in the Partner Channel and today's announcement is a great example of how some of our most innovative Microsoft Azure partners are bringing new thinking to our joint customers in a 'Cloud First, Mobile First' world".

Montech Chairman Mr David Shein commented: "We are continually on the lookout for other great and emerging businesses to be part of a long-term sustainable IT group with outstanding head office support and corporate governance practices."

TRANSACTION TERMS

Key details contained in the Heads of Agreements for the Transactions are as follows:

- Conditions precedent to completion of the Transactions include the following:
 - Execution of a share sale agreement in a form satisfactory to the relevant parties;
 - Completion of satisfactory legal, accounting, operational, and tax due diligence;
 - Key personnel entering into employment agreements in a form satisfactory to the relevant parties; and
 - Receipt of required approvals, including that of ASX and Montech shareholders.
- Subject to the satisfaction of conditions precedent the Technology Effect founders/vendors will receive 441,399,450 Montech shares and A\$3 million in cash consideration. The Technology Effect vendors will collectively hold approximately 45% of the shares in the Company on a fully diluted basis (prior to any new capital being raised)²;
- Subject to the satisfaction of conditions precedent, the Breeze founders/vendors³ will receive 141,666,667 Montech shares and A\$750,000 in cash consideration. The Breeze

¹ The information contained herein has been provided by the vendors of Breeze and Tech Effect to Montech. The Directors of Montech have not independently verified the accuracy of the information and do not accept any responsibility for its inaccuracy, misstatement or any omission of any nature whatsoever in relation thereto. Normalisation relates to adjustments to bring vendor salaries to market rates.

² Fully diluted for after the issue of the proposed consideration shares for the Transactions and 78.7m options on issue, but prior to proposed capital raising of at least A\$4 million which is a condition precedent to completion of the Technology Effect Transaction.

³ Breeze vendors are interests associated with Nicki Page (50%) and Mick Badran (50%)

vendors will collectively hold approximately 14.5% of the shares in the Company on a fully diluted basis (prior to any new capital being raised)².

- Both Technology Effect and Breeze are required to have a minimum level of working capital at the time of completion. Post the Transactions and the proposed capital raising (including working capital in Breeze and Technology Effect) the Company will have approximately A\$2.5 million in cash (before transaction costs).
- Subject to any required ASX requirements, the Montech shares issued to the vendors will be escrowed 100% for 12 months following completion, 66.67% for 24 months following completion, and 33.33% for 36 months following completion.
- The Technology Effect Transaction is conditional on Montech successfully completing a capital raising to raise an amount of at least A\$4 million.
- The Breeze Transaction is conditional on Montech entering into a share sale agreement to acquire 100% of the shares or business of Technology Effect.

TRANSACTION APPROVALS AND ASX RE-COMPLIANCE

The Transactions are subject to Montech shareholder approval and a number of other matters (as outlined in Transaction Terms above) including re-compliance with Chapters 1 & 2 of the ASX Listing Rules and approval of the Company's securities to re-quotation on ASX.

Approvals for the Transactions sought at a meeting of Montech shareholders (**Meeting**) will include:

- A significant change to the nature and scale of Montech's activities and approvals pursuant to Listing Rule 11.1.2 and 11.1.3;
- The issue of 441,399,450 pre-consolidation Montech shares to the Technology Effect vendors;
- The issue of 141,666,667 pre-consolidation Montech shares to the Breeze vendors;
- Montech undergoing a capital consolidation after the acquisition of Technology Effect and Breeze to meet ASX Listing Rule requirements;
- A capital raising at a price to be determined (including to obtain spread, if required);
- A capital raising at a price to be determined from employees of both Technology Effect and Breeze to allow them to acquire ordinary shares in Montech; and
- The election of the additional Board members.

A Notice of Meeting will be sent to all Montech shareholders in due course advising the date and location of the Meeting where they will be able to vote on the Transactions. The Notice of Meeting will include an Independent Expert's Report to assist shareholders in understanding and voting on the proposed Transactions.

The Board of Directors is unanimous in its support of the Transactions, and as shareholders in Montech each Director intends to vote in favour of the resolutions necessary to approve the Transactions.

Subject to shareholder approval it is anticipated that the Transactions will be completed in February 2015. Further information on the Transactions will be set out in the Notice of Meeting.

CAPITAL RAISING

Upon receiving shareholder approval for the Transactions, Montech plans to undertake a capital raising to raise at least A\$4 million in cash. A prospectus in relation to this capital raising will be issued shortly after the shareholder Meeting.

CAPITAL STRUCTURE

The capital structure of the Company immediately post completion of the Transactions (prior to the proposed Capital Raising of at least A\$4 million and before any share consolidation) is as follows:

Shares	Number	Diluted %
Shares currently on issue	315,409,857	32%
Shares issued as Technology Effect Consideration	441,399,450	45%
Shares issued as Breeze Consideration	141,666,667	14%
Total shares	898,475,974	92%
Options	78,693,345	8%
Total fully diluted	977,169,319	100%

INDICATIVE TIMETABLE

An indicative timetable for re-compliance with the admission requirements is set out in the table below:

Action	Date
Notice of Meeting and Independent Expert Report despatched to Montech shareholders	Monday 15 December 2014
Extraordinary General Meeting of shareholders held to approve Proposed Transactions	Monday 19 January 2015
Company suspended	Monday 19 January 2015
Consolidation of capital commences	Monday 19 January 2015
Prospectus lodged with ASIC /ASX	Tuesday 20 January 2015
Prospectus closed (pending ASIC/ASX review)	Tuesday 3 February 2015

Note: the above dates are indicative only and may be subject to change at any time.

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***Disclaimer:** The announcement may contain certain forward-looking statements. Words 'anticipate', 'believe', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Montech, its officers, employees, agents and associates, which may cause actual results to differ materially from those expressed or implied in such forward-looking statements. Actual results, performance or outcomes may differ materially from any projections or forward-looking statements or the assumptions on which those statements are based, which include changes in market conditions, demand for Montech's product and services, future exchange rate fluctuations, technology advances and capital requirements. You should not place any undue reliance on forward-looking statements and neither Montech nor its directors, officers, employees, servants or agents assume any responsibility to update such information.*