

# **HEALTHLINX LIMITED [ACN 098 640 352]**

## **NOTICE OF GENERAL MEETING**

### **EXPLANATORY STATEMENT**

### **PROXY FORM**

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**TIME:** 11.00am (Melbourne time)

**DATE:** Monday, 23 February 2015

**PLACE:** The offices of Quinert Rodda & Associates Pty Ltd, Suite 1, Level 6, 50 Queen Street, Melbourne, Victoria, 3000

This Notice of General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Nexia Melbourne Pty Ltd [ABN 32 052 362 348] has prepared an Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 3 of this Notice of General Meeting is fair and reasonable to the non-associated shareholders of the Company. A copy of the Independent Expert's Report is contained in Annexure Four of this Notice of General Meeting. It is recommended that all shareholders read the Independent Expert's Report in full.

Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company on (+61 3) 8692 9048.

**NOTICE OF GENERAL MEETING  
HEALTHLINX LIMITED [ACN 098 640 352]**

Notice is given that a General Meeting (**Meeting**) of Healthlinx Limited [ACN 098 640 352] (**Company** or **HTX**) will be held at 11.00am on Monday, 23 February 2015 at the offices of Quinert Rodda & Associates, Suite 1, Level 6, 50 Queen Street, Melbourne, Victoria 3000.

Each of the resolutions proposed to be put to shareholders at the Meeting are set out in this Notice of General Meeting (**Notice**) and further details regarding those resolutions are set out in the Explanatory Memorandum accompanying this Notice. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice. Terms used and defined in the Explanatory Memorandum have the same meanings when used in this Notice.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company at 5.00pm (Melbourne time) on 21 February 2015.

**BUSINESS**

**RESOLUTION 1: APPROVAL FOR CHANGE OF ACTIVITIES**

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

**“That, for the purposes of ASX Listing Rule 11.1 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting.”**

**VOTING EXCLUSION**

The Company will disregard any votes cast on this resolution by any person and any associates of those persons who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the resolution is passed. 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.

**RESOLUTION 2: CONSOLIDATION**

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

**“That, for the purposes of Section 254H of the Corporations Act 2001 (Cth) and for all other purposes, the issued capital of the Company be consolidated on the basis that every five (5) ordinary shares be consolidated into one (1) ordinary share, with any resulting fractions of a share rounded up to the next whole number of shares, on the terms set out in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting.”**

**RESOLUTION 3: APPROVAL FOR ISSUE OF SHARES TO MANALTO VENDORS**

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

**“That for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth) and for all other purposes, shareholders approve the issue of 62,500,000 fully paid ordinary shares in the Company (issued on a post-consolidation basis) to the Manalto Vendors and the acquisition by the Manalto Vendors of a relevant interest in up to 75.25% of the Company’s ordinary shares as described in the Explanatory Memorandum which accompanies and forms part of the Notice of General Meeting.”**

**VOTING EXCLUSION**

No votes may be cast in favour of this resolution by any of the Manalto Vendors or any of their associates. However, the Company will not disregard a vote on this resolution if it is cast by a person as 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.

**RESOLUTION 4: APPROVAL FOR ISSUE OF SHARES TO DIRECTOR RELATED MANALTO VENDOR**

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

**“That, for the purposes of ASX Listing Rules 10.1 and 10.11 and for all other purposes, shareholders approve the issue of 2,116,851 fully paid ordinary shares (issued on a post-consolidation basis) to Cope St Pty Ltd atf the Telford Family Trust, an entity associated with Trent Telford, a Director of the Company, as described in the Explanatory Memorandum which accompanies and forms part of this Notice of General Meeting”.**

**VOTING EXCLUSION**

The Company will disregard any votes cast on this resolution by a party to the transaction or person who is to receive the securities or any or their associates. However, the Company need not disregard a vote on this resolution if it is cast by a person as 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.

**RESOLUTION 5: APPOINTMENT OF DIRECTOR – ANTHONY OWEN**

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

**“That, Mr Anthony Owen, a person who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company’s acquisition of Manalto, Inc.”**

**RESOLUTION 6: APPOINTMENT OF DIRECTOR – JOSEPH MILLER**

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

**“That, Mr Joseph Miller, a person who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company’s acquisition of Manalto, Inc.”**

**RESOLUTION 7: APPOINTMENT OF DIRECTOR – DAVID FLETCHER**

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

**“That, Mr David Fletcher, a person who, being eligible and having consented to act be elected as a director of the Company on and from the date of successful completion of the Company’s acquisition of Manalto, Inc.”**

**RESOLUTION 8: APPOINTMENT OF DIRECTOR – KRISTIAN BLASZCZYNSKI**

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

**“That, Mr Kristian Blaszczyński, a person who, being eligible and having consented to act, be elected as a director of the Company on and from the date of successful completion of the Company’s acquisition of Manalto, Inc.”**

**RESOLUTION 9: APPROVAL FOR CAPITAL RAISING**

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

**“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up 30,000,000 ordinary fully paid shares (on a post-consolidation basis) at an issue price of \$0.20 per share to raise up to \$6,000,000 on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”**

**VOTING EXCLUSION**

The Company will disregard any votes cast on this resolution by any person and any associates of those persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. 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.

**RESOLUTION 10A-D: APPROVAL FOR PARTICIPATION BY EXISTING DIRECTORS IN CAPITAL RAISING****RESOLUTION 10A: APPROVAL FOR MICHAEL QUINERT TO PARTICIPATE IN CAPITAL RAISING**

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

**“THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Michael Quinert in the Capital Raising for up to \$40,000 (200,000 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”**

A voting exclusion applies to this resolution and is set out below.

**RESOLUTION 10B: APPROVAL FOR TRENT TELFORD TO PARTICIPATE IN CAPITAL RAISING**

**“THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Trent Telford in the Capital Raising for up to \$40,000 (200,000 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.”**

A voting exclusion applies to this resolution and is set out below.

**RESOLUTION 10C: APPROVAL FOR RICHARD REVELINS TO PARTICIPATE IN CAPITAL RAISING**

**"THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Richard Revelins in the Capital Raising for up to \$40,000 (200,000 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

A voting exclusion applies to this resolution and is set out below.

**RESOLUTION 10D: APPROVAL FOR TIMOTHY CHAPMAN TO PARTICIPATE IN CAPITAL RAISING**

**"THAT, for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the participation by Timothy Chapman in the Capital Raising for up to \$20,000 (100,000 ordinary shares) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

A voting exclusion applies to this resolution and is set out below.

**VOTING EXCLUSION RESOLUTIONS 10A – 10D**

The Company will disregard any votes cast on this resolution by a person who is to receive the securities or any or their associates. However, the Company need not disregard a vote on this resolution if it is cast by a person as 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.

**RESOLUTION 11: CHANGE OF COMPANY NAME**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

**"That, subject to the Company successfully completing the acquisition of Manalto Inc., for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to 'Manalto Limited'."**

**RESOLUTION 12: ISSUE OF OPTIONS TO ADVISORS**

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

**"THAT, for the purposes of ASX Listing Rule 7.1, shareholders approve the issue of up to a maximum of 2.25 million options (on a post-consolidation basis) each to acquire, upon exercise, one ordinary fully paid share in the issued capital of the Company having an exercise price of 25 cents (\$0.25) each and expiring on the date which is three (3) years from their issue to consultants and advisors on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

**VOTING EXCLUSION**

The Company will disregard any votes cast on this resolution by any person and any associates of those persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. 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.

**RESOLUTION 13 - APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

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

**"THAT for the purposes of ASX Listing Rule 7.2 Exception 9 approval is given for the adoption of the Healthlinx Employee Share Option Plan on the terms set out in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

**VOTING EXCLUSION**

The Company will disregard any votes cast on this resolution by a Director of the Company or any associate of a Director of the Company. However, the Company need not disregard a vote on this resolution if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form and 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. The Company will also disregard votes cast as a proxy by a member of the Company's key management personnel (including the Directors) or any of those persons' closely related parties (such as close family members and any controlled companies of those persons) (collectively referred to as a **"Restricted Voter"**). However, the Company need not disregard a vote cast on this resolution if it is cast by a person as 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, pursuant to an express authorisation on the Proxy Form.

**RESOLUTION 14: ISSUE OF OPTIONS TO KEY MANAGEMENT AND EMPLOYEES**

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

**"THAT, for the purposes of ASX Listing Rule 10.14 and for all other purposes shareholders approve the issue of 4,550,000 options (on a post-consolidation basis) to Anthony Owen (and his associates), a proposed Director of the Company (to be issued under the Employee Share Option Plan on and subject to the date of successful completion of the Company's acquisition of Manalto, Inc.) as described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting."**

**VOTING EXCLUSION**

The Company will disregard any votes cast this resolution by any director of the Company who is eligible to participate in the employee incentive scheme in respect of which approval is sought. The Company will also disregard votes cast as a proxy by a member of the Company's key management personnel (including the Directors) or any of those persons' closely related parties (such as close family members and any controlled companies of those persons) (collectively referred to as a **"Restricted Voter"**). However, the Company need not disregard a vote this resolution if it is cast by a person as 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, pursuant to an express authorisation on the Proxy Form.

Dated: 21 January 2015

By the order of the Board



Michael Quinert  
Director  
Healthlinx Limited

The accompanying Explanatory Memorandum and the Proxy and Voting Instructions form part of this Notice.

## PROXY AND VOTING INSTRUCTIONS

### PROXY INSTRUCTIONS

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged at the registered office of the Company or sent by facsimile transmission to (03) 8692 90 40 no less than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act 2001 (Cth). A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the Meeting (**Chair**) as your proxy.

A proxy form is attached to this Notice.

### HOW THE CHAIRMAN WILL VOTE UNDIRECTED PROXIES

Subject to restrictions which apply in respect of Resolutions 13 and 14, the Chair of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions.

### PROXIES THAT ARE UNDIRECTED ON RESOLUTIONS 13 and 14

If you appoint the Chair of the meeting as your proxy and you are not a Restricted Voter by marking the box, and submitting the proxy form, you authorise the Chair to exercise the proxy even though Resolution 13 and 14 are connected directly or indirectly with the remuneration of a member of the Company's key management personnel (or personnel who will, subject to completion of the Transaction become key management personnel of the Company), and you will be taken to have directed the Chair to vote in accordance with his stated intention to vote in favour of Resolutions 13 and 14.

Directors of the Company (other than the Chair, per the above) any other of the Company's key management personnel and any of their closely related parties will not be able to vote undirected proxies held by them on Resolutions 13 and 14. Key management personnel of the Company comprise the Directors of the Company and those other persons actually having authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. Their closely related parties are defined in the Corporations Act and include specified family members, dependents and companies they control.

### CORPORATE REPRESENTATIVES

Any corporation which is a member of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

### VOTING ENTITLEMENT

For the purposes of the Corporations Act and Corporations Regulations, shareholders entered on the Company's Register of Members as at 5:00pm (Melbourne time) on 21 February 2015 are entitled to attend and vote at the meeting.

On a poll, members have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

### SPECIAL RESOLUTIONS

For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution. Resolution 11 is a special resolution.

HEALTHLINX LIMITED [ACN 098 640 352]

EXPLANATORY MEMORANDUM

PURPOSE OF INFORMATION

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Notice of General Meeting (**Notice**) issued to convene a general meeting (**Meeting**) of the shareholders of Healthlinx Limited (**Company** or **HTX**) to be held at 11.00am on Monday, 23 February 2015 at the offices of Quinert Rodda & Associates Pty Ltd, Suite 1, Level 6, 50 Queen Street, Melbourne, Victoria 3000. The Notice incorporates, and should be read together with, this Memorandum.

TRANSACTION AND RESOLUTIONS

1. **General Background**

On 2 October 2014 the Company announced that it had entered into a binding terms sheet to acquire all of the issued share capital of Manalto, Inc. (**Manalto**) a private USA company (**Transaction**). Manalto has developed, and is seeking to commercialise, a social media management software solution. The Transaction is to be effected by acquisition of all of the existing equity interests of Manalto from the shareholders of Manalto (**Manalto Vendors**).

The Transaction terms require Manalto to procure that each of the Manalto Vendors enter into a formal contract for the sale of their respective equity interests in Manalto. The Manalto Vendors include holders of convertible securities (convertible notes and options) whose rights will be converted by Manalto to Manalto shares prior to completion of the Company's acquisition. The consideration for the acquisition of all of the equity interests from the Manalto Vendors will be satisfied through the issue of 62,500,000 (post-consolidation) ordinary fully paid HTX shares, the issue of which is the subject of Resolution 3.

The Transaction is subject to the following:

- shareholders of the Company passing each of the resolutions set out in the Notice (the **Transaction Resolutions**) at the Meeting (other than Resolutions 10A, 10B, 10C and 10d and Resolution 11);
- the Company conducting and securing subscriptions from investors of not less than \$3 million under the Capital Raising;
- the Company completing the acquisition of all of the equity interests of the Manalto Vendors; and
- ASX conditionally confirming that it will re-admit the Company to the Official List of ASX.



## 2. Overview of Meeting Resolutions

All the resolutions set out in the Notice (other than Resolutions 10A to 10D and Resolution 11) are interdependent. Accordingly, if any of the Transaction Resolutions (other than Resolutions 10A to 10D and Resolution 11) are not approved by the Company's shareholders the Transaction will fail and not be completed. An overview of each of the Transaction Resolutions is set out below:

- (a) **(Resolution 1)** The change in the scale of the activities of the Company and the change in nature of the Company's activities from a pharmaceuticals and biotechnology company to a technology, hardware, and equipment company (and specifically to focus on the distribution and commercialisation of the Manalto social media management software) requires shareholder approval under ASX Listing Rule 11.1.2.
- (b) **(Resolutions 2, 9 and 10A-D)** The Company will need to re-comply with Chapters 1 and 2 of the ASX Listing Rules and, as a step to achieve this, will:
  - (i) Undertake a 5:1 consolidation of its ordinary shares, for which shareholder approval is being sought (if approved, the consolidation will take effect following the Meeting in accordance with the ASX timetable).
  - (ii) Complete a capital raising, to raise a minimum of \$3 million (through the issue of 15 million shares at \$0.20) and a maximum of \$6 million (through the issue of 30 million HTX shares at \$0.20) **(Capital Raising)** (approval will be sought for the existing Directors to participate in the Capital Raising however the transaction is not conditional on that approval being obtained).
- (c) **(Resolutions 3 and 4)** The consideration payable to the Manalto Vendors for the acquisition of Manalto is the issue of 62,500,000 ordinary HTX shares (on a post-consolidation basis) and shareholder approval will be sought for the issue of those shares. A separate approval will be sought for the issue of part of the Manalto Vendor consideration to Cope St Pty Ltd atf The Telford Family Trust, a Manalto Vendor which is controlled by Trent Telford, a Director of the Company.
- (d) **(Resolutions 5, 6, 7 and 8)** On successful completion of the Transaction, the Company has agreed, subject to shareholder approval, to appoint 4 directors nominated by Manalto to the Board.
- (e) **(Resolution 11)** The Company intends to change its name to Manalto Limited on completion of the Transaction, and shareholder approval by way of a special resolution is required to effect that change. The Transaction is not conditional on approval of the name change being obtained.
- (f) **(Resolution 12)** On, and subject to completion of the Transaction the Company intends to issue 2,250,000 options (on a post-consolidation basis) to advisors of Manalto in lieu of cash fees payable in respect of capital raising fees payable in respect of a capital raising conducted by Manalto and/or other services provided to Manalto in connection with the Transaction.
- (g) **(Resolutions 13 and 14)** On, and subject to, completion of the Transaction the Company intends to adopt an Employee Share Option Plan and issue 8,000,000 options (on a post-consolidation basis) to key management and employees of Manalto as equity based incentives for their past and ongoing service to Manalto.

Further details in respect of each of the proposed resolutions, Manalto and the proposed Transaction are set out in the remainder of this Memorandum.

### 3. Effect on Capital Structure

The effect of the Transaction on the capital structure of the Company is set out in the tables below:

<b>SHARES</b> (post-consolidation)		
	<b>\$3 million Capital Raising</b>	<b>\$6 million Capital Raising</b>
Existing HTX Shares	5,554,250 (6.69%)	5,554,250 (5.67%)
New HTX shares to be issued to Manalto Vendors (refer Resolutions 3 and 4)	62,500,000 (75.25%)	62,500,000 (63.74%)
New HTX shares issued under Capital Raising (refer Resolution 9)	15,000,000 (18.06%)	30,000,000 (30.59%)
<b>Total Shares following Transaction</b>	<b>83,054,250</b>	<b>98,054,250</b>

<b>OPTIONS</b> (post-consolidation)		
	<b>Number</b>	<b>Terms</b>
Existing HTX options	15,357	Various ^
Advisor Options (refer Resolution 12)	2,250,000	Exercisable at \$0.25, expiring 3 years from issue date.
Management Options (refer Resolutions 13 and 14)	8,000,000	Exercisable at \$0.25, expiring 5 years from the issue date and subject to vesting conditions described in the Memorandum.
<b>Total options following Transaction</b>	<b>10,265,357</b>	

*^The Company will have 15,357 (post-consolidation) existing unlisted options on issue. Given the various post-consolidation exercise prices (ranging between \$7.50 and \$148.25), none of the existing options are expected to be exercised and therefore the existing options are not expected to have a material impact on the capital structure of the Company. All but 10,000 of these options will expire on, or before, the end of the current financial year.*

## MANALTO, INDUSTRY AND BUSINESS

### 4. Manalto Inc. and Manalto Business

The information technology software which now underlies Manalto's business began as a software development project conceived by Anthony Owen, the current CEO of Manalto, in Australia in 2011. In May 2013, as part of a development and funding strategy, operations were moved to Singapore and development and commercialisation of the software was pursued through a Singaporean corporate entity. In December 2013, Manalto acquired the assets of the Singaporean operating entity resulting in the relocation of the business to the USA, which is perceived as Manalto's primary customer market.

The name Manalto is derived from the words 'Management' and 'Altocumulus', a type of cloud.

Since launching in the USA, Manalto has commenced processes to establish its market position as a provider of social media management software. It provides solutions on a Software as a Service (SaaS) basis to multi-unit, multi-outlet enterprises and businesses, with a focus on the franchise sector. Manalto also plans to market a version of the software to small to medium businesses post Transaction.

The software works to address the operational concerns and marketing challenges of organisations with large, multi-faceted social media presences. Once the operational challenges are managed, organisations are able to more effectively perform social media marketing at scale. Manalto endeavours to develop and shape its product to meet industry needs and respond to the requirements of shifting maturing social media landscape.

Manalto's current operations are primarily focused in the USA, although it also provides services in Australia and has the capacity to expand into other markets. Manalto currently has informal trial arrangements in place with marketing agencies in Australia to support distribution and will look to establish a formal channel of resellers in the USA following the Transaction.

Since 2013, Manalto has focused on establishing itself within the USA franchise market, raising brand awareness and positioning itself as a player within the social media management market. Additional funding is expected to enable Manalto to increase its distribution and marketing activities and seek to achieve greater recognition and traction within its target markets.

## **5. Overview of the Industry in which Manalto Operates and the Manalto Software**

### **5.1. The Social Media Industry**

Estimates by industry consultants indicate that there were approximately 1.8 billion social network users across the globe in 2014 and that user numbers were continuing to increase. These estimates also indicate that expenditure on social media advertising in the USA is expected to be approximately \$8.4 billion in 2014, up from estimates of between \$5 billion and \$6 billion in 2013. Assuming that the social media market continues to grow, businesses will need to find increasingly innovative and effective ways to use social networks to market to consumers and interact with customers.

With this growth, social media has become a major player in the advertising arena and is a driving force behind the current wave of e-commerce. Recent moves by social media platforms towards pay-for-play models, increasingly precise advertising analytics and audience buying tools have turned what started primarily as a means for social interaction into an increasingly effective marketing tool.

Since the introduction of Friendster in 2002, social media platforms have transformed the landscape of consumer conversation. The continual emergence of new platforms, such as Twitter, LinkedIn, Facebook, Pinterest, Instagram and Google+, has spurred growth and increased user numbers. This has also been augmented by the arrival of new devices like tablets and increased smartphone capabilities for social media platforms.

Social media has become an established industry and its rapid growth appears to be continuing. This is especially true in terms of its marketing potential. Social media inherently delivers low-cost consumer reach, immediacy and transparency. As more innovative technologies emerge, organisations have more options and greater flexibility in capitalising on the benefits of social media.

### **5.2. Social Media Management**

As a result of the development of the social media industry, an industry of solution providers has emerged to help organisations capitalise on interactions and conversations with consumers. It is in this space that Manalto operates.

These solution providers can generally be divided into two groups focused respectively on marketing and management. A marketing based solution provider aims to help businesses drive marketing activity and often provides analytic services. A number of the major businesses operating in the social media industry area are marketing, rather than management, focused.

Manalto, however, focuses on providing solutions for the management of an organisation's social media presence. This type of solution provider aims to help organisations better orchestrate an expansive and multi-faceted social media presence. This enables organisations to execute a centralised social media marketing plan with greater coordination and control at a large scale.

The management focused group of solution providers is smaller and more distinct than the marketing focused group. Such providers typically offer enterprise tools on a Software as a Service (SaaS) basis, a model in which software is centrally hosted, and licensed and delivered on a subscription model.

The social media industry is expected to continue to have a significant influence on marketing and brand conversation and, as technology advances, integration, management and leveraging the benefits of social media is expected to become increasingly important for organisations.

### 5.3. Challenges of Social Media Marketing

The very characteristics that make social media such a powerful marketing tool also present some significant challenges to organisations.

The low cost, accessible and open construct of social platforms delivers a cost effective channel for consumer reach, immediate feedback and the ability for customers to instantly transact in the take-up of marketing offers. However, this structure also means that individual users can have a significant level of independent control over brand content. This can pose problems to an organisation in the development of unverified social media assets or social media assets with loose user controls. This in turn can lead to the publication of content that doesn't accurately represent the organisation and can sometimes result in the publication of non-approved content which is inconsistent with the organisations brand or which has an adverse effect on an organisations reputation.

This is a particular issue for multi-brand or decentralised enterprises that sell products and services through large networks of local retailers, dealers and agents. This is also especially relevant for businesses in the franchise sector, multi-brand businesses and multi-outlet businesses.

For large and multi-faceted organisations, the issues and risks associated with brand and content management, compliance, user security and efficiency are amplified at scale. Such substantial, decentralised structures can lead to expansive and fragmented social media presences that are not only inefficient but can work at cross purposes with one another and present risks to brand management.

When an organisation's social media presence extends to hundreds or even thousands of independently managed social media assets, with accounts and business pages spread across multiple platforms, the coordination of marketing efforts can become increasingly confused and inefficient.

These issues drive the demand and a market opportunity for the scalable enterprise social media management solution which Manalto offers.

In addition to its applications in large multi-faceted organisations (for example, franchisees and business with multiple branches or sites which operate with a degree of autonomy), social media management software which deals with these issues also has applications for small to medium sized businesses (**SMBs**). This is an additional source of potential business that Manalto will look to pursue post Transaction.

#### 5.4. Manalto's Solution

Manalto's software provides a simple and centralised interface that allows an organisation to manage the user permissions for multiple social media outlets across a number of social media platforms. This means organisations can maintain control of content and brand identity across an expansive social media presence.

The result is a social media marketing strategy that is focused, organised and effective at a large scale.

Manalto's software enables organisations to:

- Control brand identity across social media.
- Manage user access and permissions to social media platforms.
- Monitor social media activity and community engagement.
- Ensure content consistency at the local level across social media assets.
- Adhere to regulatory requirements regarding public information sharing.
- Mitigate corporate reputational risk effectively across social media assets.

Manalto has developed software to address this existing and increasing challenge for organisations managing multiple and complex social media presences.

By integrating Manalto's software, an organisation can utilise built in user management controls to help manage and protect content and brand identity. The software assists an organisation to eliminate duplication of marketing efforts across multiple social media assets via the ability to update content in a single click. This also increases efficiencies by avoiding the duplication of marketing efforts across social media assets and ensuring that different outlets are not working at cross purposes with one another or against existing risk management controls. This works to realise the ultimate benefits of social media marketing.

While competition exists in this field, most existing solution providers are marketing based and there is an opportunity in the market for Manalto's management based SaaS offering. Although the largest corporations may develop in-house solutions, there is a significant market of organisations in the multi-brand, multi-outlet and franchise sectors that would benefit from social media management software. The software also has valuable applications for SMBs, and Manalto will look to extend its marketing efforts to this sector following the Transaction.

The software which Manalto offers is already built, and the capital raised by the Capital Raising will be primarily focused on distributing and marketing the product.

#### 5.5. Software development

Manalto intends to continue developing its core software offering in line with market trends, customer requirements and with consideration to the competitive landscape. To remain competitive, Manalto regularly monitors and reviews its development roadmap to re-validate and adjust it according to the demands of the market in which Manalto operates.

Following the Transaction, Manalto will look to continue developing its software to offer more diverse product functionality to a wider market. It will also work to ensure the product maintains its ability to scale successfully in line with growth. In short, following the Transaction, Manalto intends to continue developing its software to adapt with a constantly changing social media industry.

Some specific aspects of software development that Manalto will look to pursue include:

- **Further development of scalability and security** to enhance the Manalto software.
- **Integration of additional social platforms** in line with market trends and consumer demand, including potential visual platforms such as Pinterest, Tumblr and Instagram. Manalto will also consider third party vendors who can add value to the target market such as local listings or video providers.
- **Expansion of core management functionality** to deliver additional features and enhance current capabilities. Planned features include extending Facebook app management, content publishing, social reviews, ad management, reporting and analytics, among others.

#### 5.6. Competition

The social media industry continues to be a field of emerging innovative technologies and capabilities. As the field has grown, so have the opportunities to provide solutions to give organisations the ability to capitalise on the benefits of social media.

The emergence of competitors is a function of the growth of the industry and demonstrates the demand for these solutions. However, Manalto's competition is not uniform and an opportunity exists due to some key differentiating features in Manalto's software. Manalto's core product functionality, in particular its focus on management and its ability to operate at scale, distinguishes Manalto from the majority of providers in the area.

There are a number of players offering SaaS solutions to support the social media industry. Many of the larger providers tend to focus on helping organisations execute marketing plans and monitor and analyse social media content and discussion. Meanwhile, many of the current offerings of smaller providers lack the ability to operate at the scale required by larger enterprise clients. Manalto's scalability works to distinguish it from the current offerings of other players in the market. Manalto is able to support a large number of social media assets ranging into the thousands.

Manalto's software is differentiated by the value it offers to decentralised businesses with a large number of outlets each with their own social media assets, enabling them to efficiently integrate a social media plan into a complex business structure. An organisation that has its social media management aligned with its operational structure is better positioned to expand its marketing activities and customer engagement over social media with greater efficiency and cohesion. The result is more effective marketing.

Manalto recognises it must continue to evolve its solution to address market demands to best place itself for potential future growth. However, there is not just a need to develop the product, but also to continue to put in place targeted and aggressive marketing plans.

While competition exists in the field, the scalability and management focus of Manalto provides a point of differentiation within the market. Following the Transaction, Manalto intends to ramp up its marketing activity to seek to establish its place in this growing market.

#### 5.7. Business Model

There are applications for this software for all sized businesses, but organisations with a decentralised structure, such as franchise groups, multi-brand and multi-outlet organisations are considered the primary target market. Such businesses are the focus for direct channels of marketing and distribution.

The software also has applications for SMBs. SMBs will be the focus of indirect marketing and distribution channels which Manalto will look to develop further following the Transaction.

Manalto currently offers its software primarily in an account-managed capacity, targeting customers with 50 or more outlets, offering these customers direct support. Self-managed accounts are also available with online support accessible, which will be marketed to smaller customers.

The account-managed software option is actively promoted through Manalto's direct sales and marketing activities.

Organisations of any size are able to sign up on the corporate website and use the software as a self-managed customer. Following the Transaction, Manalto intends to ramp up its sales and marketing activities for SMBs, primarily through a third party, indirect distribution channel.

Manalto's software is delivered as a Software as a Service (SaaS), through a cloud based, online platform. This eliminates costs associated with infrastructure management, in particular the management of servers, storage and network devices.

#### 5.8. Distribution and Marketing Model

Manalto has developed a ready for market product and has recently commenced the commercialisation and growth phase of its business. Manalto has achieved initial sales of the Manalto software within Australia and the USA. While revenue from existing customers is not yet material, Manalto is generating an increasing participation in its product trial program. Cumulus Inc., a radio network in USA, has subscribed for a license of the Manalto software for in excess of 370 outlets and, although there can be no certainty, it is anticipated that Cumulus Inc. will continue to increase its number of licenses to span its network, which exceeds 500 outlets across the USA.

As indicated, Manalto also has a number of active trials of its software running in the USA with organisations including, but not limited to, a large public financial services company and a national aged care services provider. While there can be no guarantee that these active trials will result in contracted sales, initial feedback and negotiations with trial participants have been encouraging. Manalto is developing and maintains a solid pipeline of active sales leads and has initiated discussions with a number of candidates for potential product trials in the USA and Australia within its target market of large multi-outlet/multi-brand and franchise groups.

Manalto currently only distributes its software directly, but has plans to launch the product through indirect third party distribution channels following the Transaction.

Manalto's own sales division is currently the primary channel for distribution of its software. This channel is focusing on sales to multi-outlet, multi-brand organisations and to the franchise sector. It is planned that a significant portion of funds raised from the Capital Raising will be allocated to expand these direct sales and marketing activities. This will mainly be through increasing the number of staff and supporting them with enhanced resources. In addition, funds will be allocated to expand the customer management and support activities. The allocation of funds to these functions is designed to ensure that Manalto will have the capacity necessary to meet the set-up and establishment of future customers (including any trial participants who convert to paying customers) and to meet the ongoing support requirements of larger account-managed customers.

Increased sales and marketing funding will enable Manalto to actively and aggressively pursue existing and future sales leads and continue to directly market the Manalto product. A comprehensive and targeted marketing program of activities is planned which will span digital, social media and core engagement activities including, but not limited to, participation at key leading industry events and conferences.

As part of its marketing strategy, Manalto is an active member of the International Franchise Association (IFA), which is a leading body for the franchise industry, globally. Manalto is represented on both the Marketing and Technology Committees of the IFA, and the IFA FranTech Task Force. Both

committees are integral in advancing the case for digital marketing, social media, mobile and technology to the IFA and educating IFA members on issues and best practices in these areas.

Manalto will continue to look for opportunities to participate and present at major and key industry events. By way of example, Manalto was recently invited to attend and present at a social media roundtable during the 2014 Franchise Consumer Marketing Conference and will lead panel discussions during the IFA Annual Convention 2015 relating to digital marketing and technology.

In addition to the direct sales and marketing initiatives described above, marketing and distribution through distribution partners and resellers will be a priority post transaction. Manalto has already integrated into the Parallels marketplace and will actively target hosting companies. This indirect model is a key channel for reaching SMBs following the transaction.

#### 5.9. Pricing Model

Manalto offers a free trial period of its software for 30 days with a transition to a price-per-unit model thereafter.

This pricing structure is a key differentiator within the marketplace. Current pricing models of competitors in the market vary from high to low entry levels with additional costs depending on the number of users, outlets and the level of functionality. Manalto's software, however, is available on an all-inclusive flat price fee structure based on a license per outlet model. Each outlet can have a number of authorised users at no additional fee. For example, a franchise outlet might have a manager and certain employees as authorised users.

Customers also have access to upgrades and all functionality without extra cost. Account managed customers are provided with direct support and self-managed customers have access to online support.

#### 5.10. Intellectual Property

Manalto wholly owns all intellectual property developed in relation to the Manalto social media management software with the exception of third party open source bundles. Manalto has lodged a provisional patent application on the Manalto management software however a full patent application is yet to be filed and, once filed, there can be no assurance that it will be accepted without variation, or at all.

Manalto does use intellectual property by third party providers under a licence for some elements, specifically the build and to complete the base functionality of the product. In addition to progressing the provisional patent application, Manalto's intends to focus on executing a first to market strategy.



## RISKS ASSOCIATED WITH THE MANALTO BUSINESS

### 6. Risks

This section identifies circumstances that the Directors regard as the major risks associated with the Manalto business and which may have a material adverse impact on the financial performance of the Company, if the Transaction completes.

The business, assets and operations of Manalto are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future, if the Transaction is successfully completed (section 6.1 below). In addition, there are other general investment risks, many of which are largely beyond the control of the Company and difficult to predict or anticipate (section 6.2 below).

The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified below are highly unpredictable and the Company is limited to the extent to which it can effectively manage them.

The following risk factors are not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following completion of the Transaction, be exposed.

#### 6.1. Risks in respect of Manalto's current operations

##### (i) Competition Risk

Both the market for information technology and social media management software subsets are competitive. Manalto faces potential competition from a number of well-funded businesses, owned or affiliated with information technology market players who have the capacity to adopt aggressive strategies to capture market share. Competition also arises from smaller independent players who are generally better placed to utilise progressive and innovative methods to service customers and seize market share.

As a smaller player Manalto can have little influence or control over the activities or actions of its competitors. The actions by competitors to capture market share may negatively affect future revenue and/or profitability, planned growth and the overall financial condition of Manalto and therefore the Company.

In this competitive environment a key risk for Manalto is that it may not maintain differentiation from its key competitors and an appreciable market share. As the market matures and grows there is also a risk of downward pressure on pricing. Although Manalto seeks to keep its services as a highly scalable cost-effective offering thereby placing it in a defensive position against general price reductions, it is nonetheless vulnerable to an increase in competition which may lead to a sustained and material drop in prices.

##### (ii) Technology Risks

##### Technology Risk – Industry

Manalto will need to continually develop its social media management software to be compatible with developments in existing social media platforms and to be compatible with new social media platforms which emerge. The rapid growth of social media and in particular the introduction of new social media platforms, creates an environment where unforeseen

changes can happen quickly making it difficult for Manalto to adapt its services to cope with such changes. There is a risk of Manalto's services becoming less effective if it cannot keep up with the dynamic progression of the social media market generally, cannot adapt to accommodate changes in existing social media platforms, or cannot integrate with new social media platforms.

#### Technology Risk –Security

Manalto could suffer unauthorised infiltration of its system by hackers to obtain data or insert a cyber-virus or bug which disrupts or affects the Manalto software or otherwise affects the systems of outlets using the Manalto software. Such actions could compromise client data and cause a shutdown of services leading to substantial customer dissatisfaction and loss of goodwill. Manalto, and the service providers on which it relies to provide cloud-based infrastructure, employ practices to protect its systems from being compromised. Processes are also in place to reduce the prospects of a cyber-virus or bug being introduced to Manalto's services and these processes are regularly reviewed to improve these systems. Manalto works with its cloud-based hosting service to ensure daily backups are made of client data which ensures a capability to retrieve lost client data within a 1 to 2 day period if required.

#### Technology Risk – Third Party Reliance

Manalto relies to some extent on third parties for key aspects of the operation and delivery of its software. There is a risk of a third party either no longer being capable of providing services or refusing to provide services without increased licence fees or other payments. Manalto's strategy is to avoid the risk of dependence on a single proprietary third party technology by, where possible, using standardised open source or royalty free tools and libraries. Furthermore, Manalto intends to evolve its platform so that the loss of a third party service provider would not create a significant impact or alternatively it would be in a position to use an alternative service provider.

#### (iii) Personnel

Manalto depends on the talent and expertise of its personnel. The loss of key personnel, or a number of general personnel, could have an adverse effect on operations. There is also a risk that, where there is a turnover of development staff who have knowledge of the technology and business, that knowledge will be lost on their departure. This involves the risk that those staff who leave may have information in respect of Manalto's intellectual property or business which has a commercial value to Manalto as well as the cost of replacing those who leave and training the new staff.

Manalto seeks to mitigate these risks by maintaining remuneration arrangements and good relationships generally with its key personnel. In addition, employment contracts used by Manalto contain provisions with respect to ownership of intellectual property and confidentiality to limit any potential losses resulting from a loss of key personnel. Further, although the Manalto software will continue to be developed, the initial substantive development work has been completed and, accordingly, the loss of key development staff would have less impact than if Manalto were in the early-phases of software development.

#### (iv) Market Risk

The social media management sector in which Manalto operates is relatively undeveloped as a market. As such it is difficult to ascertain or gauge the level of knowledge and confidence in the market or its size and growth potential. A lack of knowledge or information availability may impede or even prevent the uptake by businesses of social media management technology. Conversely large centrally controlled businesses who are aware of the need and options for managing a growing social media presence tend to adopt an internally developed capacity where all decisions and actions are made at head office. Manalto primarily targets multi location and/or multi brand organisations, such as franchise businesses, who have a fragmented social media presence and a desire for a level of local participation in decision making.

In a fast growing and dynamic market there is a risk that Manalto may not be able to establish a meaningful market share or position prior to its competitors. Just as it is important for Manalto to provide an efficient technical solution is the need to effectively market that solution to an emerging customer base before competitors take that ground. Manalto needs to employ effective direct and indirect marketing strategies to avoid the risk of having a potentially successful product which was beaten to the market by more successful marketing by its competitors.

(v) Intellectual Property Risks

Although Manalto has applied for a provisional patent in respect of its social media management software a full patent application is yet to be filed and, once filed, there can be no assurance that it will be accepted without variation, or at all. Furthermore, the granting of intellectual property protection, such as a registered patent, does not guarantee that the rights of others are not infringed, that competitors will not develop technology to avoid the patent or that third parties will not seek to claim an interest in the intellectual property with a view to seeking a commercial benefit from Manalto. There is also a risk of competition in obtaining and sustaining protection of intellectual property, which given its complex nature, can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. Even if Manalto obtains protection of intellectual property through patents there is no certainty it would be notified of an infringement or that it would be in a financial position to pursue the necessary remedial action in the event of such a breach.

There can also be no assurance that employees, consultants or third parties will not breach confidentiality, infringe or misappropriate Manalto's intellectual property. Manalto seeks to mitigate the risk of unauthorised use of its intellectual property by limiting disclosure of sensitive material to particular employees, consultants, and others on a need to know basis. Where appropriate parties having potential access to such sensitive material will be required to provide written commitments as to confidentiality and ownership of intellectual property.

(vi) Funding Risks

In the event that the Company does not successfully raise the maximum subscription (\$6 million) under the Capital Raising, the Company may not be able to execute all of the proposed expansion and operation plans for Manalto. In particular, the Company may need to significantly reduce planned expenditure on marketing and research and development of the Manalto social media management software. This may significantly impact the Company's ability to achieve its goals and may in turn impede the financial condition and rate of growth of the Company.

(vii) Currency Risk

The Company is raising funds under the Capital Raising in Australian dollars. In the short to medium term at least, it is expected that the primary customer market for Manalto software will be the USA. Therefore Manalto's expenditure and revenue will predominantly be received and made in US dollars. As a result, the Company may be adversely affected by fluctuations in the US dollar and Australian dollar exchange rates including risks on conversion of the proceeds of the Capital Raising to US dollars.

## 6.2. General Risks

(i) Additional Requirements for Capital

The capital requirements of the Company depend on numerous factors. Depending on the ability of the Company to generate revenue from its operations, the Company may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

**(ii) Litigation Risks**

The Company is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. Neither the Company or Manalto is currently engaged in any litigation.

**(iii) Risk of high volume of sale of securities in Company**

If the Transaction is successfully completed, the Company will have issued a significant number of new securities to various parties. Some of the Manalto Vendors and others that apply for shares under the Capital Raising may not intend to continue to hold those Shares and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell shares may adversely impact on the market price of the Company's securities.

**(iv) Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities. Further, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

**POST COMPLETION BOARD**

Upon completion of the Transaction, Timothy Chapman and Richard Revelins will resign from the Board. The following proposed Directors will join the Board upon successful completion of the Transaction. Approval is sought for their appointment through Resolutions 5 -9 (inclusive).

**David Fletcher –Independent Non-Executive Director (Proposed Chairman)**

David has over 30 years' experience in finance, business development, improving operational efficiencies and commercial performance, as well as providing strategic direction in major Australian and international companies in the retail, fast-moving-consumer-goods and finance sectors. These companies include Coca-Cola Amatil, Westpac and Woolworths, as well as a number of smaller specialist retailers. David's commercial roles have included a number of CFO and Company Secretary roles in listed companies, as well as CFO roles in unlisted companies. He is currently a Director of StyleFocus, a specialist retail advisory practice. David is a qualified Chartered Accountant (CA), as well as a Graduate of the Australian Institute of Company Directors (GAICD).

### **Anthony Owen –Executive Director (Chief Executive Officer –Manalto)**

Anthony is the president and founder of Manalto and has over 20 years' experience in sales management across leading digital start-ups and media organisations, including OzEmail, Sensis, Groupon, Vividas and Softbank. Anthony has extensive experience across the media agency environment, direct-to-market sales, client management, social media platforms and e-commerce.

### **Joseph Miller – Non-Executive Director**

Since 2003, Joseph has been a Managing Director at Europlay Capital Advisors, LLC and its subsidiaries (ECA). ECA is a Los Angeles-based boutique merchant bank and financial advisory firm that provides services and invests in companies in the technology, media, telecom, life sciences and consumer sectors. ECA's clients and investments include such notable companies as Skype, Rdio, KaZaa, Multigig, and Unicorn Media.

Joseph currently serves on the Boards of several companies including Unicorn Media, Covata Limited [ASX:CVT] and Noveda Technologies Inc. In the past, Joseph has served on the boards of Talon International, Multigig and has served on the Compensation and Audit Committees of Skype Global. Joseph holds a Bachelor's degree in Economics/Business from UCLA.

### **Kristian Blaszczyński – Non-Executive Director**

Kristian is a Director and co-founder of Raven Capital Pty Ltd [AFSL: 426 369] (Raven). Kristian has over a decade of funds management, venture capital and corporate experience, acting as portfolio manager for a number of wholesale funds, charitable foundations and high net wealth individuals and families. He currently oversees the Raven's fund management business and has been instrumental in building the venture capital business with a primary focus on internet, media and telecommunication. Kristian is responsible for the origination, evaluation, and negotiation and due diligence of Raven's investment opportunities across the venture capital space. Kristian is a board member of a number of the firm's portfolio companies, including Noveda Technologies Inc. (New Jersey).

The profiles of the existing Directors who will remain on the Company's Board following completion of the Transaction are provided below:

### **Trent Telford – Non-Executive Director**

Trent is a founder and director of several Australian based technology companies, including Covata Limited [ASX:CVT], a company he founded in Australia in 2007 that is now headquartered in the USA. Mr Telford brings over 15 years of experience in cross border capital raising and technology commercialisation. Mr Telford was also a Director of Manalto Inc. between December 2013 and October 2014.

### **Michael Quinert – Non Executive Director**

Michael graduated with degrees in economics and law from Monash University and has over 28 years' experience as a commercial lawyer, including three years with the ASX and over 20 years as a partner in a Melbourne law firm. He has extensive experience in assisting and advising public companies on capital raising and market compliance issues and has regularly advised publicly listed mining companies. Mr Quinert is also a principal of Halcyon Corporate Pty Ltd a boutique investment bank based in Melbourne and Chairman of West Wits Mining Limited [ASX:WWI].

## INDEPENDENT EXPERT'S REPORT

The Company has obtained an Independent Expert's Report from Nexia Melbourne Pty Ltd [ABN 32 052 362 348] (**the Independent Expert**) in respect of the acquisition of a relevant interest in the Company's ordinary fully paid shares that will be obtained by the Manalto Vendors if Resolution 3 (and assuming all other Transaction Resolutions are passed, with the exception of Resolutions 10A to 10D and Resolution 11) are approved and the Company completes its acquisition of Manalto Inc.

The finding of the Independent Expert is that the proposed acquisition of ordinary shares to be issued to the Manalto Vendors if Resolution 3 and the Company completes its acquisition of Manalto is **fair and reasonable** to non-associated shareholders.

The Independent Expert's Report should be read in full and is set out in Annexure Four. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on the Transaction Resolutions.

## RESOLUTIONS

### **RESOLUTION 1: APPROVAL TO CHANGE THE NATURE AND SCALE OF ACTIVITIES**

Resolution 1 seeks approval from the Company's shareholders for a change in the scale of the activities of the Company and the change in nature of the Company's activities from a pharmaceuticals and biotechnology company to a technology, hardware, and equipment company (and specifically to focus on the distribution and commercialisation of the Manalto social media management software). The details of, and risks associated with, Manalto's business are set out earlier in this Memorandum.

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of proposed Transaction requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain shareholder approval and the Company must comply with any requirements of ASX.

The change in the nature and scale of the Company's activities is expected to require re-compliance with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules (in accordance with ASX Listing Rule 11.1.3).

## **RESOLUTION 2: CONSOLIDATION**

Resolution 2 seeks approval from the Company's shareholders to consolidate the number of ordinary fully paid shares on issue on a 5 for 1 basis (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and to seek to comply with relevant ASX Listing Rules when the Company seeks to obtain re-quotations of its ordinary shares on ASX, should shareholder approval be obtained for the Transaction Resolutions (noting that the Transaction will still proceed if any one or more of Resolutions 10A, 10B, 10C or 10D or Resolution 11 is not passed).

The Directors intend to implement the Consolidation prior to completion of the Transaction and prior to the proposed issues of securities pursuant to the Transaction Resolutions, but the Consolidation will only occur if resolutions necessary for the Transaction (being all Transaction Resolutions other than Resolutions 10A to 10D and Resolution 11) are passed.

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio. The Company currently has 75,796 unlisted options on issue which various exercise prices which will be adjusted in the event that the Consolidation proceeds.

Not all security holders will hold that number of ordinary fully paid shares which can be evenly divided by 5. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole security.

It is not considered that any taxation implications will exist for security holders arising from the Consolidation. However, security holders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the existing Directors and the proposed Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the other Transaction Resolutions.

From the date of the Consolidation all holding statements for previously quoted securities will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements to be issued to holders of those shares. It is the responsibility of each security holder to check the number of shares held prior to disposal.

The Company currently has 27,771,476 ordinary (pre-Consolidation) shares on issue. Following completion of the Consolidation (assuming no existing options are exercised) the Company will have 5,554,250 ordinary fully paid shares on issue. Shareholders should refer to the table in section 3 of the "Transaction and Resolutions" section of this Memorandum for details of the effect of the Transaction Resolutions on the post-Consolidation capital structure of the Company.

If Resolution 2 and all the other resolutions necessary for the Transaction (being all Transaction Resolutions other than Resolutions 10A to 10D and Resolution 11) are passed, the Consolidation of capital is proposed to take effect pursuant to the timetable below:

Event	Date
Company announces to ASX that shareholders have approved the consolidation.	Day 0 23 February 2015
Last day for Company to register transfers of securities on a pre-consolidated basis.	Day 5 2 March 2015
First day for the Company to send notice to each security holder. First day for the Company to register securities on a post-consolidated basis and the first day for issuing holding statements.	Day 6 3 March 2015
Despatch date. Last day to for securities to be entered into the holders' security and new holding statements to be issued. Last day for sending notice to each security holder.	Day 10 10 March 2015

*Note: The above dates are indicative only. Subject to the Corporations Act, the ASX Listing Rules and other applicable laws, the Company reserves the right to vary any of the above dates and times without notice.*

### **RESOLUTION 3: APPROVAL FOR THE ISSUE OF SHARES TO MANALTO VENDORS**

Resolution 3 seeks approval from the Company's shareholders for:

- the issue of up to 62,500,000 ordinary fully paid ordinary shares (issued on a post-Consolidation basis) to the Manalto Vendors; and
- the resultant acquisition of a relevant interest in the Company's ordinary shares by the Manalto Vendors and their associates for the purposes of item 7 of section 611 of the Corporations Act.

The ordinary shares the subject of Resolution 3 are to be issued to the Manalto Vendors in consideration for sale and transfer of their respective equity interests in Manalto. The shares will be issued to the Manalto Vendors in proportions which reflect their respective equity interests in Manalto immediately prior to completion of the Transaction. There are approximately 40 individual Manalto Vendors, details of the top 10 largest shareholders of Manalto immediately prior to completion of the Transaction are set out in the table below headed "*Manalto Vendors – Major Holders*".

**Table – Manalto Vendors – Major Holders**

Manalto Vendor	% Manalo Interest immediately prior to completion of Transaction	% Interest in Healthlinx on completion of Transaction ^	
		\$3 million	\$6 million
ECA Ventures, LLC	19.86%	14.94%	12.66%
Anthony Owen	9.44%	7.11%	6.02%
LSAF Holdings Pty Ltd	8.86%	6.67%	5.65%
Vankat Pty Ltd	6.37%	4.80%	4.06%
Raven Capital Pty Ltd	6.05%	4.55%	3.86%
Jeremy Samuel atf W I John Gault Trust # 1	5.07%	3.82%	3.23%
D Road Pty Ltd atf DB Family Trust	3.82%	2.87%	2.43%
Michelle Allison Owen	3.82%	2.87%	2.43%
Jack Burston atf Burston Family Trust	3.75%	2.82%	2.39%
Cope St Pty Ltd atf the Telford Family Trust	3.39%	2.54%	2.16%



The Company is seeking approval to issue 62,500,000 (post-Consolidation) HTX shares to the Manalto Vendors.

Listing Rule 7.2 (Exception 16) provides that an issue approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act does not also require approval under Listing Rule 7.1. Accordingly, a separate shareholder approval under Listing Rule 7.1 will not be sought for the issue of shares the subject of Resolution 3. A separate shareholder approval will be sought in respect of the issue of shares to Cope St Pty Ltd atf The Telford Family Trust which is a related entity of Trent Telford, a Director of the Company (refer to Resolution 4).

Chapter 6 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of an ASX listed company if, because of that acquisition, that person's (or someone else's) voting power (when aggregated with the voting power of their associates) increases:

- from 20% or below to more than 20%; or
- from a starting point that is above 20% and below 90%.

Item 7 in the table of section 611 of the Corporations Act provides an exception to the prohibition set out above if a company obtains the approval of its shareholders for the acquisition at a general meeting of its shareholders. The detail of what constitutes a "*relevant interest*" is extensively defined in the Corporations Act. It includes holding voting shares, being able to exercise control over voting shares and having power to dispose of, or control the disposal of, voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

The aggregate percentage relevant interest which the Manalto Vendors will hold on completion of the Transaction will vary depending on the amount raised under the Capital Raising (refer Resolution 9). The table below "*Manalto Vendors Interests*" sets out the maximum aggregate percentage relevant interest of the Manalto Vendors based on both the maximum and minimum Capital Raising amounts.

**Table – Manalto Vendors Interest (post-Consolidation basis)**

	Existing HTX Shareholders (% relevant interest)	HTX shares Issued to Manalto Vendors (% relevant interest)	HTX shares issued to investors in capital raising (% relevant interest)	Total HTX shares on issue
<b>Minimum Capital Raising (A\$3 million)</b>	5,554,250 (6.69%)	62,500,000 (75.25%)	15,000,000 (18.06%)	83,054,250 (100%)
<b>Maximum Capital Raising (A\$6 million)</b>	5,554,250 (5.67%)	62,500,000 (63.74%)	30,000,000 (30.59%)	98,054,250 (100%)

No Manalto Vendor will (either alone or in conjunction with their associates) obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of Manalto. However, for the purposes of the approvals sought in connection with the Company's proposed acquisition of Manalto (and having regard to the substantial nature of the transaction and the Australian Securities and Investments Commissions regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates) in the interests of full disclosure the Company has elected to seek shareholder approval under section 611 of the Corporations Act on the basis that all the Manalto Vendors are 'associated'. The Company has therefore instructed the Independent Expert to consider Resolution 3 in the Independent Expert's Report.

If the Transaction completes the Manalto Vendors will in aggregate hold a relevant interest in a maximum total of 75.25% of the Company's ordinary fully paid shares if the minimum Capital Raising of \$3 million is achieved (and a relevant maximum of total of 63.74% of the Company's ordinary fully paid shares if the maximum Capital Raising of \$6 million is achieved).

Details of the Manalto Vendors who will become substantial shareholders in the Company if the Company's acquisition of Manalto completes (each a **Substantial Manalto Vendor**) are set out the table headed "*Substantial holders post-completion*" below.

**Table – Substantial holders post-completion**

Manalto Vendor Entity	Relevant Interest (includes associates)(number of HTX shares)	% relevant interest in HTX	
		\$3 million Capital Raising	\$6 million Capital Raising
ECA Ventures, LLC	12,412,841	14.94%	12.66%
Anthony Owen	6,769,540	8.15%	6.90%
LSAF Holdings Pty Ltd	5,791,274	6.97%	5.90%

<sup>^</sup> Note: Following the Transaction no single Manalto Vendor (whether alone or in conjunction with its associates) will hold a relevant interest in more than 20% of the Company's ordinary shares.

The issue of the shares the subject of Resolution 3 to the Manalto Vendors is conditional upon shareholders also approving each of the other Transaction Resolutions (other than Resolutions 10A to 10D and Resolution 11). Accordingly, the shares the subject of Resolution 3 will only be issued upon, and subject to, the Company completing the Transaction.

Each of the Substantial Manalto Vendor's has advised the Company of their intentions (should they obtain a relevant interest in the Company through an issue of shares as proposed in Resolution 3) as follows:

- No Substantial Manalto Vendor has any current intention to inject further capital into the Company.
- No Substantial Manalto Vendor, to the extent they are able, intends to change the business of the Company. The Company's business, activities and direction will change upon completion of the acquisition of Manalto, which change is subject to the approval of shareholders sought under Resolution 1 (and is subject to the passing of each of the Transaction Resolutions).
- No Substantial Manalto Vendor has an intention to seek to change the future employment of the present employees of the Company in connection with its acquisition of a relevant interest in the Company, noting that the Company's Board will be reconstituted upon, and subject to completion of its acquisition of Manalto (refer to Resolutions 5-8 inclusive).
- No Substantial Manalto Vendor has an intention to transfer any assets between it (or any of its associates) and the Company.
- There is no intention for any Substantial Manalto Vendor to otherwise seek to redeploy the fixed assets of the Company in connection with the Manalto Vendors' acquisition of a relevant interest in the Company.
- No Substantial Manalto Vendor has an intention to seek to significantly change the financial or dividend distribution policies of the Company.

The shares the subject of Resolution 3 are proposed to be issued as soon as practical after the Meeting upon, and subject to, completion of the Company's acquisition of Manalto.

The Independent Expert has determined that the proposed acquisition by the Manalto Vendors that will occur on issue of the shares the subject of Resolution 3 is **fair and reasonable**. The Independent Expert's Report should be read in full and is set out in Annexure Four. Shareholders should refer to the Independent Expert's Report and the matters set out in this Memorandum when considering how to vote on Resolution 3.

**RESOLUTION 4                      APPROVAL FOR ISSUE OF SHARES TO DIRECTOR RELATED MANALTO  
VENDOR**

Resolution 4 is proposed to seek shareholder approval for the issue of up to 2,116,851 ordinary fully paid shares (on a post-Consolidation basis) to Cope St Pty Ltd atf the Telford Family Trust, an entity associated with Trent Telford a Director of the Company. The shares the subject of Resolution 4 are included in (i.e. not in addition to) the number of shares to be issued to the Manalto Vendors under Resolution 3.

ASX Listing Rule 10.11 requires a company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the company. For the purposes of Listing Rule 10.11, a related party includes a Director of the company or an entity over which a Director has control. Cope St Pty Ltd is a company under the control of Trent Telford, a Director of the Company.

Note that approval for the issue of the shares the subject of Resolution 3 and 4 is not being obtained under ASX Listing Rule 7.1, as approval is being sought for the issue of those shares under item 7 of section 611 of the Corporations Act which provides an exception to the need for approval under ASX Listing Rule 7.1.

The following information is provided as required by ASX Listing Rule 10.13:

- Cope St Pty Ltd will receive the ordinary shares the subject of Resolution 4.
- The maximum number of securities to be issued under Resolution 4 is 2,116,851 ordinary fully paid shares (on a post-Consolidation basis).
- The Company will issue the securities within 1 month of the date of meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- Cope St Pty Ltd is a company controlled by Trent Telford, a Director of the Company, and is therefore an entity for which approval is required under ASX Listing Rule 10.11.
- The shares the subject of Resolution 4 will be issued as consideration for the acquisition of the equity interests held by Cope St Pty Ltd in Manalto, the deemed issue price is \$0.20 per share.
- A voting exclusion statement is set out in the Notice.

Resolution 4 also seeks approval for an issue of shares pursuant to ASX Listing Rule 10.1. In discussions with the Company the ASX have indicated that they consider an approval under ASX Listing Rule 10.1 (which relates to acquisition of substantial assets from related parties) to be appropriate in circumstances where the Company will acquire Trent Telford's equity interests in Manalto. As noted earlier in this Memorandum, the Company has obtained an independent expert's report in relation to the proposed acquisition of ordinary shares to be issued to the Manalto Vendors. The finding of the Independent Expert is that the proposed acquisition of ordinary shares to be issued to the Manalto Vendors (including the shares the subject of Resolution 4) is **fair and reasonable** to non-associated shareholders.

#### Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without approval of the company's members. Section 228 of the Corporations Act defines a "*related party*" for the purposes of Chapter 2E to include an entity controlled by directors of the public company (section 228(4)). Cope St Pty Ltd is controlled by a Director of the Company.

A "financial benefit" is defined in section 229 of the Corporations Act and includes issuing shares to a related party.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms which would be reasonable in the circumstances if the public company and the related party were dealing at arm's length. Cope St Pty Ltd will receive an issue of consideration shares which are the subject of Resolution 4 in its capacity as a Manalto Vendor on identical terms to each other Manalto Vendor. It is, therefore, the Company's view that the issue is being made on arm's length terms and that the exception in section 210 of the Corporations Act applies.

#### **RESOLUTIONS 5 -8: APPOINTMENT OF DIRECTORS**

Clause 9.1 of the Company's Constitution allows shareholders in general meeting to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Anthony Owen, Joseph Miller, David Fletcher and Kristian Blaszczyński who are to be appointed upon successful completion of the Transaction, seek election from the Company's shareholders.

The qualifications and experience of the proposed Directors are set out earlier in this Memorandum.

#### **RESOLUTION 9: APPROVAL FOR CAPITAL RAISING**

The Company proposes under the Capital Raising to issue a minimum of 15,000,000 ordinary fully paid shares (on a post-Consolidation basis) and a maximum of 30,000,000 ordinary fully paid shares (on a post-Consolidation basis) at an issue price of not less than \$0.20 per ordinary share to be offered under a prospectus to raise a minimum of \$3,000,000 and a maximum of \$6,000,000 (before costs).

Resolution 9 seeks approval from the Company's shareholders for the issue of up to 30,000,000 ordinary fully paid shares (on a post-Consolidation basis), being the number of shares proposed to be issued to applicants of the Capital Raising, at an issue price of not less than \$0.20 per ordinary share to raise up to \$6,000,000.

Other than as specifically approved under Resolutions 10A to 10D, for the purposes of the ASX Listing Rules, none of the subscribers for the Shares to be issued under Resolution 9 will be related parties of the Company.

The Capital Raising offer will be conditional on the following:

- shareholders passing all of the Transaction Resolutions (other than Resolutions 10A to 10D and Resolution 11);
- the Company completing its acquisition of Manalto; and
- ASX conditionally confirming that it will re-admit the Company to the Official List of ASX.

Further details of the Capital Raising are set out in the Company's Prospectus dated 14 January 2015, a copy of which is available at [www.asx.com.au](http://www.asx.com.au) or upon request to the Company. In addition to enabling the Company to comply with the disclosure obligations of Chapter 6D of the Corporations Act, the prospectus is part of re-compliance with Chapters 1 and Chapter 2 of the ASX Listing Rules and re-admission of, and the recommencement of trading in, the Company's ordinary shares on the Official List of the Australian Securities Exchange.

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 Resolution 9 will be to allow the Company to issue up to 30,000,000 shares (on a post-Consolidation basis) pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity under ASX Listing Rule 7.1.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- The maximum number of ordinary fully paid shares to be issued under Resolution 9 is 30,000,000 ordinary fully paid shares (on a post-Consolidation basis).
- The ordinary fully paid shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The issue price will be \$0.20 per ordinary fully paid share.
- The ordinary fully paid shares are proposed to be issued to the applicants of the Capital Raising made pursuant to a prospectus lodged and dated 14 January 2015. Except to the extent that the Directors participate under the approval sought under Resolutions 10A to 10D, none of these subscribers will be related parties of the Company.
- The shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing ordinary fully paid shares, and
- The Company intends to use the funds raised from the Shares issued under the Capital Raising to fund the ongoing operation of the Manalto business, and specifically the distribution and marketing of the Manalto social media management software.

#### **RESOLUTIONS 10A-10D: APPROVAL FOR PARTICIPATION BY EXISTING DIRECTOR IN CAPITAL RAISING**

Resolutions 10A to 10D (inclusive) are proposed to seek shareholder approval for the existing Directors of the Company (Michael Quinert, Trent Telford, Richard Revelins and Timothy Chapman) to participate in the Capital Raising by subscribing for up to the following number of shares:

- Michael Quinert (or nominee) up to \$40,000 (200,000 ordinary post-Consolidation fully paid shares at \$0.20 per share);
- Trent Telford (or nominee) up to \$40,000 (200,000 ordinary fully paid post-Consolidation shares at \$0.20 per share);
- Richard Revelins (or nominee) up to \$40,000 (200,000 ordinary fully paid post-Consolidation shares at \$0.20 per share);
- Timothy Chapman (or nominee) up to \$20,000 (100,000 ordinary fully paid post-Consolidation shares at \$0.20 per share).

Note that approval for the issue of the shares the subject of Resolution 3 and 4 is not being obtained under ASX Listing Rule 7.1, as approval is being sought for the issue of those shares under item 7 of section 611 of the Corporations Act which provides an exception to the need for approval under ASX Listing Rule 7.1.

The existing Directors current (direct and indirect) interest in the Company's shares is set out in the table below. Also set out in the table below is the maximum interest in the Company's shares which the existing Directors would have following completion of the Transaction assuming Resolutions 10A to 10D are each approved and assuming participation to the full extent permitted under Resolutions 10A to 10D.

Name	Existing Directors Interests		Post Transaction Director Interests (assuming participation to full extent permitted under Resolution 10)			
			\$3 million		\$6 million	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Michael Quinert	Nil	140,000 (2.52%)	Nil	340,000 (0.40%)	Nil	340,000 (0.35%)
Trent Telford ^	Nil	501,340 (9.02%)	Nil	2,818,191 (3.39%)	Nil	2,818,191 (2.87%)
Tim Chapman	Nil	140,000 (2.52%)	Nil	240,000 (0.28%)	Nil	240,000 (0.24%)
Richard Revelins	Nil	233,340 (4.20%)	Nil	433,340 (0.52%)	Nil	433,340 (0.44%)

*^ Trent Telford, a Director of the Company, is also a Manalto Vendor, and will receive an issue of 2,116,851 ordinary shares as consideration for the transfer of his equity interests in Manalto. Those consideration shares are included in the table above.*

Resolutions 10A to 10D seek approval for the existing Directors (or their nominees) to participate in the Capital Raising up to the levels set out above. The existing Directors will not be obligated to participate in the Capital Raising for any amount, or at all. If Resolution 10A, 10B, 10C, 10D or 11 (or any one or more of them) are not approved the Transaction may still proceed provided that each other Transaction Resolution is approved.

The following information is provided as required by ASX Listing Rule 10.13:

- The existing Directors named in the relevant resolution will be entitled to participate in the Capital Raising if Resolutions 10A to 10D are approved.
- The maximum number of securities to be issued under Resolutions 10A to 10D are 700,000 ordinary shares (on a post-Consolidation basis). These shares form part of, and not in addition to, the Capital Raising shares to be approved under Resolution 9.

- The Company will issue the securities within 1 month of the date of meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The shares the subject of Resolutions 10A to 10D form part of the Capital Raising and will be on a post-Consolidation basis at an issue price of \$0.20 per share.
- The Company intends to use the funds raised from the Shares issued under the Capital Raising to fund the ongoing operation of the Manalto business, and specifically the distribution and marketing of the Manalto social media management software.
- A voting exclusion statement is set out in the Notice and applies to each of Resolutions 10A, 10B, 10C and 10D.

#### Chapter 2E of the Corporations Act

Section 208 of the Corporations Act provides that a public company must not, subject to certain exceptions, give a financial benefit to a related party without approval of the company's members. Section 228 of the Corporations Act defines a "*related party*" for the purposes of Chapter 2E to include an entity controlled by directors of the public company (section 228(4)). Cope St Pty Ltd is controlled by a Director of the Company.

A "financial benefit" is defined in section 229 of the Corporations Act and includes issuing shares to a related party.

Section 210 of the Corporations Act provides an exception to the requirement to obtain shareholder approval for giving a financial benefit to a related party, where the financial benefit is on terms which would be reasonable in the circumstances if the public company and the related party were dealing at arm's length. The existing Directors are seeking permission to participate in the Capital Raising on terms identical to all other participants in the Capital Raising. It is, therefore, the Company's view that the issue is being made on arm's length terms and that the exception in Section 210 of the Corporations Act applies.

#### **RESOLUTION 11: CHANGE OF COMPANY NAME**

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 11 seeks the approval of shareholders for the Company to change its name to "Manalto Limited". The Board proposes this change of name on the basis that it more accurately reflects the proposed operations of the Company upon the successful completion of the Transaction.

If Resolution 11 is passed the change of name will take effect after the successful completion of the Transaction and when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 11 is passed, the Company will lodge a copy of the special resolution with ASIC on successful completion of the Transaction in order to effect the change.

If Resolution 11 or any of Resolutions 10A to 10D (or any combination thereof) are not approved the Transaction may still proceed provided that each other Transaction Resolution is approved.

Resolution 11 is a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.

**RESOLUTION 12: ISSUE OF OPTIONS TO ADVISORS**

Resolution 12 is proposed to obtain shareholder approval for the issue of up to 2,250,000 options (issued on a post-Consolidation basis) to advisors the Company and Manalto in lieu of fees for services provided in connection with the Transaction. The issue of the advisor options is conditional upon the completion of the Transaction. Each of the advisor options is exercisable at \$0.25 per option, expires on the date which is 3 years from the issue date and will entitle the holder, upon exercise, to one fully paid ordinary share in the issued capital of the Company. Full terms of the options are set out in Annexure One. The advisor options are to be issued as follows:

- 750,000 options to Gleneagle Securities (Aust) Pty Ltd in lieu of capital raising fees payable in respect of funds raised on behalf of Manalo in connection with the Transaction;
- 750,000 options to LSAF Holdings Pty Ltd in lieu of fees due in respect of advisory services provided to Manalo in connection with the Transaction;
- 500,000 options to Chris Adams in lieu of fees due in respect of advisory services to be provided to the Company in connection with the Transaction; and
- 250,000 options to Halcyon Corporate Pty Ltd in lieu of capital raising fees payable in respect of funds raised on behalf of Manalto in connection with the Transaction.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. One circumstance where an action or an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders at a general meeting.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- The maximum number of securities to be issued will be 2,250,000 options.
- The options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- The options will be issued for no consideration in lieu of services provided to the Company.
- The options will be issued to the advisors set out above.
- The options issued under this Resolution 12 will be issued on the terms set out in Annexure One. The ordinary shares issued upon exercise of the options will rank equally with the Company's existing fully paid ordinary shares.
- No funds will be raised through the issue of options the subject of Resolution 12. Any funds raised upon exercise of the options will be applied to the working capital requirements of the Company at the time of exercise.
- A voting exclusion statement applies to Resolution 12 on the terms set out in the Notice.

**RESOLUTION 13: APPROVAL OF EMPLOYEE SHARE OPTION PLAN**

Resolution 13 seeks shareholder approval in accordance with the ASX Listing Rule 7.2 for the establishment of the Healthlinx Employee Share Option Plan (**ESOP**) and the issue of options pursuant to terms of the ESOP.



The Directors of the Company are not eligible to participate in the ESOP without further shareholder approval, although shareholder approval is sought for an issue of options to Anthony Owen (and his associates) pursuant to Resolution 14 below.

The two main purposes of the ESOP are to give an incentive to the eligible participants following completion of the Transaction to provide dedicated and ongoing commitment and effort to the Company aligning the interests of both employees and shareholders and for the Company to reward eligible participants for their efforts. The ESOP contemplates the issue to eligible participants of options to subscribe for ordinary fully paid shares.

ASX Listing Rule 7.1 places restrictions on the number of equity securities, including options, which a listed company may issue in any 12 months. However, certain issues are exempt from ASX Listing Rule 7.1 and are effectively disregarded for the purposes of counting the number of securities which a company may issue.

Pursuant to ASX Listing Rule 7.2 Exception 9, issues exempt from ASX Listing Rule 7.1 include an issue of securities to persons participating in an employee option scheme where shareholders have approved the issue of securities under the terms of that scheme.

In order to take advantage of the exemption from ASX Listing Rule 7.1 and allow the Company greater flexibility to issue securities, shareholders are requested to approve the ESOP as an exemption from ASX Listing Rule 7.1.

This approval will be effective for a period of 3 years from the date of the passing by shareholders of Resolution 13. For the purpose of ASX Listing Rule 7.2 Exception 9 the terms of the ESOP are outlined in Annexure Three.

No options have been issued under the current scheme as it is a new ESOP and has not previously been approved. The Company intends to issue the options set out in the table below under the ESOP, (issued on a post-consolidation basis) to key management and employees of Manalto as equity based incentives for their past and ongoing service to Manalto. The issue is subject to adoption of the ESOP under this Resolution 13, approval of Resolution 14, and subject to completion of the Transaction:

Person	Number of Management Options
Anthony Owen – CEO	3,100,000
Patrick Fong – CTO	1,000,000
Megan Owen – CMO	1,450,000
Michael Pritchard – Lead Engineer	1,000,000
Jack Monson – Head of Strategic Accounts	1,000,000
Michael Bolyard – Director of Sales	450,000
<b>TOTAL</b>	<b>8,000,000</b>

The full terms of the proposed options, which include vesting conditions, are set out in Annexure Two. The options set out above will be issued with disclosure under Chapter 6D of the Corporations Act and, pursuant to the terms of the ESOP, will not reduce the 5% capacity referred to in clause (d) of the terms of the ESOP.

A voting exclusion statement applies to Resolution 13.

**RESOLUTION 14: ISSUE OF OPTIONS TO KEY MANAGEMENT AND EMPLOYEES**

Resolution 14 is proposed to obtain shareholder approval for the issue of up to 3,100,000 options (issued on a post-Consolidation basis) to Anthony Owen and 1,450,000 options to Megan Owen. Those options are included in, and not in addition to, the options referred to in the table in Resolution 13 above. The options are to be issued under the ESOP, subject to the ESOP being adopted under Resolution 13, and will only be issued if the Transaction completes. Upon completion of the Transaction, Anthony Owen is the only Director who will be approved to participate in the ESOP and Megan Owen is the only associate of a Director who will be approved to participate in the ESOP. A separate approval will be required for any further participation by Directors of the Company (or their associates).

Full terms of the options, which include vesting conditions, are set out in Annexure Two.

Resolution 14 seeks shareholder approval for the purposes of ASX Listing Rule 10.14.

The following information is provided for the purposes of ASX Listing Rule 10.15:

- (a) The options are proposed to be issued to Anthony Owen who, subject to completion of the Transaction, will at the time of the issue be an Executive Director of the Company, and to his spouse, Megan Owen. Megan is an associate of Anthony for the purposes of the Corporations Act and the issue of options to Megan therefore requires approval under ASX Listing Rule 10.14.
- (b) The maximum number of securities that may be acquired by Anthony and Megan is 4,550,000 options.
- (c) The price for each option issued under the proposed ESOP is nil.
- (d) No securities have been issued previously under the proposed ESOP.
- (e) Approval is sought for Anthony Owen and Megan Owen to participate in the ESOP and receive the options the subject of Resolution 14.
- (f) There is no loan applicable to the proposed acquisition of options by Anthony and Megan Owen under the ESOP.
- (g) The Company will issue the securities upon completion of the Transaction, which is anticipated to occur in March 2015, and in any event will not issue the securities more than 12 months after the date of the Meeting.

A voting exclusion statement is set out in the Notice.

**PROXY FORM**  
**HEALTHLINX LIMITED [ACN 098 640 352] - PROXY FORM**

Name of Shareholder:	
Address of Shareholder:	
Number of Votes:	

I/We being a member/s of Healthlinx Limited (**Company**) and entitled to attend and vote at the meeting of the Company to be held on Monday, 23 February 2015 at 11.00am appoint:

☐ the Chair of the meeting.  
 (mark box)

**OR**

☐  
 (mark box)

.....  
 (Full name of proxy or the office of the proxy)

or if the person or body corporate named above fails to attend the meeting, or if no person/body corporate is named, the Chair of the meeting as my/our proxy to attend that meeting and vote on my/our behalf at that meeting and any adjournment or postponement of that meeting in accordance with the following directions (or if no directions have been given, as the proxy sees fit). If two proxies are appointed, the proportion of voting rights this proxy represents is .....%.

**IMPORTANT: Directing the Chair how to vote on Resolution 13 and 14.**

☐

If you appoint the Chair as your proxy (or he is appointed in default) and you do not mark this box, and you have not directed your proxy how to vote on Resolutions 13 and 14, the Chair will not cast your votes on Resolution 13 or 14 and your votes will not be counted in calculating the required majority if a poll is called on that Resolution. If you appoint the Chair of the meeting as your proxy you can direct the Chair how to vote on Resolutions 13 or 14 by either marking the relevant box below (for example if you wish to vote "against" or "abstain" from voting) or by marking the box to the left (in which case the Chair will vote in favour of Resolutions 13 and 14). The Chair intends to vote all available proxies in favour of Resolutions 13 and 14. **I/We (except where I/we have indicated a different voting intention below):**

- direct the Chair of the meeting to vote in accordance with the Chair's voting intentions on Resolutions 13 and 14 to vote in favour of those Resolutions;
- authorise, in respect of Resolutions 13 and 14, the Chair of the meeting to vote as described even though Resolutions 13 and 14 are connected (or may be connected) directly or indirectly with the remuneration of a member of key management personnel for the Company group; and
- acknowledge that the Chair of the meeting may exercise my proxy in respect of Resolutions 13 and 14 even though the Chair may have an interest in the outcome of those Resolutions and that votes cast by the Chair of the meeting for that Resolution, other than as proxy holder, will be disregarded because of that interest.

**VOTING DIRECTIONS FOR YOUR PROXY**

To instruct your proxy how to vote, insert 'X' in the appropriate column against each resolution set out below. If you appoint the Chair as your proxy (or he is appointed in default) you should note that, subject to the notes above, the Chair *intends* to vote undirected proxies in favour of all Resolutions. If you do not instruct your proxy how to vote on a resolution, your proxy may vote as he/she thinks fit or abstain from voting. I/We direct my/our proxy to vote as indicated below:

		FOR	AGAINST	ABSTAIN
Resolution 1	APPROVAL FOR CHANGE OF ACTIVITIES			
Resolution 2	CONSOLIDATION			
Resolution 3	APPROVAL FOR ISSUE OF SHARES TO MANALTO VENDORS			
Resolution 4	APPROVAL FOR ISSUE OF SHARES TO DIRECTOR RELATED MANALTO VENDOR			
Resolution 5	APPOINTMENT OF DIRECTOR – ANTHONY OWEN			
Resolution 6	APPOINTMENT OF DIRECTOR – JOSEPH MILLER			
Resolution 7	APPOINTMENT OF DIRECTOR – DAVID FLETCHER			
Resolution 8	APPOINTMENT OF DIRECTOR – KRISTIAN BLASZCZYNSKI			
Resolution 9	APPROVAL FOR CAPITAL RAISING			
Resolution 10A	APPROVAL FOR PARTICIPATION BY MICHAEL QUINERT IN CAPITAL RAISING			
Resolution 10B	APPROVAL FOR PARTICIPATION BY TRENT TELFORD IN CAPITAL RAISING			

Resolution 10C	APPROVAL FOR PARTICIPATION BY RICHARD REVELINS IN CAPITAL RAISING			
Resolution 10D	APPROVAL FOR PARTICIPATION BY TIMOTHY CHAPMAN IN CAPITAL RAISING			
Resolution 11	CHANGE OF COMPANY NAME			
Resolution 12	ISSUE OF OPTIONS TO ADVISORS			
Resolution 13	APPROVAL OF EMPLOYEE SHARE OPTION PLAN			
Resolution 14	ISSUE OF OPTIONS TO KEY MANAGEMENT AND EMPLOYEES			

<p>If a person:</p> <p>_____</p> <p>(Signature)</p> <p>_____</p> <p>Name (print)</p> <p>Date: ____/____/____</p>	<p>If a company:</p> <p>EXECUTED by: _____</p> <p style="text-align: right;">Name of company (print)</p> <p>in accordance with the</p> <p>Corporations Act</p> <p>_____</p> <p>(Signature) _____</p> <p>(Signature)</p> <p>Date: ____/____/____</p>
--	---

**Proxies should be returned in accordance with the instructions set out in the Notice.**

**ANNEXURE ONE**  
**OPTION TERMS – ADVISOR OPTIONS (RESOLUTION 12)**

The Advisor Options will have the following terms:

- Each Advisor Option entitles the holder, upon exercise, to one ordinary fully paid Share.
- Each Advisor Option shall each have an exercise price of \$0.25 per option which must be paid in full on exercise.
- The Advisor Options are exercisable at any time prior to 5.00pm Melbourne Time on the date which is 3 years from the date of their issue (Expiry Date) by providing written notice together with the payment for the number of Shares in respect of which the Advisor Options are exercised to the registered office of the Company. Any Advisor Option that has not been exercised prior to the Expiry Date automatically lapses.
- Subject to the Corporations Act, the Listing Rules and the Constitution of the Company, the Advisor Options are freely transferable.
- The Company will not apply for Official Quotation by ASX of the Advisor Options.
- All ordinary fully paid Shares issued upon exercise of Advisor Options will rank pari passu in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of Advisor Options, subject to any restriction obligations imposed by ASX.
- The Advisor Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant options.
- The Company shall not effect any exercise of an Advisor Option, if to do so would breach the ASX Listing Rules, the Corporations Act or any other law.
- There are no participation rights or entitlements inherent in the Advisor Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Advisor Options. The Company will ensure that holders of the Advisor Options will be allowed at least the number of days' notice required by the Listing Rules of ASX to allow for the conversion of Advisor Options prior to the record date in relation to any offer of securities made to shareholders.
- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Advisor Options or the exercise price of the Advisor Options or both shall be reconstructed in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reconstruction.

## **ANNEXURE TWO**

### **OPTION TERMS – KEY MANAGEMENT AND EMPLOYEE OPTIONS (RESOLUTIONS 13 and 14)**

- Each Management Option is issued subject to the terms of the Healthlinx Employee Share Option Plan (subject to its adoption at the Meeting) (ESOP). In the event of inconsistency between these terms and the terms of the ESOP, the terms of the ESOP shall prevail.
- Each Management Option entitles the holder, upon exercise, to one ordinary fully paid Share.
- The Management Options shall vest as follows:
  - (a) 25% of total number of Management Options issued to each recipient shall vest on the date which is one year from the issue date (Vesting Commencement Date); and
  - (b) the remaining 75% of the total number of Management Options issued to each recipient shall vest in 36 equally monthly instalments on the last day of each full calendar month after the Vesting Commencement Date.
- Each Management Option shall each have an exercise price of \$0.25 per option which must be paid in full on exercise.
- Subject to the terms of the ESOP, the Management Options are exercisable at any time prior to 5.00pm Melbourne Time on the date which is 5 years from the date of their issue (Expiry Date) by providing written notice together with the payment for the number of Shares in respect of which the Management Options are exercised to the registered office of the Company. Any Management Option that has not been exercised prior to the Expiry Date automatically lapses.
- The Company will not apply for Official Quotation by ASX of the Management Options.
- All ordinary fully paid Shares issued upon exercise of Management Options will rank pari passu in all respects with, and will have the same terms as, the Company's then issued ordinary fully paid Shares. The Company will apply for Official Quotation by ASX of all Shares issued upon exercise of Management Options, subject to any restriction obligations imposed by ASX.
- The Management Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant options.
- The Company shall not effect any exercise of a Management Option, if to do so would breach the ASX Listing Rules, the Corporations Act or any other law.
- There are no participation rights or entitlements inherent in the Management Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Management Options. The Company will ensure that holders of the Management Options will be allowed at least the number of days' notice required by the Listing Rules of ASX to allow for the conversion of Management Options prior to the record date in relation to any offer of securities made to shareholders.

- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, the number of Management Options or the exercise price of the Management Options or both shall be reconstructed in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reconstruction.

**ANNEXURE THREE**  
**TERMS AND CONDITIONS - HEALTHLNX EMPLOYEE SHARE OPTION PLAN (ESOP)**

The Directors are empowered to operate the ESOP in accordance with the Listing Rules and on the following terms and conditions:

- (a) Subject to paragraph (d), the Directors may offer to issue Options to eligible employees in accordance with ASIC Class Order 03/184 including other such persons that the Directors see fit (excluding directors), the ESOP and in such manner and on such terms and conditions as they in their absolute discretion determine.
- (b) If the Company has offered you Options, to accept the offer complete the Acceptance Form or accept in such other form as the Directors may in their absolute discretion approve from time to time.
- (c) The Eligible Employees to participate in the ESOP shall be as the Directors in their absolute discretion determine and shall take into account skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances.
- (d) Options may not be offered under this ESOP without the issue of a prospectus in accordance with Chapter 6D of the Corporations Act, if the aggregate of:
  - (i) the number of Options to be issued;
  - (ii) the number of Shares which would be issued if all the current Options issued under any employment incentive scheme were exercised;
  - (iii) the number of Shares which have been issued as a result of the exercise of Options issued under any employee incentive scheme, where the Options were issued during the preceding five years; and
  - (iv) all other Shares issued pursuant to any employee incentive scheme during the preceding five years;but disregarding any offer made, Options or Shares issued by way of or as a result of:
  - (v) an offer to a person situated at the time of receipt of the offer outside Australia;
  - (vi) an offer that was an excluded offer or invitation within the meaning of the Corporations Act as it stood prior to the commencement of Schedule 1 of the Corporate Law Economic Reform Program Act 1999;
  - (vii) an offer that did not need disclosure to investors because of section 708 of the Corporations Act; or
  - (viii) an offer under a disclosure document,would exceed 5% of the then current number of Shares on issue.
- (e) The Directors may, in their absolute discretion, offer to Eligible Employees Options under the Plan, and those Options will not be included within the 5% limit in paragraph (d), up to a maximum of 15%, provided that the issue is made in accordance with the requirements of Chapter 6D of the Corporations Act.



- (f) Options will be issued free of charge to eligible employees. The exercise price of the Options shall be as the Directors in their absolute discretion determine, provided that it shall not be less than that amount which is equal to 90% of the average market price of the Shares in the 5 days in which sales in the Shares were recorded immediately preceding the day on which the Directors resolve to offer the Options.
- (g) The Directors may limit the total number of Options which may be exercised under the Scheme in any year.
- (h) The Directors, in their absolute discretion, having regard to skills, experience, length of service with the Company, remuneration level and such other criteria as the Directors consider appropriate in the circumstances, shall determine criteria to establish the periods during which the Options may be exercised or will vest.
- (i) Unless the Directors in their absolute discretion determine otherwise, Options shall lapse upon the earlier of:
  - (i) the expiry of the exercise date;
  - (ii) the expiry of 60 days after the Option holder ceases to be an Eligible Employee by reason of dismissal, resignation or termination of employment, office or services for any reason;
  - (iii) the expiry of 60 days after the Option holder ceases to be an Eligible Employee by reason of retirement; or
  - (iv) a determination by the Directors acting reasonably that the Option holder has acted fraudulently, dishonestly or in breach of his or her obligations to the Company or an Associated Body Corporate;
- (j) If an Eligible Employee accepts an offer from the Company to participate in the Scheme then the Company will evidence the issue of an Option to an eligible employee by issuing that eligible employee a Certificate for that Option.
- (k) Each Option entitles the holder to subscribe for and be issued with one Share.
- (l) Shares issued pursuant to the exercise of Options will in all respects, including bonus issues and new issues, rank equally and carry the same rights and entitlements as other Shares on issue.
- (m) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced (or such shorter time as permitted under the ASX Listing Rules). This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (n) The Options will not be quoted on the ASX. However, application will be made to the ASX for official quotation of the Shares issued on the exercise of the Options if the Shares are listed on the ASX at that time.
- (o) An application to be issued Options may be made by eligible employees invited to participate in the Scheme in such form and on such terms and conditions concerning the closing date for applications as the Directors in their absolute discretion determine.

- (p) If at any time the issued capital of the Company is reconstructed, all rights of Option holders are to be changed in a manner consistent with the Listing Rules.
- (q) At the absolute discretion of the Directors, the terms upon which Options will be issued may incorporate performance related factors. Such factors may reflect, inter alia, profitability levels and sales targets and may, subject to clause (p) above, be amended from time to time in a manner favourable to the Option holder. However such performance related factors, if included in the Option terms or so amended shall not act in any way to constitute a breach of the Terms and Conditions.
- (r) Notwithstanding the Terms and Conditions, upon the occurrence of a Trigger Event the Directors may determine:
  - (i) that the Options may be exercised at any time from the date of such determination, and in any number until the date determined by the Directors acting bona fide so as to permit the holder to participate in any change of control arising from a Trigger Event provided that the Directors will forthwith advise in writing each holder of such determination. Thereafter, the Options shall lapse to the extent they have not been exercised; or
  - (ii) to use their reasonable endeavours to procure that an offer is made to holders of Options on like terms (having regard to the nature and value of the Options) to the terms proposed under the Trigger Event in which case the Directors shall determine an appropriate period during which the holder may elect to accept the offer and, if the holder has not so elected at the end of that period, the Options shall immediately become exercisable and if not exercised within 10 days, shall lapse.
- (s) An Option may not be transferred or assigned except that a legal personal representative of a holder of an Option who has died or whose estate is liable to be dealt with under laws relating to mental health will be entitled to be registered as the holder of that Option after the production to the Directors of such documents or other evidence as the Directors may reasonably require to establish that entitlement.
- (t) An Option is exercisable by the holder lodging with the Company a Notice of Exercise of Option together with a cheque for the exercise price of each Option to be exercised and the relevant Option Certificate. If not all of the holder's Options are being exercised, a holder must exercise Options in multiples of 1,000.
- (u) Neither participation in the Scheme by the Company or an Associated Body Corporate or any Eligible Employees or Option holders or anything contained in these Terms and Conditions shall in any way prejudice or affect the right of the Company or an Associated Body Corporate to dismiss any Eligible Employees or Option holder or to vary the terms of employment of any Eligible Employees or Option holder. Nor shall participation or the rights or benefits of an Eligible Employees or Option holder under the Terms and Conditions be relevant to or be used as grounds for granting or increasing damages in any action brought by an Eligible Employees or Option holder against the Company or an Associated Body Corporate whether in respect of any alleged wrongful dismissal or otherwise.
- (v) At all times during which eligible employees may subscribe for or purchase Shares upon exercise of an Option issued pursuant to the ESOP, the Company shall provide, within a reasonable period of a request by eligible employees, the current market price of the Shares. Contact the Company Secretary to obtain this information.
- (w) The ESOP shall be administered by the Directors who shall have power to:

- (i) determine appropriate procedures for administration of the ESOP consistent with these Terms and Conditions;
- (ii) resolve conclusively all questions of fact or interpretation or dispute in connection with the ESOP and settle as the Directors in their absolute discretion determine expedient any difficulties or anomalies howsoever arising with or by reason of the operation of the ESOP;
- (iii) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of the Directors' powers or discretions arising under the ESOP.

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#### **Definitions - ESOP**

In this Schedule the following terms shall bear the following meanings:

**"Acceptance Form"** means the Acceptance Form which will accompany the invitation to the Eligible Employee to participate in the Scheme.

**"Associated Body Corporate"** means:

- (iv) a related body corporate (as defined in the Corporations Act) of the Company;
- (v) a body corporate which has an entitlement to not less than 20% of the voting shares of the Company; and
- (vi) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

**"ASX"** means the Australian Securities Exchange Limited.

**"Business Day"** means those days other than a Saturday, Sunday, New Year's Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which the ASX shall declare and publish is not a business day.

**"Certificate"** means a certificate for any Option issued to Eligible Employees which will include all of the terms and conditions of the Option and the Notice of Exercise of Option or such other evidence of ownership that the Directors may in their absolute discretion determine from time to time.

**"Company"** means Healthlinx Limited ACN 098 640 352.

**"Company Group"** means the Company and its Associated Bodies Corporate.

**"Corporations Act"** means the Corporations Act 2001 (Commonwealth).

**"Directors"** mean the directors from time to time of the Company.

**"Eligible Employees"** means any full or part time employees, consultants of the Company or its Associated Bodies Corporate, or other such persons that the Directors see fit, excluding Directors (unless separate shareholder approval is obtained).

**"Listing Rules"** means the official listing rules of ASX as amended from time to time.

**"Notice of Exercise of Option"** means the Notice of Exercise of Option which will accompany the invitation to the Eligible Employee to participate in the Scheme.

**"Offer Period"** means the period referred to in the definition of that expression in Section 624 of the Corporations Act, provided that where a takeover bid is publicly announced prior to the service of an off-market bidder's statement on the Company in relation to that takeover bid the Offer Period shall be deemed to have commenced at the time of that announcement.

**"Option"** means an option to acquire a Share issued in accordance with the Scheme.

**"Scheme"** means the Healthlinx Employee Option Scheme in which Eligible Employees may be invited to participate in accordance with the Terms and Conditions.

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

**"Terms and Conditions"** means the terms and conditions as amended from time to time.

**"Trigger Event"** means:

- (i) the despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act;
- (ii) the service of a bidder's statement or a like document on the Company; or
- (iii) the date upon which a person or a group of associated person becomes entitled, subsequent to the date of issue of the Option, to sufficient Shares to give it or them the ability, in general meeting to replace all, or allow a majority, of Directors in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

**ANNEXURE FOUR**  
**INDEPENDENT EXPERT'S REPORT**



the next solution

**HEALTHLINX LIMITED**  
**ISSUE OF SHARES TO MANALTO VENDORS**

**Independent Expert's Report**  
**pursuant to Section 611 of the Corporations Act**

**JANUARY 2015**

## Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 20 January 2015.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) ("Nexia") holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by HealthLinx Limited ("HTX" or "**the Company**") to provide an Independent Experts Report ("**the Report**") for inclusion with the Notice of Meeting of Shareholders to be held on or about 27 February 2015 to consider resolutions associated with the issue of securities under Section 611 of the Corporations Act.

The Corporations Act, 2001 requires Nexia to provide this Financial Services Guide ("FSG") in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by HealthLinx in conjunction with this Report or the Proposal. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia's client is the Company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report and other services, Nexia will receive a fee of up to \$22,000 plus reimbursement of out-of-pocket expenses from HealthLinx. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

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# Glossary

Abbreviated Term	Definition
Act	The Corporations Act 2001
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Capital Raising	The issue of between 15 million and 30 million shares in HealthLinx at an issue price of \$0.20 to raise between \$3 million and \$6 million, on completion of the Transaction
Company	HealthLinx Limited
Directors	Directors of the Company
DOCA	Deed of Company Arrangement
EM	Explanatory Memorandum
Manalto	Manalto Inc., a US based private company providing social media management software
Manalto Vendors	Shareholders of Manalto being issued fully paid ordinary shares in HealthLinx
NAV	Net Asset Value
Nexia	Nexia Melbourne Pty Ltd - AFSL Holder 247362
Proposal	The Transaction and the Capital Raising
HTX	HealthLinx Limited [ACN: 098 640 352]
QMV	Quoted Market Value
Report	This Independent Expert Report prepared by Nexia in relation to the Proposal
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
HTX Shareholders	Shareholders of HealthLinx not associated with the Proposal
Shares	Fully paid ordinary shares in HealthLinx
Transaction	HTX acquisition of all the issue share capital of Manalto
Transaction Shares	The issue of 62.5 million fully paid ordinary shares in HealthLinx as consideration for the Transaction



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20 January 2015

The Directors  
HealthLinx Limited  
Suite 1  
Level 6, 50 Queen Street  
MELBOURNE VIC 3000

Dear Sirs,

**INDEPENDENT EXPERT'S REPORT  
ISSUE OF SHARES TO INVESTORS REQUIRING SHAREHOLDER APPROVAL UNDER S611 OF THE  
CORPORATIONS ACT**

As Directors of HealthLinx Limited (**HealthLinx**, **HTX**, or **the Company**) you have requested Nexia Melbourne Pty Ltd (**Nexia**) to prepare an Independent Expert's Report (**the Report**) in relation to a proposed issue of approximately 62.5 million shares to Manalto Inc. (**Manalto**).

The Proposal (as described in section 1.2 below) will be presented to HTX Shareholders for approval at an Extraordinary General Meeting to be held in on or about 27 February 2015 (**EGM**).

You have requested Nexia to provide an opinion on whether the Proposal, the subject of Resolution 3 in the Notice of Meeting, is fair and reasonable to the non-associated shareholders of the Company (**HTX Shareholders**).

Unless otherwise specified, all dollar amounts in the Report are in Australian Dollars (AUD).

## 1. INTRODUCTION

### 1.1 BACKGROUND

1. HealthLinx is a listed company on the Australian Securities Exchange (**ASX**), which has historically focused on the development of In-Vitro Diagnostic tests (IVDs) directed at ovarian cancer.
2. The Company was unable to commercialise this product and administrators were voluntarily appointed and a Deed of Company Arrangement (**DOCA**) was executed on 2 September 2013.
3. On 30 January 2014, the administrators of the Company established the HealthLinx Creditor's Trust (**Creditors Trust**), thereby wholly effectuating the DOCA and formally ending the period of external administration. The amount payable under the Creditors Trust totalled \$0.25 million.
4. On 30 April 2013, the Company was suspended from official quotation on the ASX and has not recommenced trading since this date.

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Independent member of Nexia International



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## 1.2 MANALTO ACQUISITION AND RELATED RESOLUTIONS

5. On 2 October 2014 the Company announced that it had entered into a binding terms sheet to acquire all of the issued share capital of Manalto (**Transaction**). The information technology which now underlies the Manalto business has its origins in Australia. In May 2013, as part of a development and funding strategy, operations were moved to Singapore and development and commercialisation of the software was pursued through a Singaporean corporate entity. In December 2013, Manalto, a private USA company acquired the assets of the Singaporean operating entity, and is now seeking to commercialise its social media management software solution. The Transaction is to be effected by acquisition of all of the existing equity interests of Manalto from the shareholders of Manalto (**Manalto Vendors**).
6. The Transaction terms require Manalto to procure that each of the Manalto Vendors enter into a formal contract for the sale of their respective equity interests in Manalto. The Manalto Vendors include holders of convertible securities (convertible notes and warrants) which are to be converted to Manalto shares prior to completion of the Company's acquisition. The consideration for the acquisition of all of the equity interests from the Manalto Vendors will be satisfied through the issue of 62,500,000 (post-consolidation) ordinary fully paid HTX shares, the issue of which is the subject of Resolution 3.
7. The Transaction is subject to the following:
  - shareholders of the Company passing all of the resolutions set out in the Notice of Meeting except for Resolutions 10a, 10b, 10c, 10d and 11 (the **Transaction Resolutions**) at the Meeting;
  - the Company conducting and securing subscriptions from investors of not less than \$3 million under the Capital Raising;
  - the Company completing the acquisition of all of the equity interests of the Manalto Vendors; and
  - ASX conditionally confirming that it will re-admit the Company to the Official List of ASX.
8. As noted above each of the Transaction Resolutions as set out in the Notice of Meeting are interdependent. Accordingly, if any of the Transaction Resolutions are not approved by the Company's shareholders the Transaction will fail and not be completed. An overview of each of the Transaction Resolutions for which shareholder approval is sought, in order to comply with ASX Listing Rules and/or the Corporations Act 2001 *Cth*, (the **Act**) is set out below:
  - (a) (Resolution 1) : The change in the scale of the activities of the Company and the change in nature of the Company's activities from a pharmaceuticals and biotechnology company to a technology, hardware, and equipment company and specifically to focus on the distribution and commercialisation of the Manalto social media management software
  - (b) (Resolution 2) : A 5:1 consolidation of the Company's ordinary shares (if approved, the consolidation will take effect following the Meeting in accordance with the ASX timetable).
  - (c) (Resolutions 9) : Complete a capital raising, to raise a minimum of \$3 million (through the issue of 15 million shares at \$0.20) and a maximum of \$6 million (through the issue of 30 million HTX

shares at \$0.20) **(Capital Raising)** [Note: A separate approval for the existing Directors to participate in the Capital Raising is NOT required for the Transaction to proceed].

- (d) (Resolutions 3 & 4) : The issue of 62,500,000 ordinary HTX shares (on a post-consolidation basis) to the Manalto Vendors, being the consideration payable to the Manalto Vendors for the acquisition of Manalto. **(Transaction Shares)** [Note: A separate approval is also required in respect to that part of the Transaction Shares to be issued to Cope St Pty Ltd atf The Telford Family Trust, a Manalto Vendor which is controlled by Trent Telford, a Director of the Company].

On and subject to successful completion of the Transaction:

- (e) (Resolutions 5, 6, 7 and 8) : The appointment of 4 directors nominated by Manalto to the Board.
- (f) (Resolution 12) : The issue 2,250,000 options (on a post-consolidation basis) to advisors of Manalto in lieu of cash fees payable in respect to a capital raising conducted by Manalto and/or other services provided to Manalto in connection with the Transaction.
- (g) (Resolutions 13 and 14) : Adoption of an Employee Share Option Plan and the issue of 8,000,000 options (on a post-consolidation basis) to key management and employees of Manalto as equity based incentives for their past and ongoing service to Manalto.

The actual proposed resolutions and full details in respect of each of the proposed resolutions, Manalto and the proposed Transaction are set out in the Notice of Meeting and Explanatory Memorandum.

9. The Transaction (Resolution 3) is the subject of our opinion and report. However given the dependency of the Transaction on the Company successfully raising a minimum of \$3 million under the Capital Raising (Resolution 9), we have considered the substance of the binding terms sheet and, for the purposes of this Report, regard both the Transaction and the Capital Raising as **the Proposal**.
10. The following table shows the potential dilution to HealthLinx Shareholders pre and post-Proposal depending on the amount obtained under the Capital Raising.

Table 1: Potential HealthLinx Shareholding

Shareholder	Pre-Proposal	%	Post-Proposal (\$3 million Cap Raise)	%	Post-Proposal (\$6 million Cap Raise)	%
HTX Shareholders	5,554,250	100	5,554,250	6.69	5,554,250	5.67
Manalto Vendors	-	-	62,500,000	75.25	62,500,000	63.74
Capital Raising Investors	-	-	15,000,000	18.06	30,000,000	30.59
<b>TOTAL</b>		<b>100%</b>	<b>83,054,250</b>	<b>100.0%</b>	<b>98,054,250</b>	<b>100.0%</b>

11. In addition if the Proposal is approved and the Transaction completes, new options over HTX shares will be granted. The following table shows the potential options on issue.

Table 2: Potential HealthLinx Options on issue

Option holder		Terms
Existing HTX Options	15,357	Various - post-consolidation exercise prices (ranging between \$7.50 and \$148.25.. All but 10,000 of existing options will expire on, or before, 30 June 2015.
Manalto Advisors	2,250,000	Exercisable at \$0.25, expiring 3 years from issue date
Manalto Key Employees and Management	8,000,000	Exercisable at \$0.25, expiring 5 years from the issue date and subject to vesting conditions described in the Memorandum.
<b>TOTAL</b>	<b>10,265,357</b>	

12. Following completion of the Proposal, the Manalto Vendors will in aggregate hold a relevant interest in a maximum total of 75.25% of the Company's ordinary fully paid shares, based on the required minimum capital raising of \$3 million.
13. Manalto has also recently completed a pre-listing capital raise of \$1.2 million in October to December 2014 (**Seed Raising**). A total of \$0.37 million from the Seed Raising was lent to HTX for the following:
  - \$0.25 million to complete payments due under the creditor's trust arrangement; and
  - \$0.12 million for legal and expert fees in relation to the Proposal

If the Proposal is not completed, then the \$0.25 million is payable to Manalto within 12 months from the date the Proposal is rejected, with interest accruing at 3% per annum from this date. According to the terms of the Proposal, the remaining \$0.12 million loan will be forgiven.

## 2. PURPOSE AND SCOPE OF THIS REPORT

14. HealthLinx is a public listed company incorporated in Australia and is subject to the regulations under the Corporations Act 2011. The Transaction Shares, if issued to the Manalto Vendors, will be fully paid ordinary shares in the Company and are considered "voting shares" for the purposes of the Act.
15. Section 606(1) of the Act prohibits the acquisition of a relevant interest in voting shares if, because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% or below 90%. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if shareholder approval for the issue of the securities is given.
16. HealthLinx will, post 5:1 share consolidation, have 5,554,250 fully paid ordinary shares on issue, held by a total of 1,435 shareholders.

17. As set out in table 1 above following completion of the Proposal, the Manalto Vendors will in aggregate hold a relevant interest in a maximum total of 75.25% of the Company's ordinary fully paid shares, based on the required minimum capital raising of \$3 million.
18. No Manalto Vendor will (either or alone or in conjunction with their associates) obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of Manalto. However, having regard to the full substance of the transaction and ASIC regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates, in the interests of full disclosure the Company has elected to seek shareholder approval for the Transaction under item 7 of section 611 of the Act on the basis that all the Manalto Vendors are 'associated'.
19. In accordance with the requirements of Item 7 of Section 611 and the provisions of ASIC Regulatory Guides, the Directors of HTX have engaged Nexia to prepare an Independent Expert's Report for HTX Shareholders in relation to the Proposal. The Report will accompany the Notice of Meeting to be sent to shareholders. The scope of the Report is to consider if the Proposal, the subject of Resolution 3, is fair and reasonable to HTX Shareholders.

## 3. EXECUTIVE SUMMARY OPINION

### 3.1 GENERAL

20. Our report has been prepared having regard to ASIC Regulatory Guide 74 "Acquisitions Approved by Members" (**RG 74**), Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**), Regulatory Guide 112 "Independence of Experts" (**RG 112**), and Regulatory Guide 170 "Prospective Financial Information" (**RG 170**).
21. In forming our view of the Proposal we have had regard to the current value of HTX Shares, and the financial impact (i.e. "Fairness" / quantitative assessment) and other qualitative aspects (i.e. "Reasonableness") of the Proposal for HTX Shareholders.
22. In respect of our "Fairness" assessment, this assignment is also a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').
23. We have considered the terms of the Proposal as outlined in the Notice of Meeting and in this Report and as a result of our review and considering all the factors we are of the opinion that the Proposal is **fair and reasonable** to HTX Shareholders.

## 3.2 FAIRNESS (QUANTITATIVE ASSESSMENT)

24. RG 111 states that an offer is fair 'if the offer price or consideration is equal to or greater than the value of the securities subject of the offer'. In the context of the Proposal this principle translates to circumstances where the consideration received (Manalto shares) is greater than the value of the HTX Shares given as consideration. RG 111 further provides that the value of securities should be considered on a "control basis" as if the acquirer was obtaining control of the Company, (refer Section 3.3).
25. The financial impact of the Proposal to HealthLinx Shareholders on the assessed value of HTX shares held by them using the adopted valuation methodologies and basis is summarised in the Table 2 below.
26. In assessing the Proposal we have :
- (a) only considered the required minimum capital raising of \$3 million, which is the subject of the binding terms sheet in respect to the Transaction. Any capital raising above the minimum will be value accretive to HTX Shareholders given the cash issue price of 20 cents per share ; and
  - (b) assessed the Proposal on a non diluted and fully diluted basis, having regard to the grant of the 10.25 million options post completion of the Transaction. In assessing the fully diluted position, as the exercise price is 25 cents per option, which is above the price at which the Capital Raising will be undertaken we have considered the value implications where the options are never exercised and also if they were all exercised.:

Table 3: Summary of Proposal on HTX Shareholders per share value

\$ per share	Non Diluted	Fully Diluted	
		(not exercised)	(exercised)
Value of HTX Shares pre-Proposal (control value)	\$0.011	\$0.011	\$0.011
Value of HTX Shares post-Proposal (minority value)	\$0.024	\$0.020	\$0.038
Value accretion / (dilution)	\$0.013	\$0.009	\$0.027

27. Based on Table 3 above, we determine that the value of HTX Shares post-Proposal (on a minority basis) is greater than the value of HTX Shares pre-Proposal (on a control basis), and so the Proposal has a positive impact on the value of HTX Shares and is therefore fair to HTX Shareholders.
28. Based upon the foregoing, we are of the opinion that on a control basis the Proposal is likely to be **fair** to HTX Shareholders.

## 3.3 CONTROL PREMIUM

29. RG 111.11 suggests that when assessing the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company.

30. Whilst the Manalto Vendors will not be obtaining 100% of HTX, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained.
31. Therefore, in forming our view of the value of HTX shares pre-Proposal we have included a control premium and compared this with the minority value of HTX Shares if the Proposal is approved. In this manner the dilutive or positive impact of the Proposal on the fair value of HTX Shares held by HTX Shareholders is readily demonstrated. As noted above the Proposal is likely to be value accretive and thus HTX Shareholders are receiving a premium for loss of control of HTX.

### 3.4 OTHER QUALITATIVE FACTORS OF THE PROPOSAL

32. In assessing if the advantages of the Proposal outweigh the disadvantages we have had regard to the following:

Advantages of the Proposal	<ul style="list-style-type: none"> <li>▪ Will facilitate a re-instatement of HTX to ASX trading.</li> <li>▪ May give rise to market repricing of HTX Shares and increased liquidity.</li> <li>▪ The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers.</li> <li>▪ May lead to the development of a viable (and potentially profitable) business operation, of which there is currently none.</li> </ul>
Disadvantages of the Proposal	<ul style="list-style-type: none"> <li>▪ Existing HTX Shareholders interests will be significantly diluted from 100% to between 5.67% and 6.69% post-Proposal</li> <li>▪ Change in the nature of business operations may change the risk profile for HTX Shareholders</li> <li>▪ May require further capital funding which may be further dilutive to HTX Shareholders</li> </ul>
If the Proposal is NOT approved	<ul style="list-style-type: none"> <li>▪ HTX will need to obtain further funding for working capital and to meet its debt obligations (which may also be dilutive to HTX Shareholders) as it is still liable to pay \$0.25 million to Manalto within 12 months and accruing interest at 3% per annum, under the terms of the Proposal (discussed in Section 1.2)</li> <li>▪ If HTX is unable to meet its financial obligations, then in all likelihood it would be wound up with no returns to HTX shareholders.</li> </ul>

33. In our opinion the position of HTX Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is reasonable to HTX Shareholders.



### 3.5 SUMMARY OF OPINION

34. On balance of all the matters considered we are of the view that the Proposal is **fair and reasonable** to HTX Shareholders.

## 4. GENERAL DISCLOSURES AND LIMITATIONS

### Changes in market conditions

35. Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the transaction are concluded.

### Individual shareholder circumstances

36. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and portfolio strategy. HTX Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

### Entirety of Report

37. This summary opinion should be read in conjunction with and not independent of the remainder of this Report
38. The Report should also be read in conjunction with the Notice of Meeting to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting.

Yours faithfully

**Nexia Melbourne Pty Ltd**

Holder of Australian Financial Services License No.247362



**Gary Graco**  
**Authorised Representative**

## 5. DISCLOSURES AND LIMITATIONS

39. This Report has been prepared at the request of the directors of HTX for the purposes of assisting Shareholders in their evaluation of the Proposal.
40. The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by HTX. Furthermore, we have relied upon the representations and opinions of the management of HTX and Manalto.
41. We believe that (unless stated otherwise) the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld. However, we have not conducted any separate due diligence or audit investigations to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.
42. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and liquidity preference and portfolio strategy. HTX Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.
43. The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report. Such conditions can change significantly over a relatively short period of time.

## 6. REGULATORY FRAMEWORK

### 6.1 CORPORATIONS ACT – TAKEOVER PROVISIONS

44. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting shares of a company where a person's voting power increases from below 20% to more than 20%; or from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by the persons to whom shares are to be issued to or their associates.
45. HealthLinx will, post 5:1 share consolidation, have 5,554,250 fully paid ordinary shares on issue, held by a total of 1,435 shareholders.

46. Under the terms of the Proposal, HTX has entered into a binding term sheet to acquire all of the issued share capital of Manalto from the Manalto Vendors by the issue of 62.5 million HTX fully paid ordinary shares (post consolidation) (**“the Transaction Shares”**).
47. Concurrently with the Transaction, HTX will also complete the Capital Raising) to fund the on-going operations of the Manalto business. As noted a minimum of 15 million fully paid ordinary HTX shares will be issued, however this may be up to 30 million fully paid ordinary shares (all post consolidation).
48. The following table shows the potential dilution to HealthLinx Shareholders pre and post-Proposal depending on the amount obtained under the Capital Raising.

Table 4: Potential HealthLinx Shareholding

Shareholder	Pre-Proposal	%	Post-Proposal (\$3 million Cap Raise)	%	Post-Proposal (\$6 million Cap Raise)	%
HTX Shareholders <sup>1</sup>	5,554,250	100	5,554,250	6.69	5,554,250	5.67
Manalto Vendors	-	-	62,500,000	75.25	62,500,000	63.74
Capital Raising Investors	-	-	15,000,000	18.06	30,000,000	30.59
<b>TOTAL</b>		<b>100%</b>	<b>83,054,250</b>	<b>100.0%</b>	<b>98,054,250</b>	<b>100.0%</b>

49. If the Proposal is implemented no Manalto Vendor will (either or alone or in conjunction with their associates) obtain a relevant interest in more than 20% of the issued share capital of the Company on completion of the Company's acquisition of Manalto. However, having regard to the full substance of the transaction and ASIC regulatory guidance in respect of circumstances in which parties with a shared goal or purpose may, for the purposes of a transaction, be deemed to be associates.
50. To implement the Proposal as planned, the directors are seeking approval of Shareholders for the Proposal, on the basis that all the Manalto Vendors are 'associated', and thus exempt Manalto from the requirement to make a full takeover offer to HTX Shareholders pursuant to Item 7 of Section 611 of the Act.
51. In accordance with the provisions of ASIC Regulatory Guides, the Directors of HealthLinx have engaged Nexia to prepare an Independent Expert's Report for HealthLinx Shareholders in relation to the Proposal. This satisfies the obligation under RG 74.12 to supply shareholders with "enough information to make an informed decision on the merits of the Proposal". The Report will accompany the Notice of Meeting to be sent to Shareholders. The scope of the Report is to consider if the Proposal, the subject of Resolution 3, is fair and reasonable to HTX Shareholders.

## 6.2 GUIDELINES ISSUED BY ASIC ON ACQUISITIONS AGREED TO BY SHAREHOLDERS

<sup>1</sup> Post consolidation

52. ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* (“RG111”) and Regulatory Guide 112 – *Independence of Experts* (“RG112”). We highlight the following from RG111 that are pertinent to this Report.

RG111.5 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.*

53. RG111 does not prescribe the form of analysis relevant to matters subject to acquisitions approved by security holders under item 7 of s611 however practice has commonly adopted the ‘fair and reasonable’ proposition as an appropriate form of analysis. RG111 sets out the principles of fair and reasonable in the context of a Chapter 6 control transaction.

RG111.10 *It has long been accepted in Australian mergers and acquisitions practice that the words ‘fair and reasonable’ in s640 establish two distinct criteria for an expert analysing a control transaction:*

- (a) is the offer ‘fair’; and*
- (b) is it ‘reasonable’?*

RG111.11 *Under this convention, an offer is ‘fair’ if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:*

- (a) assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length; and*
- (b) assuming 100% ownership of the ‘target’ and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the ‘bidder’ or its associates in the target when making this comparison. For example, in valuing securities in the target entity it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or ‘portfolio’ parcel of shares.*

RG111.12 *An offer is ‘reasonable’ if it is fair. It might also be ‘reasonable’ if, despite being ‘not fair’, the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.*

54. We have necessarily considered the ASIC guidance in our analysis. The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

- Fairness – This assessment of value of the securities subject of the offer (i.e. HTX Shares) is made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. We have also considered the value of HTX

Shares pre-Proposal on a control basis and compared this to the value of HTX Shares post-Proposal on a minority basis. In this manner the dilutive or positive impact of the Proposal can be demonstrated. This assessment will identify if HTX Shareholders are receiving a premium for control, given that the Manalto Vendors may obtain a controlling interest in HTX.

- Reasonableness – we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal, including the advantages and disadvantages of the Proposal and the alternatives available if the Proposal is not approved.

### 6.3 GUIDELINES ON VALUATION ENGAGEMENTS

55. This report has also been undertaken in accordance with the requirements set out in Accounting Professional and Ethical Standards Board professional standard 225 “Valuation Services” (“**APES 225**”).
56. A valuation engagement is defined by APES 225 as “*Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time*”.

### 6.4 GUIDELINES ISSUED BY ASIC ON PROSPECTIVE FINANCIAL INFORMATION IN EXPERT REPORTS

57. We have also considered ASIC guidelines on the disclosure of prospective financial information in expert reports and valuations.
58. These guidelines state *inter-alia* that:

RG 111.78 *An expert should usually give a range of values. The value of securities is typically subject to uncertainty and volatility. Placing a precise dollar value on them is likely to imply a misleading accuracy to a valuation.*

RG 111.79 *Nevertheless, the range of values should be as narrow as possible. If an expert cannot give a narrow range because of uncertainty (e.g. start-up companies), the expert should prominently explain in its report what factors create this uncertainty and how the expert is able to justify its findings despite the uncertainty. In our view, a broad range of values undermines the usefulness of the report.*

RG 111.95 *An expert should not include prospective financial information (including forecasts and projections) or any other statements or assumptions about future matters (together, ‘forward-looking information’) in its report unless there is a reasonable basis for the*

*forward-looking information. Otherwise the opinion will be misleading under s670A(2) of the Corporations Act or s12DA of the ASIC Act.*

RG 111.97 *RG 170 gives detailed guidance on what we consider is a reasonable basis for stating prospective financial information. While RG 170 is expressed to apply to fundraising documents under Ch 6D and 7, it provides useful guidance for inclusion of prospective financial information in expert reports.*

RG 111.98 *However, we recognise that using discounted cash flow (DCF) methodology will involve the use of forward-looking information and assumptions over a longer period than the two year period in RG 170: see RG 170.18 and RG 170.29. As long as the focus of the disclosure in the expert report is on the valuation rather than the forward-looking information that supports it, the expert does not need to commission an independent accountant report for the DCF methodology: see RG 170.18(c). However, the expert should undertake a critical analysis of the forward-looking information used in applying the DCF methodology to ensure it is based on reasonable grounds.*

RG 170.18 *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS.*

## 7. PROFILE OF HEALTHLINX

### 7.1 COMPANY OVERVIEW

- 59. HealthLinx is a public listed company on the ASX, which has historically focused on the development of In-Vitro Diagnostic tests (IVDs) directed at ovarian cancer.
- 60. The Company was unable to commercialise this product and in May 2013 commenced a period of voluntary administration which ended on 30 January 2014 when the administrators of the Company effectuated a Deed of Company Arrangement (**DOCA**) and established the HealthLinx Creditor's Trust. The amount payable to the Creditors Trust pursuant to the terms of the DOCA totalled \$0.25 million.
- 61. The Company has been suspended from official quotation on the ASX since 30 April 2013.

### 7.2 SHARE CAPITAL

- 62. HealthLinx currently has 27,771,254 ordinary shares on issue held by a total of 1,435 registered shareholders, but will have 5,554,250 ordinary shares on issue post the proposed Share Consolidation,

subject of resolution 1 at the EGM. Table 5 below sets out the top 10 shareholders as at 21 November 2014 and their shareholding post Share Consolidation:

Table 5: Top 10 shareholders

Rank	Name	Shares pre consolidation (‘000s)	Shares post consolidation (‘000’s)	%
1	Gleneagle Securities Nominees Pty Ltd	9,266	1,853	33.37
2	Cope St Pty Ltd	2,507	501	9.03
3	Queensland MM Pty Ltd <QMM Super Fund A/C>	2,507	501	9.03
4	Chifley Portfolios Pty Ltd	1,810	362	6.52
5	LSAF Holdings Pty Ltd <Owen Family A/C>	1,810	362	6.52
6	Eyeon 2 Pty Ltd	1,667	333	6.00
7	Darontack Pty Ltd	1,167	233	4.20
8	Austin 4 Pty Ltd <R & S Towner Family A/C>	800	160	2.88
9	John Carthew William Burston <Burston Family A/C>	720	144	2.59
10	HSBC Custody Nominees Australia Pty Ltd	720	144	2.59
<b>Total Top 10 holders of Ordinary fully paid shares</b>		<b>22,973</b>	<b>4,594</b>	<b>82.72</b>
<b>Other Shareholders</b>		<b>4,798</b>	<b>960</b>	<b>17.28</b>
<b>Total</b>		<b>27,771</b>	<b>5,554</b>	<b>100.00</b>

Source: HealthLinx management

63. HTX Shares are heavily concentrated with the top 10 shareholders accounting for 82.72% of total issued capital, with the largest shareholder Gleneagle Securities Nominees Pty Ltd, holding 33.37% of issued capital.

### 7.3 FINANCIAL POSITION

64. A summary of HealthLinx's Statement of Financial Position as at 30 June 2013, 2014 and as at 31 October 2014, are summarised in Table 6 below.

Table 6: HealthLinx Statements of Financial Position

\$'000s	30-Jun-13 (audited)	30-Jun-14 (audited)	31-Oct-14 (unaudited)
Cash and cash equivalents	1	175	44
Trade and other receivables	11	35	42
<b>Total current assets</b>	<b>12</b>	<b>210</b>	<b>86</b>
Loan - Manalto	-	-	20
<b>Total non-current assets</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>TOTAL ASSETS</b>	<b>12</b>	<b>210</b>	<b>106</b>
Trade and other payables	528	185	130
Creditors Trust	-	250	250

\$'000s	30-Jun-13 (audited)	30-Jun-14 (audited)	31-Oct-14 (unaudited)
Short-term loans	135	-	-
Accrued expenses	30	58	58
<b>TOTAL LIABILITIES</b>	<b>692</b>	<b>493</b>	<b>438</b>
<b>NET ASSETS</b>	<b>(680)</b>	<b>(283)</b>	<b>(332)</b>

Source: Annual Reports and HealthLinx management

65. With respect to Table 6 above we note that the latest management accounts show a small loan to Manalto as at 31 October 2014. Under the terms of the Proposal, Manalto will loan \$0.37 million to HTX to pay out the Creditors Trust and for general operating costs and various legal, expert, and other fees in relation to the Proposal. HTX confirmed that these funds were received post 31 October 2014 and are likely to be fully expended by the EGM.
66. Table 6 above also does not show the value of any intangible assets. The Directors have, on the advice of accountants and auditors, having regard for a prudent application of the relevant accounting principles and standards written down the carrying value of the Company's patents and trademarks (**IP Assets**) to nil. HTX announced to the market on 21 November 2014 that these IP Assets are to be sold to a third party for approximately \$60,000.

## 7.4 FINANCIAL PERFORMANCE

67. A summary of the Company's operating results for the financial years ended 30 June 2013 and 2014 and for the 4 months to 31 October 2014 are shown in Table 7 below.

Table 7: HealthLinx Statements of Comprehensive Income

\$'000s	30-Jun-13 (audited)	30-Jun-14 (audited)	31-Oct-14 (unaudited)
Operating revenue	35	7	-
Other income	16	58	-
<b>Total income</b>	<b>51</b>	<b>65</b>	<b>-</b>
Employee benefits expenses	257	117	-
Depreciation, amortisation & impairments	3,233	-	-
Consulting and professional fees	359	224	12
Other expenses	567	88	36
<b>Total expenses</b>	<b>4,416</b>	<b>429</b>	<b>48</b>
<b>Profit / (loss) before tax</b>	<b>(4,365)</b>	<b>(364)</b>	<b>(48)</b>
Income tax benefit / (expense)	413	93	-
<b>Total comprehensive income</b>	<b>(3,953)</b>	<b>(271)</b>	<b>(48)</b>

Source: Annual Reports and HealthLinx management



68. As seen in Table 7 above, the Company does not have any significant revenue-generating activities and continues to incur losses.

## 7.5 FINANCIAL PROSPECTS

69. The future financial prospects of the Company are limited given its current cash shortage, net asset deficiency, and suspension from ASX listing. Other than the expected sale of the Company's IP Assets for approximately \$60,000, there does not appear to be any other means by which the Company is able to generate sufficient cash to continue operations.

# 8. PROFILE OF MANALTO

## 8.1 OVERVIEW<sup>2</sup>

70. Manalto Inc. is a US based private company which develops and sells a web based software platform designed to help organisations manage their social media assets. This type of platform is also known as enterprise grade Social Media Management Software (**SMMS**) within the social media management industry which is outlined further in Section 9. Manalto's SMMS provides tools for an organisation to manage its social media assets across Manalto's supported social networks, being Facebook, Twitter and LinkedIn. Social media assets includes accounts, pages or profiles of the organisation and potentially those of its employees and associates.
71. Manalto's SMMS is primarily but not solely directed towards multi-outlet / distributed franchise networks. In such organisations, it is common to find that individual franchisees may have unilaterally established multiple social media assets. Therefore the social media asset management problem these types of organisations face at the head office level includes:
- No controls, governance or brand consistency
  - No efficient process to channel head office news or offers
  - Open to reputational risk and brand damage e.g. visitors may not be brand advocates
  - No consistent customer experience
  - No process or way of aggregating analytics of the social media assets to gain strategic insight
  - No way of aggregating or assessing return on investment
72. Manalto's enterprise solution is directed at solving these problems by aggregating multiple customised social media assets which are connected with head office for oversight, but can still be locally managed.

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<sup>2</sup> Source(s) of information contained in this Section are:

- Manalto documents, presentations and discussions with Megan Owen and Patrick Fong (held 30 October 2014)
- "Manalto Inc. & Healthlinx Ltd deal sheet 27 October 2014" – Halcyon Corporate / Gleneagle Securities
- EGM notice of Meeting – draft 6 January 2015

73. A key feature of Manalto's solution is a social media workflow and approval process that replicates the organisations operating structure. Other features include: scalability for multiple users; customisable filtering and tagging; aggregation of analytics and a shared media library.
74. Social media assets are defined and grouped by the business "unit" rather than individual user accounts. For example a single fast food franchisee location is considered a unit, even though its social media assets might include: a Facebook page for the location; Manager(s) Twitter account; owners LinkedIn account etc. Access to Manalto's SMMS is via its web site located at: <http://www.manalto.com/>.
75. Pricing is a monthly fixed fee on a license per business unit basis which includes unlimited users and social assets per business unit. .
76. Management of Manalto have devised both a direct and indirect sales channel strategy:
- Direct customers targeted by Manalto sales staff are major franchise or multi-outlet brands (e.g. fast food, hotels, retail services) with greater than 50 units and scalability up to thousands of units and are offered account management as well as volume discounted pricing. As of October 2014 Manalto's sales pipeline includes circa 50 groups representing circa 30,000 business units with varying degrees of management estimated probability of closing into firm sales.
  - Indirect customers are small and medium businesses with less than 50 units and are offered online support only. Indirect customers are intended to be sourced via online channel and reseller partners, principally via web-hosting control panel software providers. As of October 2014 Manalto have not yet entered into formal re-seller agreements but will look to establish formal reseller arrangements following the Proposal.

## 8.2 COMPANY MILESTONES

77. The core business and intellectual property was developed in Australia during 2013 by the founders. In May 2013, as part of a development and funding strategy, operations were moved to Singapore and development and commercialisation of the software was pursued through a Singaporean corporate entity. In December 2013, Manalto, a private USA company acquired the assets of the Singaporean operating entity, and is now seeking to commercialise its social media management software solution. In February 2014 v.2.0 of the SMMS was launched with market ready enhanced features and functionality. First revenue was booked in June 2014, (totalling US\$2k for the month).
78. Manalto has registered 3 larger multi-unit customers to date with a number offered free trial periods. Monthly revenue starting to flow from these customers has increased to US\$10k in October 2014. .
79. Losses to date have been significant as detailed in Section 8.5 which is not unexpected due to the early stage start-up nature of the business. To date the business has been funded by a series of capital raising rounds which are summarised as:

Funding round / date	Details
Dec-13 (Series A)	US\$1.036 million equity

<b>Apri-14</b>	US\$0.575 million convertible note
<b>Nov-14 – Seed Round</b>	AUD\$1.2million convertible note

80. Prior to the current Seed Round, the main contributor of US\$1.036 funding in December 2013 was EuroPlay Capital (“ECA”) and Raven Tech Fund, (“Raven”). ECA is a LA based boutique merchant bank and financial advisory firm that provides services and invests in companies in the technology, media, telecom, life sciences and consumer sectors. ECA's investments include companies Skype, Rdio, KaZaa, Multigig, and Unicorn Media. ECA also currently provides back office support / accounting services to Manalto Inc.

### 8.3 DIRECTORS, MANAGEMENT AND STAFF

81. Manalto's current directors are:
- **Anthony Owen, Founder & President** - Over 20 years of experience building sales management capability across leading digital start-ups and media organisations, with extensive experience across the media agency, direct-to-market, client management, social media platforms and e-commerce.
  - **Joe Miller, Director & Founding Investor, Europlay** – Joe is MD at Europlay Capital Advisors.
  - **Kristian Blaszczyński, Director & Founding investor, Raven Tech Fund.** Funds management, venture capital and corporate experience, as portfolio manager for a number of wholesale funds, charitable foundations and ultra-high net wealth individuals and families. Currently oversees Raven Tech's fund management business and in building the venture capital business with a primary focus on internet, media and telecommunication.
  - **David Fletcher, Director** - David has over 30 years' experience in steering business development, elevating operational efficiencies, improving commercial performance and providing strategic direction in major Australian and international companies in the retail, FMCG and finance sectors.
82. Manalto's current Executive Management team include:
- **Anthony Owen**, as above
  - **Patrick Fong, Chief Technical Officer** - Extensive experience in development focused on SaaS based solutions. Patrick manages vendor integrations, strategic partnerships and the delivery of the Manalto platform. Prior to joining Manalto Patrick was a founder and CTO of SMS marketing start-up Concept Engine.
  - **Megan Owen, Chief Marketing Officer** - A senior communication practitioner with 20 years spanning financial services, professional services, government with expertise in marketing and communication, public relations, transformation and online and social media strategic communication.
83. Under the terms of the Proposal, Anthony Owen, Joe Miller, Kristian Blaszczyński and David Fletcher will become directors of HTX.

## 8.4 SHARE STRUCTURE

84. Manalto currently has Series A shares and warrants and options on issue. A pre condition of the Transaction is that prior to completion all Series A shares, warrants, options and outstanding convertible notes will be converted to fully paid ordinary shares. Post conversion Manalto will have 209.68 million securities issued, which if the Proposal is implemented will be acquired by HTX. The history of share issues and post conversion shareholding structure are set out in tables 8 and 9 below.

*Table 8 - Manalto Share Issue history (post conversion of notes and warrants)*

Shareholder	Shares	% of total
Series A share subscription : Dec-13	155,873,820	74.3%
Warrants/Options:- Sept-14	12,113,103	5.8%
Convertibles notes : April-14	16,439,697	7.8%
Convertible notes : Dec-14	25,251,806	12.0%
Total	209,678,426	100.0%

*Table 9 - Manalto Share Structure (post conversion of notes and warrants)*

Shareholder	Shares	% of total
ECA Ventures, LLC	41,036,350	19.6%
Anthony Owen	19,444,767	9.3%
LSAF Holdings Pty Ltd	19,014,278	9.1%
Vankat Pty Ltd	13,168,724	6.3%
Raven Capital Pty Ltd	11,311,645	5.4%
W I John Gault #1 Trust	10,475,720	5.0%
Jack Burston atf Burston Family Trust	9,204,213	4.4%
D Road Pty Ltd AFT DB Family Trust	7,881,481	3.8%
Michele Alison Owen	7,881,481	3.8%
Cope St Pty Limited as Trustee for Telford Family Trust	6,948,009	3.3%
	146,366,667	69.8%
Others (total 33)	63,311,759	30.2%
Total	209,678,426	100.0%

## 8.5 FINANCIAL PERFORMANCE

85. A summary of Manalto's Consolidated Income Statement (represented in AUD dollars) for the 9 months to 30 September 2014 is shown in Table 10 below. The income statement has been provided by Manalto management and has not been audit reviewed. It also represents the consolidated group trading results, which incorporates both Manalto's operations in the US and Australia. Manalto's trading result to date is indicative of an early stage technology start-up company with minimal income and large expenditure outlays

Table 10: Manalto Statements of Comprehensive Income

\$'000s	Period to 30-Sep-14 (unaudited)
Operating revenue	6
<b>Total income</b>	<b>6</b>
Employee benefits expenses	483
Consulting and professional fees	108
Finance expenses	82
Administration	35
Other expenses	23
<b>Total expenses</b>	<b>731</b>
<b>Profit / (loss) before tax</b>	<b>(725)</b>
Income tax benefit / (expense)	-
<b>Total comprehensive income</b>	<b>(725)</b>

Source: Manalto management

## 8.6 FINANCIAL POSITION

86. A summary of Manalto's audit reviewed Consolidated Statement of Financial Position (represented in AUD dollars) as at 30 September 2014, is shown in Table 9 below.

Table 11: Manalto Statements of Financial Position

\$ '000s	30-Sep-14 (audit reviewed)
Cash and cash equivalents	59
Trade and other receivables	13
<b>Total current assets</b>	<b>72</b>
Property, plant & equipment	21
<b>Total non-current assets</b>	<b>21</b>
<b>TOTAL ASSETS</b>	<b>93</b>
Trade and other payables	77
Borrowings	674
<b>TOTAL LIABILITIES</b>	<b>751</b>
<b>NET ASSETS</b>	<b>(659)</b>

Source: Manalto management

87. We note that Borrowings of \$0.674 million in Table 10 above represents convertible notes raised in April to June 2014 in Manalto which will convert into ordinary shares of Manalto immediately prior to completion of the Transaction. Subsequent to the Sept-14 close a further AUD\$1.2 million of

convertible notes were issued, with funding to be applied to loans to HTX and working capital through to Q1 of 2015.

## 9. INDUSTRY OVERVIEW

### 9.1 GENERAL

88. Social media refers to the interaction via internet connected PCs or mobile devices amongst people in which they create, share or exchange information, ideas, and pictures/videos in virtual communities and networks. Widely known examples of social media communities include Facebook, Twitter, LinkedIn, Instagram, Google+ etc. Social media is also known as “consumer generated media” in which individual persons provide content. However many organisations have recognised the meteoric rise of social media sites and the billions of people they connect such that they now contribute content (e.g. for sales and marketing purposes) and are themselves also the subject of content that other people contribute.
89. This evolution of social media has given rise to an industry of supporting services to organisations in assisting them with their proactive and reactive engagement via social media. A key component of this industry is enterprise Social Media Management Software (SMMS). SMMS typically provides a platform across multiple social media sites for an organisation to manage its social media assets. Social media assets includes accounts or profiles of the organisation and potentially those of its employees and associates that are usually, although not always, controlled by the organisation. For example SMMS platforms may provide the following functions or tools:
- Brand management including content creation, scheduling, publishing and moderation on social media assets
  - Structured collaboration and workflow tools
  - Data analytics / intelligence tools and reporting for insight on the types of people engaging with their social media assets as potential customers
  - Targeted marketing promotions or campaigns and commerce including automation
  - Social listening and sentiment (i.e. positive or negative commentary on the organisation) analysis
  - Customer service responses and feedback
  - Social prospecting – looking for new people to engage with
  - Mobile platform optimisation tools
90. According to Altimeter Group<sup>3</sup> (a specialist independent social media consultancy), demand for enterprise SMMS continues to grow as digital marketers seek more sophisticated social media publishing capabilities to capture the rise in video content and the explosion in use of mobile devices. Nearly half of social strategists surveyed by Altimeter Group plan to increase spending on SMMS systems. They also reported that marketers are focused on analytics and reporting proficiencies to

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<sup>3</sup> “The State of Social Business 2013 report” – Altimeter Group

more accurately measure the return on their SMMS investments. SMMS platforms targeting the enterprise must also be able to manage social media marketing initiatives across a distributed enterprise, diverse social networks, and multiple-sized screens.

91. The SMMS vendors market has shown a high level of recent corporate activity with some consolidation as large enterprise technology providers moved into the market in 2012/13 and independent vendors who have raised capital and made acquisitions. Some SMMS vendors ceased operations in 2014.

92. Significant SMMS corporate activity and competitors to Manalto is summarised as:

SMMS vendor	Date	Activity	Details
<b>Adobe Social</b>	2012	Launched	Developed in-house plus acquisitions
<b>Argyle Social</b>	April 2014	Ceased operations	Supported customers for 45 days
<b>Attensity</b>	May 2014	Raised US\$110m	Details not available
<b>Engage 121</b>	None recently	-	-
<b>Expion</b>	None recently	-	-
<b>Google Wildfire</b>	March 2014	Closed operations	Supporting customers for one year
<b>Hearsay Social</b>	September 2013	Raised US\$30m in Series C funding	
<b>HootSuite</b>	August 2013	Raised US\$165m in venture funding	Provided by Insight Venture Partners, Accel Partners, and OMERS Ventures
	January 2014	Acquired SMMS uberVU	Price not disclosed
	September 14	Raised US\$35m	Post-money valuation reported as US\$800m
<b>MarketWired</b>	None recently	-	-
<b>Oracle Social Cloud</b>	May-July 2012	Acquired Virtrue for US\$300m, and Involver Inc.	
<b>Salesforce</b>	July 2013	Purchased ExactTarget	\$2.5 billion price included Pardot and Co-Tweet
<b>Shoutlet</b>	April 2013	Raised US\$1.8m	Details not available
<b>Spredfast</b>	January 2014	Raised US\$32.5m in venture funding	Provided by OpenView Venture Partners and Lead Edge Capital
	April 2014	Acquired Mass Relevance	Combined companies will operate under the Spredfast brand
<b>Sprinklr</b>	April 2014	Acquired social intelligence provider Dachis Group	Price not disclosed.
	Feb 2013 – Apr 2014	Raised US\$72.5m in three rounds of venture funding	Provided by ICONIQ Capital, Battery Ventures, and Intel Capital
<b>Syncapse</b>	September 2013	Acquired by search engine	Assets acquired and

SMMS vendor	Date	Activity	Details
		LookSmart	liquidated
<b>Tiger Pistol</b>	November 2014	Raised \$3.1m in Series A funding	Provide by Melbourne IT and Liberty Financial's Sherman Ma
<b>Trax</b>	March 2014	Raised US\$3.5m in venture funding	Provided by Flybridge Capital and Revel Partners
<b>Votigo</b>	Jan 2008	Last capital transaction	Details not available

Source(s)

- "Enterprise Social Media Management Software 2014: A Marketers Guide" - Third Door Media Inc 2014
- S&P CapIQ

## 10. BASIS OF ASSESSMENT OF THE PROPOSAL

93. In assessing whether the Proposal is fair and reasonable from the perspective of HTX Shareholders, we have had regard to the criteria set out in RG111, RG170 and APES 225.
94. The following factors have been considered in our evaluation of the advantages and disadvantages to HTX Shareholders:
- The fair value of HTX Shares Pre-Proposal and the fair value of HTX Share Post-Proposal;
  - Whether the Proposal brings about a change of control of HTX and if a control premium is received;
  - The alternatives available to HTX if the Proposal does not proceed;
  - Other qualitative advantages and disadvantages of the Proposal to HTX; and
  - Any other factors which may have a material impact.
95. The following sections set out details of our assessment of fairness (Section 11), whether a control premium is received (Section 12) and other qualitative aspects of the Proposal (Section 13).

## 11. ASSESSMENT OF FAIRNESS (QUANTITATIVE ASSESSMENT)

### 11.1 OVERVIEW

96. Section roadmap:
- Section 11.2 determines the value of HTX Shares Pre-Proposal
  - Section 11.3 determines the value of HTX Shares Post-Proposal
  - Section 11.4 summarises the financial impact of the Proposal



97. ASIC Regulatory Guide 111 outlines the appropriate methodologies a valuation expert should consider when valuing assets or securities. The use of different methodologies is however, dependent upon individual circumstances, the nature of the company and availability of information.
98. The following summarises the various methodologies we have considered:

Market Based	Business or equity is determined by reference to comparable market buy/sell transactions or quoted market prices (QMP) if the company is listed on an exchange.
Asset Based	Value is determined by reference to the sale or realisable proceed of individual assets or groups of assets in an entity
Income Based	Value is determined by reference to capitalised future maintainable earnings (CME) or discounted cash flows (DCF) derived by the business

We provide more details of the available valuation methodologies in Appendix B of this Report.

## 11.2 VALUE OF HEALTHLINX SHARES PRE-PROPOSAL

99. In valuing HealthLinx, we consider both the income based methodologies (CME and DCF) not to be appropriate as the Company has been operating at a loss and there are no reasonable grounds on which to forecast future maintainable earnings and cash flows.
100. We have also disregarded the quoted market price (**QMP**) methodology as HTX is currently suspended from ASX trading since 25 August 2014. We also note the last trade of HTX Shares occurred over 18 months ago on 30 April 2013 at \$0.001 per share, which was prior to a 500:1 consolidation completed by the Company on 5 February 2014.
101. The only other transaction in HTX Shares was a private placement in late June 14, with shares issued at 7.9 cents per share to raise \$200k, being approximately 9.1% of HTX Shares on issue. However, this was in the context of another proposed acquisition, which did not complete.
102. Given the lack of share trading and special circumstances surrounding the private placement, we are of the opinion that HTX Shares trading history does not provide a reasonable basis for valuing HTX Shares.
103. We have therefore adopted the net asset value (**NAV**) methodology on a going concern basis. Under the going concern basis, an asset based valuation will estimate the value of net assets at its fair market value and will not account for realisation costs. This method involves making any necessary adjustments required to reflect the fair market value of the net assets of the business.

## Net Asset Value (NAV) method

104. In our assessment of the value of HTX Shares pre-Proposal, we have considered the value of the net assets and liabilities of HTX. Based on unaudited accounts as at 31 October 2014 (refer Table 6), the Company has a net asset deficiency of \$0.332 million.
105. We have also considered the following transactions (and their effect on the NAV of HTX) which are likely to occur from 31 October 2014 to 28 February 2015, being the proposed Transaction date:
- As announced by the Company on 21 November 2014, HTX have entered into an agreement to sell its IP Assets for an estimated \$0.06 million. These are currently recorded at nil in the balance sheet as at 31 October 2014.
  - We have been advised by HTX management that an estimate of ongoing accrued costs (not including costs in relation to the Proposal) up until transaction date to be approximately \$0.067 million.
106. As mentioned previously, Manalto has also loaned HTX a total of \$0.37 million, of which \$0.25 million has been used to pay out the Creditors Trust and \$0.12 million is held to cover legal and other fees in relation to implementation of the Proposal. The \$0.25 million loan will have no effect on the NAV of HTX since it will merely replace the liability previously owed to the Creditors Trust. Under the terms of the Proposal, the \$0.12 million loan will be forgiven if the Proposal is not approved and will eliminate on consolidation if the Proposal is approved, thus in substance there is no obligation by HTX to repay and so we believe this should not be recorded as a loan and will not affect the NAV of HTX.
107. We summarise the estimated NAV of HTX as at 28 February 2015 in Table 12 below:

Table 12: Pro-forma net asset value of HTX as at 28 February 2015

	\$'000s
NAV as at 31 October 2014	(332)
Estimate of accrued expenses	(67)
Sale of IP Assets	60
<b>Adjusted NAV as at 28 February 2015</b>	<b>(339)</b>

108. We have also made an adjustment for the intangible asset value that may accrue to shareholders for the control value of a listed shell. In our experience "shell" companies listed on the ASX have some value derived from the required effort and associated costs of listing and obtaining the requisite shareholder spread. It is not uncommon for "clean" shell companies to be traded at a positive value for this purpose. A clean shell is one that is without significant contingent liabilities or litigation or assets and non-hostile Directors. In our experience the intangible value of a clean ASX listed shell is in the range of \$0.4-1.0 million. This is often dependent upon a number of factors including the status of trading of the shares (quoted vs. suspended) the makeup of the share register and if a major recapitalisation and other activities are required for the shares to recommence trading.
109. As a comparison we estimate the typical costs for establishing a new ASX listed entity, (i.e.; *exclusive* of a capital raising or assets) to be approximately:

Table 13: Listing costs

Cost item	\$'000's
Legal fees	100
Investigating Accountant's Report	20
Prospectus costs	30
Fees to corporate advisors and brokers, ASX listing fees, registry fees and other*	250
<b>TOTAL</b>	<b>400</b>

\* based on a capital raising of approximately \$5m raise and achieving a 500 shareholders spread for a compliance listing.

110. Nevertheless HTX does not represent a clean shell due to its shares currently being suspended from trading. Its prospects for relisting are dependent upon the approval of the Proposal.
111. Therefore, based on an estimated net asset deficiency of \$0.339 million as at 28 February 2015, our adjusted net asset value of HTX (inclusive of the intangible value of a listed shell of \$0.4 million), is \$0.061 million or approximately **1.1 cents per share**. This represents the **control value of HTX Shares** as it values all of the adjusted net assets of the Company.

### 11.3 VALUE OF HEALTHLINX SHARES POST-PROPOSAL

112. In valuing HealthLinx Shares post-Proposal, because the Transaction and the minimum Capital Raising are interdependencies, we consider the value to be derived from a sum of the following:
- The value of HTX pre-Proposal
  - The value of Manalto after considering the appropriate valuation methodologies
  - Any amounts raised under the Capital Raising, less transaction costs
113. We have been provided with a 5 year 3-way forecast (**Financial Model**) as prepared by Manalto management. The Financial Model comprises of a forecast profit and loss, balance sheet and cashflow for the Manalto business.
114. RG 111.95 states that “an expert should not include prospective financial information or any other statements or assumptions about future matters in its report unless there are reasonable grounds”. RG 170.26 also gives detailed guidance on what is considered “reasonable grounds” for stating prospective financial information:
- Information relates to options on forward-sales contracts or leases that lock in future expenses and revenue
  - Information is underpinned by independent industry experts' reports and/or independent accounts' reports; and
  - The information includes reasonable short-term estimates
115. We have reviewed the forecasts and consider that the Financial Model contains a significant number of hypothetical assumptions regarding Manalto's ability to derive revenue and future growth. Given that

Manalto is a “start-up” company with only a small number of customers, no significant locked-in future sales and a limited trading history, we do not consider that there are “reasonable grounds” consistent with RG170.26 to include the prospective financial information. Therefore given the restrictions imposed by RG170 and RG11 the DCF or CME income based methodologies are not appropriate.

116. We considered comparable market transactions which are summarised for companies offering similar services to Manalto at paragraph 92. For example Spredfast raised \$US32.5 million in venture funding in January 2014, then acquired social marketing tool Mass Relevance in April 2014 for an undisclosed sum. HootSuite attracted \$US165 million in venture funding in August 2013; five months later the company bought competitor UberVU. Unfortunately the terms of these deals, valuations, stage and financial information of these companies has not been disclosed. Therefore we are unable to use this information in our assessment of value of Manalto.

117. We also considered recent capital raise transactions at Manalto which included:

- (a) The issue of USD\$0.575 million of convertible notes in April to June 2014, which will convert to approximately 7.8% of Manalto, pre Transaction; and
- (b) The issue of AUD\$1.2 million of convertible notes during October to December 2014, the Seed Raising) which will convert to approximately 12% of Manalto, pre Transaction;

The raisings give an implied post money valuation of Manalto in the range of \$8.5 million to \$10 million. However we understand the latest round of funding included information concerning the proposed Transaction and a likely IPO capital raising. Whilst 3<sup>rd</sup> party capital subscription may provide a guide to market assessments of value of Manalto, as these parties are now Manalto Vendors and considered associates under Item 7 s.611 of the Corporations Act they are not independent of the Proposal. Therefore in our view we are unable to use this evidence as a basis of our valuation assessment.

118. We have therefore considered the NAV methodology and refer to Table 11, which shows Manalto with a net asset deficiency as at 30 September 2014 of AUD\$0.659 million.

119. As in the case of HTX, we have considered the following subsequent and forecast transactions and their effect on the NAV of Manalto which are likely to occur from 30 September 2014 to 28 February 2015, being the proposed Transaction date:

- (a) Manalto's completion a pre-listing capital raise of \$AUD1.2 million (being the **Seed Raising**) through the issue of convertible notes during October to December 2014. As these convert to equity on completion of the Proposal, we consider the effect of this to increase the NAV of Manalto by \$AUD1.2 million;
- (b) Conversion of the existing convertible notes of \$AUD0.674 million to ordinary equity of Manalto;
- (c) The \$AUD0.12 million loan to HTX will reduce the NAV of Manalto as the loan is not recoverable; and
- (d) We have been provided with estimates of the likely operating loss (not including costs in relation to the Proposal) up until Transaction date to be approximately AUD\$0.65 million

Table 14: Pro-forma net asset value of Manalto as at 28 February 2015

	\$AUD'000s
NAV as at 30 September 2014	(659)
Funds raised under Seed Raising	1,200
Conversion of existing convertible notes	674
Loan to HTX	(120)
Estimate of accrued expenses	(650)
Adjusted NAV as at 28 February 2015	445

120. Based on the above, we conclude that Manalto will have an estimated adjusted NAV of **AUD\$0.445 million** on the date of the Transaction.

### Summary of assessment of value of Manalto

121. Whilst the DCF can often be the most appropriate methodology in valuing companies which are not currently making profits, we have applied the regulations stipulated in RG 111 and RG 170 in relation to the inclusion of prospective financial information and are therefore unable to value Manalto under this methodology.
122. Whilst applicable, we do not consider the NAV methodology necessarily accurately reflects the full value of Manalto. For technology companies, its core value is based upon the technology held and its prospects to utilise this technology to generate revenue streams in the future. Manalto has developed the technology and has moved to early commercialisation, evidenced by current licences issued and revenues now generated. This ability to generate future revenues is not factored into the base NAV methodology so we consider that the NAV methodology potentially undervalues Manalto.
123. Notwithstanding the limitations we do consider that the NAV methodology would provide at least a minimum value for Manalto shares and so any intangible value attributed to Manalto is accretive to HTX Shareholders.

### Capital Raising

124. As noted, a condition of the Transaction is that HTX completes a pre listing Capital Raising of between \$3 million to \$6 million to sophisticated investors, with a minimum of \$3 million raised.
125. The terms agreed between HTX and Manalto provide that the following costs will be incurred / paid out from the proceeds of the Capital Raising:
- \$0.25 million paid to Mr Anthony Owen for costs associated with his prior relocation to the USA;
  - \$0.195 million to for ASIC, ASX, legal and experts fees, and printing distribution and other miscellaneous costs relating to the EGM and the Prospectus; and
  - \$0.355 million in corporate advisory / success fees to HTX's advisors and brokers

126. We summarise the net cash raised from the Capital Raising in the following table, based on the minimum raise of \$3 million:

Table 15: Net cash raised from Capital Raising

\$'000s	Capital Raising at \$3 million
Funds raised	3,000
Historical relocation costs to Mr Owen	(250)
Legal, expert and compliance costs	(195)
Corporate advisory / success fees	(355)
<b>Net cash raised</b>	<b>2,200</b>

Source: Term sheet between HTX and Manalto

127. In our assessment of the Proposal we have therefore increased the net asset position of HTX post-Proposal to reflect the net cash raised.

### Discount for minority interest

128. Completion of the Proposal will result in HTX Shareholders being diluted from 100% control of the Company to approximately 6.69% (based on the minimum Capital Raising), thus holding a minority or portfolio interest in the Company. Our assessment of the value of HTX Shares post-Proposal is therefore valued on a minority basis and a minority interest discount should be applied to the control value of the Company post-Proposal
129. A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - (1 / (1 + \text{control premium}))$ . Based upon empirical studies conducted by RSM Bird Cameron on successful takeover offers and schemes of arrangement completed between 2012 and 2014 for companies listed on the ASX, the indicative control premiums are typically within a mean range of 25-35%<sup>4</sup>. This implies a minority interest discount of between 20-26%. We have applied the maximum discount (most conservative) in our analysis below.

<sup>4</sup> RSM Bird Cameron Control Premium Study, 2014

## Valuation of HTX Shares post-Proposal

130. We summarise the valuation of HTX Shares post-Proposal on a non diluted basis in Table 16 below:
131. Based on the values therein, we assess the value of HTX Shareholders shares in HTX post-Proposal to be \$0.024 per share on a minority interest basis.

## Issue of Options

132. As set out in Table 2 above (section 1.2), if the Proposal is approved, 10.25 million new options over HTX Shares will be granted to key management and advisors of Manalto.
133. In making an assessment of the Proposal we have also considered the impact of the issue of the options on HTX Shareholders. Arguably, as implementation of the Proposal is dependent upon HTX Shareholders approving the issue of the Advisor Options and Approval of the Employee Share Plan<sup>5</sup>, the existence of the Options has a potentially dilutive impact on the market value of HTX shares post Proposal and relisting on the ASX. The dilutive impact, if any, would be borne by all shareholders of HTX, including the Manalto Vendors, the Capital Raising Investors and present non associated HTX Shareholders.
134. We note the exercise price for each option is \$0.25, which is higher than the Capital Raising price of \$0.20 per share. Accordingly any assumptions concerning the future exercise of the options could only be purely hypothetical given there is no share trading history for the post Proposal business, the future operations are still largely in start up mode with new and non commercialised technology, and 8 million of the Options are to be issued to management and subject to vesting conditions<sup>6</sup>. We therefore consider the position wherein the market value of these unlisted options is incorporated as an adjustment to the value post proposal NAV of HTX, as if they were never exercised and alternatively as if they were exercised. The former considers only the present market value of the Options whereas the later assumes the Options are exercised and the cash from exercise forms part of the NAV of the Company.
135. RG111.73 prescribes the most common methodologies for valuing unlisted options. We have adopted the Black-Scholes Model in valuing the HTX options to be issued. We have applied the following inputs

Table 16: Unlisted Options – valuation inputs

Stock price:	\$0.20	Based on Capital Raising price per share
Strike price:	\$0.25	Per exercise terms
Risk free rate	2.28 to 2.36	Based on current 3 year and 5 year Australian government bond rates
Volatility	40%	Based on sample of ASX companies (refer table 17)
Term	1.5 to 4 years	Based on issue terms for vesting and exercise conditions

<sup>5</sup> Respectively resolutions 12 and 13 of the Notice of Meeting

<sup>6</sup> The vesting conditions as set out in the EM. The conditions are largely time based concerning continued employment status.

136. A key input in the valuation model is the underlying share price volatility. Valuation principles follow that the selection of volatility should be the company's share price volatility over the expected term of the option. Typically historical share price movements are used as a guide to future volatility. Given HTX share are presently not traded, nor have been for some time, and previous trading was based upon a different business than the post Transaction business contemplated it is not relevant to use historical HTX share prices. In these circumstances valuation principles follow the use of volatility selection of a comparable company, or companies, as a proxy for the Company's expected volatility. We were unable to source any Australian listed companies with activities that might be considered directly comparable to the post Proposal business of HTX<sup>7</sup>. In the absence of this, we have selected as a peer group the companies set out in table 17 and determined the historical year share price volatility and adopted the simple average of the group volatility as the input to the valuation model. The companies are all engaged in a variety of software and or computer services and have a current an enterprise value in the range of \$19 - \$25 million.

Table 17 : selected peer group companies

ASX Code	Company& Activity	Total Enterprise value	Volatility
SGO	Stream Group <sup>8</sup>	\$24.4m	33%
PRO	Prophecy International Holdings <sup>9</sup>	\$22.2m	45%
CGO	CPT Global <sup>10</sup>	\$21.8m	16%
ADA	Adacel Technologies <sup>11</sup>	\$21.2m	82%
COO	Corum Group <sup>12</sup>	\$18.7m	24%
		<b>Average</b>	<b>40%</b>

Source: S&PCapIQ

137. Adopting the inputs set out in table 16 for the Black-Scholes model determines a market value for the unlisted options of \$0.428 million.

<sup>7</sup> Development and sale of software platforms designed to help organisations manage their social media assets.

<sup>8</sup> Insurance claims management services, web based claims management software

<sup>9</sup> Various software and services including event monitoring and analysis software services, billing and customer information for utilities industry, internet technology suite for logistics, application assembly and deployment software

<sup>10</sup> IT consultancy services – capacity planning, project cost analysis, database and system administration.

<sup>11</sup> Simulation and software applications and services for aviation and defence sectors

<sup>12</sup> Point of sale software, hardware and services to pharmacies and financial transaction processing to real estate sector.



## 11.4 SUMMARY OF FINANCIAL IMPACT OF THE PROPOSAL ON HEALTHLINX SHAREHOLDERS

138. We summarise the range of values of HTX Shares post-Proposal in Table 18 below

Table 18: Summary of value of HTX Shares post-Proposal

\$'000s	Non Diluted	Fully Diluted	
		(no exercise)	(fully exercised)
Value of HTX Shares pre-Proposal (control value)	61	61	61
Value of Manalto shares	445	445	445
Net cash raised from Capital Raising	2,200	2,200	2,200
Cash received from exercise of unlisted Options	-	-	2,563
Market value of unlisted Options issued	-	(428)	(428)
Value of HTX Shares post-Proposal (control value)	2,706	2,278	4,841
Discount for minority interest	26%	26%	26%
Value of HTX Shares post-Proposal (minority value)	2,002	1,686	3,582
No of shares ('000s)	83,054	83,054	93,304
Value per share (\$)	\$0.024	\$0.020	\$0.038

139. The following Table summarises the financial impact of the Proposal on HTX Shareholders under the various methodologies we have adopted:

Table 19: Summary of Proposal on HealthLinx Shareholders

\$ per share	Non Diluted	Fully Diluted	
		(no exercise)	(exercised)
Value of HTX Shares pre-Proposal (control value)	\$0.011	\$0.011	\$0.011
Value of HTX Shares post-Proposal (minority value)	\$0.024	\$0.020	\$0.038
Value accretion / (dilution)	\$0.013	\$0.009	\$0.027

140. Based upon our forgoing analysis, when considered as a control transaction as required by ASIC guidelines RG111, the Proposal if approved is likely to give rise to an accretion in the value of HTX Shareholder interests in the Company. We are therefore of the opinion that the Proposal is likely to be **fair to HTX Shareholders**.

## 12. ASSESSMENT OF CONTROL PREMIUM

141. RG 111.24 highlights that in certain circumstances an issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. The Proposal meets the criteria of those circumstances and accordingly compliance with RG111 thus requires that the Proposal be analysed as if it were a takeover bid under Chapter 6 of the Act<sup>13</sup>.
142. RG111.43 further states that "a specific issue the expert should determine is whether the vendor is to receive a premium for control." An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:
- control over decision making and strategic direction;
  - access to underlying cash flows;
  - control over dividend policies; and
  - access to potential tax losses.
143. Whilst the Manalto Vendors will not be obtaining 100% of HTX, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. If the Proposal is approved, control of the Company will pass from HTX Shareholders to Manalto Vendors.
144. For a control premium to be received, the value of HTX Shares post-Proposal valued on a minority basis should at least be equal to or greater than the pre-Proposal value of HTX Shares on a control basis. Given there is an accretion in value per Table 19 above, we conclude that there is a control premium being received by the HealthLinx Shareholders. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

## 13. ASSESSMENT OF REASONABLENESS (QUALITATIVE ASSESSMENT)

145. In assessing if the Proposal is reasonable of HTX Shareholders, we have had regard to the following:

Advantages of the Proposal	<ul style="list-style-type: none"><li>▪ The Company was suspended from official ASX Quotation on 30 April 2013. Acceptance of the Proposal may provide sufficient funds to pay listing fees leading to the re-instatement of HTX to ASX trading.</li><li>▪ The potential re-instatement of HTX to ASX trading may also give rise to the market re-pricing of HTX Shares and the opportunity for liquidity of HTX Shares. There is no liquidity at present given the suspension</li></ul>
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<sup>13</sup> RG 111 paragraph 25

	<p>from ASX trading.</p> <ul style="list-style-type: none"> <li>▪ The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers.</li> <li>▪ HTX Shareholders are receiving a premium for loss of control.</li> <li>▪ Given the evolution and growth of social media (further discussed in Section 9), the Proposal may lead to the development of a viable (and potentially profitable) business operation, of which there is currently none.</li> </ul>
Disadvantages of the Proposal	<ul style="list-style-type: none"> <li>▪ Existing HTX Shareholders interests will be significantly diluted from 100% to between 5.67% and 6.69% post-Proposal and Manalto shareholders, board and management will assume effective control of HTX</li> <li>▪ The Proposal will result in HTX undertaking a different business to its previous operations of ovarian cancer therapeutics. This change in business and change in risk profile (if any) may not suit HTX Shareholders.</li> <li>▪ Manalto is not currently profitable and may require unforeseen capital raises prior to achieving sustainable profits which may be further dilutive to HTX Shareholders.</li> </ul>
If the Proposal is NOT approved	<ul style="list-style-type: none"> <li>▪ HTX will need to obtain funding for working capital and debt obligations (which may also be dilutive to HTX shareholders) as it is still liable to pay \$0.25 million to Manalto within 12 months and accruing interest at 3% per annum, under the terms of the Proposal (discussed in Section 2)</li> <li>▪ If the current period of ASX suspension extends beyond a further 6 months and HTX are unable to acquire or commence an operating business, then the ASX may de-list HTX outright.</li> <li>▪ Given the lack of alternative offers and in the absence of short-term working capital funding, HTX may also become insolvent and would likely be wound up with zero return to HTX shareholders.</li> </ul>

146. In our opinion the position of HTX Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is reasonable to HTX Shareholders

## 14. OPINION ON THE PROPOSAL

147. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that the Proposal is **fair and reasonable** to HTX Shareholders.

## APPENDIX A

### Statement of Qualifications, Independence, Declarations and Consents

#### Qualifications

Nexia Australia is a national association of separate partnerships and entities (including Nexia Melbourne Pty Ltd) and a member of an international network of individual firms. Nexia Melbourne Pty Ltd (ACN 052 362 348) ("Nexia") is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The AFSL licence (No 247262) allows Nexia to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior partners at Nexia specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions and proposals. Nexia, acting through different partners also performs audits on the accounts of Australian companies.

The primary person responsible for preparing this Report on behalf of Nexia is Gary Graco (Dip. Bus Studies – Accounting, ACA) with the assistance of staff, who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

#### Independence

Nexia considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Nexia and its related entities or any of its Directors or Partners have not had within the previous two years, any shareholding in the Company. During the 2 years period to this report Nexia and its related entities have not provided any professional services to the Company or any subsidiaries or Manalto except as described below: .

- Nexia Melbourne (a partnership associated with Nexia), at the request of the Company, undertook and audit review of the Manalto 30 September 2014 Statement of Financial Position and issued an unqualified opinion. Nexia Melbourne is entitled to fees of approximately \$8,000, payable by Manalto, in relation to the conduct of the audit review engagement.
- Nexia has also consented to providing an Investigating Accountants report of forecast financial information (limited to a pro-forma statement of financial position ) for inclusion in the Prospectus relating to the Capital raising by the Company. Nexia will be entitled to professional fees of approximately \$7,500 in relation to the conduct of the IAR engagement.

None of Nexia, Gary Graco, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia or the outcome of the Proposal. Nexia is entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Nexia expects that professional fees rendered in respect to the preparation of this Report will be approximately \$22,000 (plus GST). With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

## Disclaimers

This Report has been prepared at the request of the Directors of the Company and was not prepared for any other purpose than stated in this Report in Section 2. This Report has been prepared for the sole benefit of the Directors and the Non-associated Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 2. Accordingly, Nexia expressly disclaims any liability to any person (other than the Directors or Non-associated Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 2.

Appendix C identifies the sources of information upon which this Report has been based. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly Nexia cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Nexia in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence. .

Advanced drafts of this Report were provided to the Directors of the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached as a result of discussions related to drafts of the Report.

Nexia's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively

## Indemnity

The Company has agreed that it will indemnify Nexia and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Nexia.

## Consent

This Report has been prepared at the request of the Company and may accompany the Notice of Meeting to be given to shareholders.

Nexia consents to the issuing of this Report and the form and context to which it is to be included with the Notice of Meeting. Other than the Report, Nexia has not been involved in the preparation of the documents or other aspects of the Proposal or the Notice of Meeting to which this Report may be attached. Accordingly, we take no responsibility for the content of the Notice of Meeting or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Nexia as to the form and context to which it appears.

## APPENDIX B

### Overview of Valuation Methodologies

#### Discounted Cash Flow Based Analysis (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start up activities or assets with a finite life.

#### Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors.

- (a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and
- (b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:
  - the operational risks of the business;
  - the growth profile of the business;
  - the working and long-term capital requirements of the business currently and requirement for funding growth;
  - the nature of the environment in which the business operates;
  - alternative investment opportunities; and
  - a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

### **Comparable Market Transactions**

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

### **Net Assets (NAV) or Cost Based**

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

## APPENDIX C

### Documents and Information Relied Upon

1. Draft Notice of Meeting and Explanatory Memorandum dated 6 January 2015.
2. HealthLinx October 2014 management accounts and June 2014 audited accounts
3. Manalto audit reviewed balance sheet and management financials as at 30 September 2014
4. Discussions and correspondences with HealthLinx management and advisors
5. Discussions and correspondences with Manalto management
6. [www.asx.com.au](http://www.asx.com.au); S&P CapIQ; and various other websites and public domain information services.





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