

BASPER LIMITED
(TO BE RE-NAMED "DIRECTMONEY LIMITED")

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A.B.N. 80 004 661 205

3 June 2015

Dear Shareholder

UPDATE ON DIRECTMONEY ACQUISITION

As you know, Basper Limited (the **Company**) intends to enter the rapidly growing marketplace lending industry with the acquisition of DirectMoney Pty Ltd (**DirectMoney**) and the undertaking of an associated capital raising offer and application to re-commence trading on ASX.

The Company wishes to provide the following update on the transaction.

1. Prospectus

The Company is pleased to advise that the Prospectus for the capital raising offer was lodged with ASIC and ASX on 26 May 2015.

The exposure period for the Prospectus has now expired and applications are open for acceptance.

A copy of the Prospectus and application form is available from www.directmoney.com.au or www.asx.com.au.

The closing date of the offer is 5.00pm AEST on Wednesday, 17 June 2015.

2. Updated Independent Expert's Report

You should have now received the Shareholder Booklet despatched to shareholders on 20 May 2015 to convene a shareholder meeting to consider the transaction.

We wish to advise that after despatching the Shareholder Booklet, ASIC provided comments to the independent expert for the transaction, Hall Chadwick, on certain aspects of its report.

Please find enclosed an updated version of the report which now reflects ASIC's comments.

We note that the comments do not result in any change to the conclusion of the independent expert. The independent expert has concluded that the transaction is **fair and reasonable** to the non-associated shareholders of the Company.

3. Shareholder Meeting

As referred to in the Shareholder Booklet, the Shareholder Meeting will be held at 10:00am AEST on Friday 19 June 2015 at the offices of BDO at Level 14, 140 William Street, Melbourne.

If you have any queries regarding the transaction, please contact the Company or consult your financial or legal adviser.

Yours faithfully



Winton Willesee
Chairman

2 June 2015

The Directors
Basper Limited
Suite 25, 145 Stirling Highway
NEDLANDS WA 6009

Dear Sirs,

Independent Expert's Report on the Proposal to acquire 100% of the Issued Share Capital of DirectMoney Pty Ltd

1. INTRODUCTION

Background

- 1.1 Basper Limited ("Basper" or "the Company") is an Australian public listed company which is actively seeking out new investment opportunities capable of bringing value to Basper shareholders.
- 1.2 As announced to the market on 24 March 2015, Basper has entered into a conditional share sale agreement for the acquisition of 100% of the issued capital of DirectMoney Pty Ltd ("DirectMoney"), with consideration comprising the issue of Basper shares to DirectMoney Shareholders ("Consideration Shares").
- 1.3 DirectMoney is an Australian company operating an online lending business through web-based technology. Over the last six years it has developed intellectual property, systems and licences for its Market Lending Platform, which combines an online lending system with a retail funds management capability.
- 1.4 The acquisition of DirectMoney by Basper and other related transactions detailed in section 2, is referred to in this report as the "Transaction".

Opinion

- 1.5 In our opinion, the Transaction is **fair and reasonable** to the shareholders of Basper whose votes are not to be disregarded, being the Non-Associated Shareholders.
- 1.6 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

HALL CHADWICK
CORPORATE (NSW) LIMITED

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Purpose of Report

- 1.7 You have requested Hall Chadwick Corporate (NSW) Limited (“HCC”) to prepare an Independent Expert’s Report to advise the shareholders of Basper other than those associated with the proposed issue of Basper shares to the shareholders of DirectMoney (“Non-Associated Shareholders”), whether the proposed Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.
- 1.8 HCC understands and has agreed that this report will be included in or accompany the notice to convene a meeting of Basper shareholders, to assist the Non-Associated Shareholders in their consideration of the proposed Transaction.

2. OUTLINE OF THE PROPOSED TRANSACTION

- 2.1 The Transaction involves the Company's acquisition of 100% of the issued capital of DirectMoney with consideration comprising the issue of 195,800,000 Basper shares ("Consideration Shares").
- 2.2 The valuation of DirectMoney is on a fully diluted basis inclusive of all ordinary shares and any other equity securities on issue. The purchase price is based on the condition that DirectMoney and its subsidiaries must be debt free at completion. The valuation assumes acquisition on a debt and cash free basis, and a positive working capital position consistent with normal working capital levels.
- 2.3 The following resolutions relating to the Transaction and the subject of our report will be put to Basper shareholders. These resolutions are interdependent and will only be passed if all other resolutions listed below are passed:
- The acquisition of DirectMoney through the issue of 195,800,000 Consideration Shares to DirectMoney shareholders;
 - A change in the nature and scale of Company's activities to a marketplace lending business;
 - The issue of a minimum 50,000,000 and up to 75,000,000 shares at an issue price of \$0.20 per share to raise a minimum of \$10,000,000 and up to \$15,000,000 under a Capital Raising ("Capital Raising"). Shareholder approval is also being sought for the issue of up to 17,500,000 shares to Adcock Private Equity Pty Limited, up to 100,000 shares to Amplitudo Pty Limited and up to 100,000 shares to Tatman Dustine Pang, all existing DirectMoney shareholders, under the Capital Raising;
 - The issue of 3,809,932 shares to Liberum Alternative Finance and its directors Simon Atkinson and Cormac Leech in lieu of professional services provided to DirectMoney and the Company in relation to the Capital Raising;
 - Change of company name to DirectMoney Limited;
 - The appointment to the Board of Directors of Stephen Porges and Craig Swanger.
- 2.4 Bell Potter Securities is acting as the lead manager and underwriter to the Capital Raising. Bell Potter has agreed in principle to underwrite the minimum subscription amount under the Capital Raising, which is 50,000,000 shares to raise \$10,000,000, subject to the terms of an Underwriting Agreement which is proposed to be entered into at around the time of lodgement of the prospectus for the Capital Raising.
- 2.5 As interdependent resolutions to those relating to the Transaction detailed above, shareholders will also be asked to approve the following resolutions relating to the issue of performance rights under a Performance Rights Plan detailed in the accompanying Shareholder Booklet:
- (a) the establishment and operation of a long term incentive plan to be called the Performance Rights Plan (**Plan**) for the provision of incentives to current and prospective executive and non-executive directors, full time, part time and casual employees and contractors of the Company and any related body corporate of the Company, who the Board determines are eligible to receive Performance Rights

(Participants); and the grant of Performance Rights, and the subsequent issue or transfer of Shares to Participants under the Plan upon the vesting of such Performance Rights.

- (b) the Company giving benefits under the Plan to a person in connection with that person ceasing to hold a managerial or executive office in the Company (or a related body corporate of the Company).
- (c) the issue of up to 24,000,000 Performance Rights (and the subsequent issue or transfer of Shares on the vesting of such Performance Rights) to the Directors and Proposed Directors (or their respective nominees), under the Plan as further detailed in the Explanatory Statement accompanying the Shareholder Booklet.

2.6 The following table shows the effect on the share capital of Basper after the Transaction and interdependent resolutions relating to the issue of shares in Basper:

Effect on Ordinary Shares	Minimum Capital Raising	Maximum Capital Raising
Ordinary shares currently on issue	10,000,443	10,000,443
Shares issued to acquire DirectMoney	195,800,000	195,800,000
Shares issued in lieu of professional services	3,809,932	3,809,932
Capital Raising	<u>50,000,000</u>	<u>75,000,000</u>
Total shares on issue after Transaction ¹	259,610,375	284,610,375

¹ The table above does not include any shares that may be issued on vesting of any Performance Rights contemplated by the Plan detailed at section 2.5.

- 2.7 On completion of the Transaction DirectMoney shareholders will have a relative voting interest in Basper of up to 83.71%, inclusive of up to 17,500,000 shares to Adcock Private Equity Pty Limited, up to 100,000 shares to Amplitudo Pty Limited and up to 100,000 shares to Tatman Dustine Pang under the minimum Capital Raising, and inclusive of shares issued to Liberum Alternative Finance and its directors Simon Atkinson and Cormac Leech (who are also DirectMoney shareholders) in lieu of professional services, as referred to in section 2.3 above.
- 2.8 Following completion of the Transaction and associated share issues, Basper's existing Non-Associated Shareholders interest will decrease from 100% to as low as 3.51% prior to any existing shareholders subscribing for shares under the Capital Raising (and without taking into account the vesting of the Performance Rights).

STRUCTURE OF REPORT

Our report is set out under the following headings:

3	PURPOSE OF REPORT
4	OPINION
5	BASIS OF EVALUATION
6	OVERVIEW OF DIRECTMONEY
7	OVERVIEW OF BASPER
8	VALUATION METHODOLOGIES
9	VALUE OF DIRECTMONEY
10	VALUE OF BASPER
11	ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
12	CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

I	SOURCES OF INFORMATION
II	STATEMENT OF DECLARATION & QUALIFICATIONS
III	FINANCIAL SERVICES GUIDE

3 PURPOSE OF REPORT

- 3.1 The purpose of this report is to advise the Non-Associated Shareholders of Basper of the fairness and reasonableness of the Transaction.
- 3.2 This report provides an opinion on whether or not the terms and conditions in relation to the transaction are fair and reasonable to the Basper shareholders whose votes are not to be disregarded in respect of the transaction (that is, the Non-Associated Shareholders).
- 3.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.
- 3.4 For the Transaction to be fair, the value of the DirectMoney shares being acquired must be equal to or greater than the value of the consideration, being Basper shares. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds. In forming an opinion as to whether the Transaction is fair and reasonable, the following factors have been considered:
- the underlying value of Basper shares to be issued as consideration to DirectMoney;
 - the underlying value of DirectMoney shares to be acquired by Basper;
 - the likely market price and liquidity of Basper shares if the Transaction is not implemented;
 - the likelihood of an emergence of an alternative proposal that could realise better value for Basper Shareholders.
- 3.5 This report has been prepared to satisfy the requirements of the Corporations Act 2001 (Cth) ("Corporations Act") and the Australian Stock Exchange ("ASX") Listing Rules.

Corporations Act Requirements

- 3.6 On completion of the Transaction, DirectMoney Shareholders will have a relative voting interest in Basper of up to 83.71%, following completion of the minimum Capital Raising, inclusive of up to 17,500,000 shares to Adcock Private Equity Pty Limited, up to 100,000 shares to Amplitudo Pty Limited and up to 100,000 shares to Tatman Dustine Pang under the Capital Raising and inclusive of shares issued to Simon Atkinson and Cormac Leech (who are also DirectMoney shareholders) in lieu of professional services, as referred to in section 2.3 above.
- 3.7 Section 606(1) of the Corporations Act states that a person must not acquire an interest in issued voting shares in a listed company if that person's or any other person's voting power increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Section 606(1) prohibits DirectMoney shareholders or any associated entities from acquiring the issued ordinary shares in Basper under the Transaction, unless one of the exemptions set out in Section 611 of the Corporations Act applies.

- 3.8 Item 7 of Section 611 of the Corporations Act exempts an acquisition that is approved by a resolution of shareholders of Basper passed at a general meeting as per Section 611. This is the exception which is being relied upon by Basper.
- 3.9 ASIC Regulatory Guide 74 "Acquisitions Approved by Members" requires, amongst other things, that directors of a company need to provide shareholders with an analysis of whether a transaction is fair and reasonable, when considered in the context of the interests of the non-associated shareholders. Regulatory Guide 74 states that the directors may satisfy their obligation to provide this analysis by the independent directors commissioning an independent expert's report. The independent expert is required to state whether, in their opinion, the proposal is fair and reasonable having regard to the interests of non-associated shareholders and state the reasons for forming that opinion. This report provides such an opinion.

ASX Listing Rules

- 3.10 ASX Listing Rule 7.1 states that without the approval of holders of ordinary shares, an entity must not issue or agree to issue more equity securities than the number calculated according to the following formula:

$$(A \times B) - C$$
Where:
A = The number of fully paid ordinary securities on issue 12 months before the issue date or date of agreement to issue;
 - Plus the number of fully paid ordinary securities issued in the 12 months under an exception in ASX Listing Rule 7.2,
 - Plus the number of partly paid ordinary securities that became fully paid in the 12 months,
 - Plus the number of fully paid ordinary securities issued in the 12 months with approval of holders of ordinary securities under ASX Listing Rule 7.1 or 7.4,
 - Less the number of fully paid ordinary securities cancelled in the 12 months.
B = 15%
C = The number of equity securities issued or agreed to be issued in the 12 months before the date of the issue or agreement to issue that are not issued under an exception in ASX Listing Rule 7.2, under rule 7.1A.2 or with approval under ASX Listing Rule 7.1 or 7.4.
- 3.11 The issue of ordinary securities under the Transaction will result in an issue of Basper ordinary securities greater than allowed under the above formula. However, Exception 16 of the ASX Listing Rule 7.2 provides an exception to shareholder approval under ASX Listing Rule 7.1, in relation to the issue of securities approved for the purposes of item 7 of Section 611 of the Corporations Act. Basper will also rely on this exception.
- 3.12 The Transaction constitutes a significant change in the nature and scale of the Company's activities. ASX Listing Rule 11.1 sets out the requirements an entity must adhere to when undergoing a change to the nature or scale of their activities. The entity must provide the ASX with information regarding the change and its effect on future potential earnings and must ensure approval is obtained from the shareholders to effect the change of activities. The Transaction is such a proposed change. ASX Listing Rule 11 does not specifically require the notice to include or be accompanied by a copy of an independent expert's report commenting on the issue.

4. OPINION

4.1 In our opinion, the proposed Transaction to acquire all of the issued shares of DirectMoney through the issue of Basper shares is fair and reasonable to the holders of Basper ordinary fully paid shares whose votes are not to be disregarded.

4.2 Our opinion is based solely on information available as at the date of this report. The principal factors that we have considered in forming our opinion are summarised below.

Fair

4.3 According to RG 111, for the Transaction to be fair, the value of the DirectMoney shares being acquired must be equal to or greater than the value of the consideration, being Basper shares.

4.3.1 Based on the analysis contained in section 9 of this report, the indicative value of DirectMoney shares is \$4,172,000.

4.3.2 Based on the analysis contained in section 10 of this report, the indicative value of the shares being issued by Basper as consideration for the shares in DirectMoney is between \$0.0483 and \$0.0495 per share, with a midpoint value of \$0.0489 per share.

4.3.3 Our valuation of Basper shares prior to the Transaction is on a control basis. In order to assess whether the Transaction is fair, we need to compare the pre-transaction value per share of Basper on a control basis with the post-transaction value per share of Basper on a minority basis. This is shown in the table below:

Basper Value and Opinion	Low	High	Midpoint
Control value per share	0.0483	0.0495	0.0489
Shares currently on issue	10,000,443	10,000,443	10,000,443
Control valuation, pre-Transaction	483,021	495,022	489,022
Valuation of DirectMoney	4,172,000	4,172,000	4,172,000
Minimum Proceeds from Capital Raising	10,000,000	10,000,000	10,000,000
Post-Transaction Value	14,655,021	14,667,022	14,661,022
Post-Transaction shares on issue	259,610,375	259,610,375	259,610,375
Value per share	0.0565	0.0565	0.0565
Minority discount <small>refer section 8.3</small>	9%	9%	9%
Post-Transaction Valuation per share	\$ 0.0514	\$ 0.0514	\$ 0.0514

4.3.4 The above analysis does not include the issue of any shares on vesting of any Performance Rights contemplated by the Plan detailed at section 2.5. The Plan is an interdependent resolution to the Transaction. In the event that the maximum 24,000,000 Performance Rights are issued and included in the post-Transaction shares on issue, the post-Transaction value per Basper share still increases from the pre-Transaction control value per share at the midpoint of the valuation range. We have not shown the above table on a fully diluted basis as the Performance Rights have a number of Performance Conditions which must be satisfied for them to vest, including that the volume weighted average price of the shares is at least \$0.25 for a period of 10 consecutive trading days.

This means that for the Performance Rights to vest, the post-Transaction value per Basper share must increase to above the current control value per share.

- 4.3.5 In our opinion the Transaction is **fair** as the value of the Basper shares held by Non-Associated Shareholders increases as a result of the Transaction.

Reasonable

- 4.4 ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

- 4.4.1 We have concluded that the Transaction is reasonable. In forming our opinion we have considered the following relevant factors:

Advantages of the Transaction

- Basper currently has no income generating assets. The Transaction provides Basper Shareholders with an opportunity to invest in the marketplace lending industry, with future cash flow and dividend opportunities. The listed public company structure will also assist DirectMoney to establish market presence and attract, reward and retain high quality and experienced management.
- The continuing viability of Basper as a going concern depends on identifying suitable opportunities that will sustain a viable business. The Transaction presents one such opportunity and, as such, will allow Basper to continue as a going concern.
- Given the Company's lack of income producing assets it will have difficulty in creating long-term value for shareholders. The Directors of Basper have determined that DirectMoney has the potential to increase Basper shareholder value and provide the Company with a future business direction in the lending industry.
- Basper believes that the Transaction allows the Company to achieve its strategic objective of securing sustainable cash flows from a business with considerable growth potential. DirectMoney represents a sensible acquisition for Basper in the marketplace lending industry which enjoys strong market fundamentals and long term cash flow opportunities. The Company will have the benefit of the experience of experienced DirectMoney personnel who will be uniquely placed to set the strategy and direction of the Company in the lending industry.
- The Capital Raising is a condition of the Transaction and will provide capital to facilitate the ongoing development of the DirectMoney business in accordance with commitments that are consistent with its objectives.
- The Transaction may provide an opportunity for Basper shareholders to experience growth in the value of shares and significantly boost Basper's market capitalisation and liquidity in share trading, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.

- The Basper Board are of the opinion that the Transaction with DirectMoney is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is the best strategic opportunity for the Company.

Disadvantages of the Transaction

- There may be other opportunities Basper will not be able to undertake to realise the value of its listing if it accepts this Transaction due to the controlling interest being obtained by DirectMoney Shareholders.
- The Company will be changing the nature of its activities to those of DirectMoney, which may not be consistent with the objectives of Shareholders and will reduce the possibility of an alternative direction for the Company.
- Significant future outlays of funds from the Company may be required for the integration of DirectMoney and to meet the proposed new strategic direction and business objectives of the Company.
- The Transaction will result in the significant dilution of current shareholders ownership percentages. Following completion of the Transaction, Basper's existing Non-Associated Shareholders interest will decrease from 100% to as low as 3.51% prior to any existing shareholders subscribing for shares under the Capital Raising (and without taking into account the vesting of the Performance Rights).

4.5 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of Basper.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to Basper Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Acquisitions Approved by Members”, Regulatory Guide 111 “Content of Expert Reports” and Regulatory Guide 112 “Independence of Experts”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the proposed Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the asset being acquired (in this case 100% of the equity in DirectMoney) is equal to or greater than the value of the consideration being offered (in this case, Basper shares). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to non-associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 We have considered whether any shareholder will obtain a level of control in Basper as a result of the proposed Transaction. In the event that a change in control arises from the proposed transaction, proportionately greater benefits to non-associated shareholders must be demonstrated. In this case DirectMoney Shareholders will obtain control of Basper and this issue needs to be considered in comparing the value received by Non-Associated Shareholders in comparison to the value being paid.
- 5.5 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller clearly at arm’s length. In determining the value of 100% of the equity of DirectMoney and Basper we have considered a range of valuation methods as detailed at section 8.
- 5.6 In evaluating the Transaction, we have compared the pre-Transaction value per share of Basper on a control basis with the post-Transaction value per share of Basper on a minority basis. We consider that the Transaction will be fair and reasonable if, on balance, the Non-Associated Shareholders in Basper will be better off if the Transaction is approved. We will also consider the Non-Associated Shareholder’s interests should the Transaction not proceed.
- 5.7 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of DirectMoney and Basper;
 - The value of DirectMoney shares, under various methodologies;
 - The value of Basper shares, under various methodologies;
 - Any control premium associated with the Transaction;

- The advantages and disadvantages associated with approving the Transaction;
 - Share trading history of Basper shares;
 - The likely value and liquidity of Basper shares in the absence of the acquisition;
 - Other qualitative and strategic issues associated with the Transaction.
- 5.8 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.
- 5.9 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.10 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.11 HCC are not the auditors of Basper or DirectMoney. We have analysed and reviewed information provided by the Directors and management of DirectMoney and Basper and made further enquiries where appropriate.
- 5.12 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in the report. To the extent we become aware of a material change in circumstances since the date of our report, we will issue a supplementary report at the request of Basper if so required.

6 OVERVIEW OF DIRECTMONEY

6.1 Business and Market Overview

- 6.1.1 DirectMoney is an Australian private company incorporated on 2 May 2006. The company was founded by David Doust under the original name WealthX Pty Ltd to enter the marketplace lending industry. Following is a summary of the history of the business as provided by the company.
- 6.1.2 Although the company was ready to commence trading in September 2008 the market uncertainty surrounding the Global Financial Crisis (“GFC”) led the board of DirectMoney to defer the launch of the DirectMoney platform until market conditions improved. DirectMoney applied for and was granted a mortgage broking licence in early 2009 and launched a mortgage broking service as a member of the Plan Australia mortgage aggregation group.
- 6.1.3 DirectMoney continued in the mortgage broking industry until August 2010 when it raised \$600,000 used to pursue opportunities in the US residential mortgage market.
- 6.1.4 In February 2013 David Doust returned to Australia and around August 2013 commenced work on the re-launch in Australia of the original marketplace lending concept.
- 6.1.5 DirectMoney raised seed capital of \$500,000 in May 2014 for an IT upgrade and license applications for consumer lending and retail investment management. In October 2014 DirectMoney raised \$2,005,169 in secured convertible notes to fund a company owned loan warehouse. Further detail on shares issued is included at section 6.4.
- 6.1.6 The funds management industry in Australia is driven by an aging population and mandatory superannuation. Deposit rates are expected to stay low as central banks keep cash rates low in the continuing aftermath of the global credit crisis. As investor sentiment improves demand for income products will increase as increasing numbers of retirees seek to maximize income from savings levels that remain diminished by market falls during the crisis.
- 6.1.7 The personal loan market is highly profitable for banks and offers a significant opportunity to offer margins between deposit rates of 2-4% and personal loan rates of 14-15%. Similar post-GFC market conditions in the US are driving significant growth in marketplace lending. Marketplace lending is disrupting the banking industry by using internet technology and a low risk managed fund model to provide superior value to savers and borrowers. The reduction in numbers of mortgage trusts and the fall in deposit rates have provided an opportunity to enter the high income investment market with a new asset class that addresses the shortcomings of existing products. Australian personal loan rates have remained high and have attractive liquidity characteristics for investors.
- 6.1.8 There is currently only one domestic marketplace or peer-to-peer lender and two Europe based lenders competing with banks in Australia.

6.2 Business Activities

- 6.2.1 DirectMoney holds an Australian Financial Service Licence (AFSL 458572) and has been appointed as the investment manager of an in-house fund called the DirectMoney Personal Loan Fund (“DMPLF”). DMPLF is a registered managed investment scheme. Investors’ money is pooled and invested into personal loans acquired from DirectMoney. As a company offering personal loans funded by multiple retail and wholesale investors DirectMoney is categorised as a Marketplace Lender.
- 6.2.2 Since commencing lending in October 2014, DirectMoney has rapidly grown its presence and has now lent to over 350 borrowers, with a total loan book value of more than \$6 million. The loans are unsecured loans to personal borrowers who are resident in Australia. The minimum loan amount is \$5,000 and the maximum loan amount is \$35,000 (excluding any loan application fee that may be payable).
- 6.2.3 **Personal Loans:** Personal loan borrowers will be offered highly competitive rates and a fast, convenient, online or mobile same working day approval process. DirectMoney will offer risk based pricing where prime bank customers will enjoy up to 4% lower rates and other customers currently unserved by the banks will be considered for loans at rates commensurate with their credit profiles.
- 6.2.4 **Personal Loan Fund:** DMPLF will provide retail investors with exposure to a pooled portfolio of prime personal loans where they will earn a predictable, ungeared, diversified, low correlation return of 8-10%. DirectMoney will adopt a matched maturity model where monthly principal repayments are passed to investors as they are received. It is intended that the DMPLF will be listed on the ASX after this Transaction to provide Fund investors with daily liquidity. If this occurs, DirectMoney will be the manager of a listed personal loan fund, providing investors with a unique combination of high returns, low risk and daily liquidity.
- 6.2.5 DMPLF is a registered managed investment scheme. Investors’ money is pooled and invested into personal loans acquired from DirectMoney.
- 6.2.6 Over the last six years DirectMoney has developed intellectual property, systems and licences for its Market Lending Platform, which combines an online lending system with a retail funds management capability.
- 6.2.7 DirectMoney will provide a simple and fast online loan application process, providing a non-bank alternative for Australians to borrow money.
- 6.2.8 Products offered by DirectMoney include:
- | | |
|-----------------------------|--------------------------------|
| Debt Consolidation Loans | Same Working Day Loans |
| Unsecured Personal Loans | Unsecured Small Business Loans |
| Quick Loans | Fast Approval Loans |
| Low Interest Personal Loans | Online Loan Australia |

6.3 Board of Directors

The following is a summary of the qualifications of the proposed directors of DirectMoney following completion of the Transaction, as provided by the company.

Campbell McComb, Executive Director

Campbell is the Chief Investment Officer of Adcock Group, a family office and investor in DirectMoney. Prior to that he was the founding CEO of public listed investment manager Easton Investments. Campbell has 15 year experience in funds management and stock broking. He is a director of Newport Private Wealth and was formerly the Managing Director of Armytage Private Ltd and an investment manager with Greig Middleton funds management in the UK.

Stephen Porges, Executive Chairman

Stephen is the Executive Chairman of DirectMoney. Prior to joining DirectMoney, he was Chief Executive Officer of SAI Global. Prior to that, he was CEO of Aussie Home Loans from 2008 to 2013 where they were awarded Mortgage Broker of The Year for each year of his tenure. From 2007 until he joined Aussie, Stephen was CEO of Newcastle Permanent Building Society, Australia's largest Building Society. During his tenure the Society was recognised with two Building Society of the Year awards by Money Magazine. From 2004 till 2007, he was CEO of ASX listed biotechnology company Proteome Systems (PXL). From 2002 to 2007 Stephen was Chairman and then Executive Chairman of BMC Media Ltd. In 2002, Stephen was a founding partner in Cabonne Partners which specialised in advising on re-capitalisations and strategic turnarounds of public companies. Having spent the previous 20 years in international banking, stockbroking and investment banking, Stephen has experience in most significant global capital markets.

Craig Swanger, Non-Executive Director

Craig Swanger has 20 years' experience in financial services. He was Executive Director of Macquarie Global Investments, responsible for managing around \$10bn in client funds across Asia, North America and Australia. Craig has direct experience in structuring and raising funds from retail investors, including through managed funds, structured products and listed vehicles in several jurisdictions. He has extensive board experience, including Macquarie Bank's major funds management entity, Macquarie Investment Management Limited and a total of 15 internal and external boards since 2003. He was Chairman of 5 of the largest debt listed investment companies in Australia and New Zealand issued over the past decade, and more recently worked with Australia's largest corporate bond and securitization distribution specialists, FIIG Securities.

6.4 Share capital

- 6.4.1 As at 26 March 2015 DirectMoney had 334,047,874 shares on issue, fully diluted. This is inclusive of the equivalent number of ordinary shares from Convertible Notes which are convertible into ordinary shares at the time of the proposed public listing.

6.4.2 The following table shows the top five shareholders:

Shareholder Name	Number of Shares	Percentage Held
Adcock Private Equity Pty Ltd	71,658,432	21.45%
David Doust & Shirley Doust	49,420,438	14.79%
Greig Holdings Pty Ltd	39,415,096	11.80%
Bubblydays Pty Ltd	34,161,651	10.23%
Janet Gambold & Bleddyn Gambold	32,872,325	9.84%

6.4.3 Following is a summary of the most recent equity issues conducted by the company:

Date	Shares Issued	Value Per Share (\$)	Total Raised (\$)	Deemed 100% Equity Value (\$)
Oct 2014	8,819,521	0.0283	250,000	6,500,000
Oct-Nov 2014	57,512,212 ¹	0.0349	2,005,169	10,000,000
Nov 2014	6,193,022 ²	0.0807	500,000	25,000,000
Nov-Dec 2014	13,138,324	0.0349	457,365	10,580,000
Dec 2014	3,500,000	0.0001	350	nm
Feb-Mar '15	24,396,755 ³	0.1066	2,600,000	35,600,000

¹ Convertible Notes convertible to ordinary shares at the time of public listing

² Issued to existing major shareholder, Adcock Private Equity Pty Ltd

³ Issued to existing shareholders (\$2,000,000) and two third party investors (\$600,000) at a pre-money equity valuation of \$33,000,000.

6.5 Financial Information

6.5.1 DirectMoney started earning loan establishment fees from July 2014. Prior to then the company was not actively trading or earning any revenue from marketplace lending and incurred a small amount of overheads and received government grants and tax offsets totalling \$255,514 during the 2012 and 2013 financial years. Following is a summary of the historical consolidated financial performance of DirectMoney for the six months to 31 December 2014 (H1 FY2015):

DIRECTMONEY PTY LTD	
HISTORICAL FINANCIAL PERFORMANCE	
	\$'000
	H1 FY2015
	Reviewed
Sales	71
Employee benefits expense	(300)
Marketing expenses	(212)
Legal expenses	(215)
Administrative expenses	(1,399)
EBITDA	(2,057)
Depreciation and amortisation expenses	-
EBIT	(2,057)
Finance costs	(25)
Net profit before tax	(2,081)
Taxation expense	-
Net profit after tax	(2,081)

6.5.2 Set out below is the reviewed consolidated statement of financial position of DirectMoney as at 31 December 2014. The half-year financial report to 31 December 2014 of DirectMoney has been reviewed by the company's auditors in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

DIRECTMONEY PTY LTD	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	\$'000 As at 31 December 2014
<u>CURRENT ASSETS</u>	
Cash assets	563
Trade and other receivables	55
Loan assets ¹	610
Prepayments	19
	1,247
<u>NON-CURRENT ASSETS</u>	
Plant and equipment	4
Loan Assets (net provisions) ¹	2,510
	2,514
TOTAL ASSETS	3,762
<u>CURRENT LIABILITIES</u>	
Trade and other payables	189
Interest bearing liabilities ³	2,000
Convertible notes ²	2,005
	4,194
TOTAL LIABILITIES	4,194
NET ASSETS	(433)
<u>EQUITY</u>	
Issued capital	4,007
Accumulated losses	(4,439)
	(433)

¹ Loan Assets represents the outstanding principal amounts of current loans, referred to as Warehouse 1 and Warehouse 2, net of doubtful debts provision. Warehouse 1 holds the outstanding principals of loans that are secured under convertibles notes. Warehouse 2 holds the outstanding principals of loans secured under a secured loan note held by Greig Holdings Pty Ltd ("Greig Holdings"), discussed further at note 3 below.

² Convertible Notes are convertible to ordinary shares at the time of the proposed public listing. As per the terms agreed to between the Company and DirectMoney, DirectMoney must be debt free at completion. The valuation of DirectMoney assumes acquisition on a debt and cash free basis, and a positive working capital position consistent with normal working capital levels.

³ Following the conversion of Convertible Notes DirectMoney does not have any debt on its balance sheet other than a secured loan from an existing DirectMoney shareholder, Greig Holdings of \$2 million. We are advised that DirectMoney and Greig Holdings have agreed that the loan will be repaid in full on 15 June 2015. On repayment of the loan, the security will be released. DirectMoney intends to repay the secured loan from the proceeds of funds anticipated to be received from the sale of loans to DirectMoney Personal Loan Fund, DirectMoney Marketplace Limited, and other third party institutions

if necessary prior to 15 June 2015. The effect of the above is that the Loan Warehouse and DirectMoney and its subsidiaries will not have any debt on their balance sheet following completion of the Transaction.

- 6.5.3 Subsequent to 31 December 2014 DirectMoney raised a further \$2,600,000 through the issue of shares and convertible notes (which will convert into shares at the time of the proposed public listing). Based on the net asset position as at 31 December 2014 adjusted for material subsequent events, the pro forma net asset position of DirectMoney at the time of the Transaction is shown in the table below:

	\$'000
Net assets as at 31 December 2014	(433)
Conversion of Convertible Notes	2,005
Capital raised after 31 December 2014	<u>2,600</u>
Pro forma net assets	\$4,172

7. OVERVIEW OF BASPER

7.1 Company Overview

- 7.1.1 Basper is an Australian public company, officially listed on 16 March 1989. Its principal activities were the manufacture and distribution of automotive exhaust products. However the Company has since ceased business operations and is actively seeking new investment opportunities capable of bringing value to Basper shareholders.
- 7.1.2 The current Board of Directors of Basper comprises:
Mr Winton Willesee (Non-Executive Director and Chairman)
Mr Campbell McComb (Non-Executive Director)
Mr Andrew McKay (Non-Executive Director)
Mr Robert Parton (Non-Executive Director)

7.2 Financial Information

- 7.2.1 Basper has now discontinued all business operations and over the last 12 months has gone through a process of disposing of all business assets. Income statements have therefore not been disclosed for the purpose of this report. Losses from discontinued operations have been incurred for the last four financial years. A loss of \$193,162 has been incurred for the 6 month period to 31 December 2014.
- 7.2.2 Set out below is the reviewed Consolidated Statement of Financial Position of Basper as at 31 December 2014. The half-year financial report to 31 December 2014 of Basper has been reviewed by the company's auditors in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

BASPER LIMITED	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	
	As at 31 December 2014
<u>CURRENT ASSETS</u>	
Cash and cash equivalents	68,309
GST receivable	30,524
	<u>98,833</u>
TOTAL ASSETS	98,833
<u>CURRENT LIABILITIES</u>	
Trade and other payables	115,946
	<u>115,946</u>
TOTAL LIABILITIES	115,946
NET ASSETS	(17,113)
<u>EQUITY</u>	
Share capital	3,599,774
Accumulated losses	(3,616,887)
TOTAL EQUITY	(17,113)

8. VALUATION METHODOLOGIES

8.1 Selection of Methodology

8.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to Basper and DirectMoney shares.

8.1.2 In assessing the value of Basper and DirectMoney we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Market Value of Shares: the quoted price for listed securities in a liquid and active market;
- Discounted Cash Flow: the net present value of future cash flows;
- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale or market transactions.

We consider each of these valuation methodologies below.

8.1.3 *Market Value of Shares*

This method involves the valuation of an entity based on its actively traded equities, which represent the market capitalisation of the share capital of the entity, in a liquid and knowledgeable market.

Any assessment of the market value of the quoted equities needs to consider the following:

- The liquidity of the quoted equity based on the volume and frequency of trading;
- The number of ‘unusual’ and/or ‘abnormal’ trades that occur; and
- The timing and level of dissemination of information to the market.

If a quoted ordinary equity is traded in an active, liquid and knowledgeable market, then the market price of the quoted ordinary equity should represent the ‘fair’ market value of the quoted ordinary equity.

A premium may also need to be applied to the value of the quoted ordinary equity to determine the value of the equity holding in the circumstances where a party is acquiring or increasing a controlling equity position.

Basper’s shares have been suspended from public trading since 6 January 2014. They have however recently conducted share transfers between substantial shareholders which we will consider as part of the comparable transactions method detailed at section 8.1.7.

This method is not appropriate for DirectMoney as its shares are not listed or publicly

traded. In valuing DirectMoney we have however considered the value and timing of its recent share issues as a secondary valuation method. Refer to the comparable transactions method at section 8.1.7.

8.1.4 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flows that will be generated from the business over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the business.

Although the discounted cash flow approach relies on the availability of long-term earnings and cash flow projections, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned. The forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operational cycle for more cyclical industries.

Basper has no current income producing assets therefore the discounted cash flow method has not been used for the valuation of Basper.

The use of the discounted cash flow method has not been used for DirectMoney. No forecasts have been released by DirectMoney as the business is relatively new and management advise there is not sufficient history on which to base forecast assumptions.

8.1.5 *Capitalisation of Future Maintainable Earnings*

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the business may not achieve the estimated future maintainable earnings.

The capitalisation of earnings or future maintainable profits is the most frequently used method of valuing an ongoing and established business. This method of valuation is used in the majority of business valuations where there is a history of earnings in an established business. Under this methodology, a valuation is assessed by determining expected future earnings and capitalising the earnings at an appropriate earnings multiple, representing the required investor return.

Basper and DirectMoney have both incurred net losses in prior years and historical results are not reflective of the current or proposed future operations of the Company. Therefore the earnings based method is not appropriate for the valuation of Basper or DirectMoney.

8.1.6 *Realisation of Assets*

The net assets or cost based approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value

of the entity. The net asset value is determined by marking every asset and liability on and off the company's balance sheet to current market values.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital. It is often used as a cross check to assess the relative riskiness of the business.

As Basper currently has no income generating assets, the notional realisation of assets has been adopted as an appropriate valuation method to assess the minimum net realisable value of Basper.

As DirectMoney is predominantly a revenue based business, the book value of its assets may not be representative of the inherent value of the business. However, as DirectMoney has limited trading history and no forecasts on which a valuation can be based, the realisation of net assets approach has been adopted as the primary valuation method in the absence of a more appropriate primary method.

8.1.7 *Comparable Market Transactions*

This methodology involves the identification of comparable sale or equity raising transactions for similar businesses to that being valued.

We have considered the value and timing of prior share issues and transfers by both Basper and DirectMoney in valuing both companies.

8.2 **Premium for Control**

8.2.1 When considering transactions involving a substantial equity holding of a company, it is appropriate to address whether a premium for control should attach to the Transaction. A premium for control is the difference between the price for each share that a buyer would be prepared to pay to obtain a controlling interest in a company and the price per share that would be required to purchase a share that does not carry with it a controlling interest. In most cases, the value of a controlling interest in the shares in a company significantly exceeds the listed market value of the shares. This reflects the fact that:

- a) the owner of a controlling interest in the shares in a company obtains access to all free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder;
- b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds;
- c) the controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company;
- d) the entity taking over the company is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

8.2.2 Empirical evidence indicates that the average premium for control (over and above the market price of the company's shares) in successful takeovers in Australia generally range between 20% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, the appropriate premium for control

depends on the specific circumstances and, in particular, the level of synergy benefits able to be extracted by potential acquirers and the degree of confidence about the level and achievability of potential synergies and their timing.

- 8.2.3 Caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply a premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through a Capital Raising.
- 8.2.4 A shareholder or group of associated shareholders are deemed to influence a company when they have control of more than 20% of the issued shares in a company. At this time a premium for control should normally be considered.
- 8.2.5 When the Transaction is approved and completed, DirectMoney shareholders will have a relative voting interest in Basper of 83.71% under the minimum Capital Raising, as detailed at section 2.7. A premium for control is therefore relevant to the Transaction.
- 8.2.6 We have determined that the change in the level of ownership is sufficient to consider a premium for control. We have applied a premium for control of 10% to the value of Basper shares based on the following:
 - a) DirectMoney will obtain control of Basper however Basper does not have any material cash or other assets over which DirectMoney will obtain control;
 - b) Basper shares are currently suspended from trading. The premium for control is being applied to share transfers between substantial shareholders. We have considered the effect the low liquidity may have on the Basper share value;
 - c) Basper currently has negative operating cash flows; and
 - d) We believe that a premium for control above 10% may overstate the value that a potential investor is willing to pay to obtain a controlling interest in the Company.

8.3 Minority Interest Discount

- 8.3.1 The value of a minority shareholding is subject to a discount factor as the minority shareholder is not in a position to direct, and often not in a position to influence, the distribution of dividends, the investment of retained profits or the strategy or tactics of the company's operations.
- 8.3.2 The Transaction will result in the dilution of current Non-Associated Shareholders' ownership percentages from 100% to as low as 3.51% based on no existing shareholders subscribing for shares under the maximum Capital Raising (and without taking into account the vesting of the Performance Rights). Following from the assessed control premium of 10%, we have discounted the post-Transaction value per share on a control basis by 9% to arrive at a post-Transaction value on a minority basis. We believe this discount is reasonable after considering the following factors:

- a) Basper is a listed public company where the shares held by Non-Associated shareholders are still able to be traded in an open market;
- b) The lack of income producing assets currently held by Basper that Non-Associated shareholders are losing control of; and
- c) The assessment of advantages and disadvantages associated with Basper entering into the Transaction as detailed at section 12.

9 VALUE OF DIRECTMONEY

9.1 Selected Methodology

9.1.1 We have selected the Realisation of Net Assets and Comparable Transactions methodologies as the primary and secondary methods to apply a value to DirectMoney as detailed at section 8.

9.1.2 In forming an opinion on the valuation of DirectMoney, and the selected methodology, HCC has considered the following:

- The historical operations of the business;
- The industry in which the business operates;
- The period of time for which the business has been operating;
- Information provided by management regarding future operations of the business.

9.1.3 *Financial information relied upon in applying selected valuation method*

We have reviewed the unaudited financial accounts of DirectMoney. Ultimately, the management of DirectMoney are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

9.2 Realisation of Assets

9.2.1 DirectMoney has not yet earned any profits from its business. Therefore the realisation of assets is an appropriate valuation method for the valuation of DirectMoney in the absence of a more appropriate method.

9.2.2 DirectMoney assets and liabilities comprise predominantly cash and loan assets and loans payable as detailed at section 6.5. Based on the balance sheet of DirectMoney reviewed as at 31 December 2014, the conversion of Convertible Notes that will occur as part of the Transaction and the capital raising undertaken by the company subsequent to that date, the net asset value of DirectMoney for the purpose of this report is **\$4,172,000**, as shown in the table below:

	\$'000
Net assets as at 31 December 2014	(433)
Conversion of Convertible Notes	2,005
Capital raised after 31 December 2014	<u>2,600</u>
Pro forma net assets	\$4,172

9.3 Comparable Transactions

9.3.1 Following is a summary of the most recent equity issues conducted by the company:

Date	Shares Issued	Value Per Share (\$)	Total Raised (\$)	Pre Money Equity Value (\$)	Post Money Equity Value (\$)
Oct-Nov 2014	57,512,212 ¹	0.0349	2,005,169	7,994,831	10,000,000
Nov 2014	6,193,022 ²	0.0807	500,000	24,500,000	25,000,000
Nov-Dec 2014	13,138,324	0.0349	457,365	10,000,000	10,580,000
Dec 2014	3,500,000	0.0001	350	nm	nm
Feb-Mar '15	24,396,755 ³	0.1066	2,600,000	33,000,000	35,600,000

¹ Convertible Notes convertible to ordinary shares at the time of the public listing

² Issued to existing major shareholder, Adcock Private Equity Pty Ltd

³ Issued to existing shareholders (\$2,000,000) and two third party investors (\$600,000) at a pre-money equity valuation of \$33,000,000.

9.3.2 The largest and most recent raising undertaken by DirectMoney in February / March 2015 raised \$2,600,000, including \$600,000 from parties unrelated to the company at a pre-money equity valuation of \$33,000,000.

9.3.3 We have considered this method only as a cross-check to the net asset value of DirectMoney. We have not relied on this method for the purpose of this report as the price at which certain investors have subscribed to DirectMoney shares in the past may not represent the current value of the company. The risk preference of these investors of DirectMoney may also differ from that of the Non-Associated Shareholders of Basper.

9.4 Resultant Valuation of DirectMoney

9.4.1 Based on the realisation of net assets valuation method detailed above, we have determined that the value of DirectMoney is \$4,172,000 as at the date of this report.

10 VALUE OF BASPER

10.1 General

10.1.1 This section sets out our assessment of the underlying value of Basper shareholdings.

10.1.2 We have selected the comparable transactions and realisation of net assets as the valuation methodologies for Basper as detailed in section 8.

10.2 Comparable Transactions

10.2.1 On 2 October 2014 the following share transfers were effected:

Share transfers to:	Shares	Consideration	Price/Share	Interest
Bushwood Nominees P/L (Jeremy King)	1,137,288	51,177.92	\$ 0.0450	11.37%
TPG Australasia P/L	1,137,287	51,177.92	\$ 0.0450	11.37%
Azalea Family Holdings P/L	1,137,288	51,177.92	\$ 0.0450	11.37%

10.2.2 Based on the price at which Basper shares have been transferred and inclusive of a 10% premium for control, the value of Basper shares on a controlling basis is **\$0.0495** each.

10.3 Realisation of Assets

10.3.1 Basper has no current income generating assets. Therefore the notional realisation of assets is an appropriate valuation method for Basper. As at 31 December 2014 the Company's net assets were in deficit by \$17,113, as shown at section 7.2. Basper has confirmed that there have been no material events that have occurred subsequent to 31 December 2014 affecting the financial position of the company.

10.3.2 The value of a listed company varies depending on the subsequent regulatory requirements, including necessary compliance with ASX listing requirements. The ASX Listing Rules will require Basper to reapply for listing following completion of the Transaction, which will require Basper to meet ASX listing requirements. Considering the current situation of the Company, the absence of other offers available, the relisting requirements should the Transaction proceed, and our experience concerning the values placed on listed shells, we have allocated a value for the listed company shell of \$500,000, which represents a premium for control. The Company's shares are currently suspended which reduces the valuation slightly for the listed company shell. The net asset value of Basper on a controlling interest basis is as follows:

Net assets	(17,113)
Value of listing	<u>500,000</u>
Net realisation of assets	482,887

10.3.3 Basper currently has 10,000,443 shares on issue, which equates to a net asset value per share of **\$0.0483** on a controlling interest basis.

10.4 Conclusion on the Value of Basper Shares

- 10.4.1 Based on the two valuation methods outlined above, we conclude that the value of Basper shares is between \$0.0483 and \$0.0495 each, with a midpoint of **\$0.0489 per share**, inclusive of a premium for control.

11 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

11.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

11.2 Advantages of the Transaction

- 11.2.1 Basper currently has no income generating assets. The Transaction provides Basper Shareholders with an opportunity to invest in the marketplace lending industry, with future cash flow and dividend opportunities. The listed public company structure will also assist DirectMoney to establish market presence and attract, reward and retain high quality and experienced management.
- 11.2.2 The continuing viability of Basper as a going concern depends on identifying suitable opportunities that will sustain a viable business. The Transaction presents one such opportunity and, as such, will allow Basper to continue as a going concern.
- 11.2.3 Given the Company's lack of income producing assets it will have difficulty in creating long-term value for shareholders. The Directors of Basper have determined that DirectMoney has the potential to increase Basper shareholder value and provide the Company with a future business direction in the lending industry.
- 11.2.4 Basper believes that the Transaction allows the Company to achieve its strategic objective of securing sustainable cash flows from a business with considerable growth potential. DirectMoney represents a sensible acquisition for Basper in the marketplace lending industry which enjoys strong market fundamentals and long term cash flow opportunities. The Company will have the benefit of the experience of experienced DirectMoney personnel who will be uniquely placed to set the strategy and direction of the Company in the lending industry.
- 11.2.5 The Capital Raising is a condition of the Transaction and will provide capital to facilitate the ongoing development of the DirectMoney business in accordance with commitments that are consistent with its objectives.
- 11.2.6 The Transaction may provide an opportunity for Basper shareholders to experience growth in the value of shares and significantly boost Basper's market capitalisation and liquidity in share trading, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- 11.2.7 The Basper Board are of the opinion that the Transaction with DirectMoney is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is the best strategic opportunity for the Company.

11.3 Disadvantages of the Transaction

- 11.3.1 There may be other opportunities Basper will not be able to undertake to realise the value of its listing if it accepts this Transaction due to the controlling interest being obtained by DirectMoney Shareholders.
- 11.3.2 The Company will be changing the nature of its activities to those of DirectMoney, which may not be consistent with the objectives of Shareholders and will reduce the possibility of an alternative direction for the Company.
- 11.3.3 Significant future outlays of funds from the Company may be required for the integration of DirectMoney and to meet the proposed new strategic direction and business objectives of the Company.
- 11.3.4 The Transaction will result in the significant dilution of current shareholders ownership percentages. Following completion of the Transaction, Basper's existing Non-Associated Shareholders interest will decrease from 100% to as low as 3.51% prior to any existing shareholders subscribing for shares under the Capital Raising (and without taking into account the vesting of the Performance Rights).

12 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

12.1 Fairness

- 12.1.1 According to RG 111, for the Transaction to be fair, the value of the DirectMoney shares being acquired must be equal to or greater than the value of the consideration, being Basper shares.
- 12.1.2 Based on the analysis contained in section 9 of this report, the indicative value of DirectMoney shares is \$4,172,000.
- 12.1.3 Based on the analysis contained in section 10 of this report, the indicative value of the shares being issued by Basper as consideration for the shares in DirectMoney is between \$0.0483 and \$0.0495 per share, with a midpoint value of \$0.0489 per share.
- 12.1.4 Our valuation of Basper shares prior to the Transaction is on a control basis. In order to assess whether the Transaction is fair, we need to compare the pre-transaction value per share of Basper on a control basis with the post-transaction value per share of Basper on a minority basis. This is shown in the table below:

Basper Value and Opinion	Low	High	Midpoint
Control value per share	0.0483	0.0495	0.0489
Shares currently on issue	10,000,443	10,000,443	10,000,443
Control valuation, pre-Transaction	483,021	495,022	489,022
Valuation of DirectMoney	4,172,000	4,172,000	4,172,000
Minimum Proceeds from Capital Raising	10,000,000	10,000,000	10,000,000
Post-Transaction Value	14,655,021	14,667,022	14,661,022
Post-Transaction shares on issue	259,610,375	259,610,375	259,610,375
Value per share	0.0565	0.0565	0.0565
Minority discount <small>refer section 8.3</small>	9%	9%	9%
Post-Transaction Valuation per share	\$ 0.0514	\$ 0.0514	\$ 0.0514

- 12.1.5 The above analysis does not include the issue of any shares on vesting of any Performance Rights contemplated by the Plan detailed at section 2.5. The Plan is an interdependent resolution to the Transaction. In the event that the maximum 24,000,000 Performance Rights are issued and included in the post-Transaction shares on issue, the post-Transaction value per Basper share still increases from the pre-Transaction control value per share at the midpoint of the valuation range. We have not shown the above table on a fully diluted basis as the Performance Rights have a number of Performance Conditions which must be satisfied for them to vest, including that the volume weighted average price of the shares is at least \$0.25 for a period of 10 consecutive trading days. This means that for the Performance Rights to vest, the post-Transaction value per Basper share must increase to above the current control value per share.
- 12.1.6 In our opinion the Transaction is **fair** as the value of the Basper shares held by Non-Associated Shareholders increases as a result of the Transaction.

12.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

Advantages of the Transaction

- Basper currently has no income generating assets. The Transaction provides Basper Shareholders with an opportunity to invest in the marketplace lending industry, with future cash flow and dividend opportunities. The listed public company structure will also assist DirectMoney to establish market presence and attract, reward and retain high quality and experienced management.
- The continuing viability of Basper as a going concern depends on identifying suitable opportunities that will sustain a viable business. The Transaction presents one such opportunity and, as such, will allow Basper to continue as a going concern.
- Given the Company's lack of income producing assets it will have difficulty in creating long-term value for shareholders. The Directors of Basper have determined that DirectMoney has the potential to increase Basper shareholder value and provide the Company with a future business direction in the lending industry.
- Basper believes that the Transaction allows the Company to achieve its strategic objective of securing sustainable cash flows from a business with considerable growth potential. DirectMoney represents a sensible acquisition for Basper in the marketplace lending industry which enjoys strong market fundamentals and long term cash flow opportunities. The Company will have the benefit of the experience of experienced DirectMoney personnel who will be uniquely placed to set the strategy and direction of the Company in the lending industry.
- The Capital Raising is a condition of the Transaction and will provide capital to facilitate the ongoing development of the DirectMoney business in accordance with commitments that are consistent with its objectives.
- The Transaction may provide an opportunity for Basper shareholders to experience growth in the value of shares and significantly boost Basper's market capitalisation and liquidity in share trading, subject to the Company meeting the requirements of Chapters 1 and 2 of the ASX Listing Rules.
- The Basper Board are of the opinion that the Transaction with DirectMoney is in the best interests of the Company's Shareholders and in the absence of a superior alternative proposal is the best strategic opportunity for the Company.

Disadvantages of the Transaction

- There may be other opportunities Basper will not be able to undertake to realise the value of its listing if it accepts this Transaction due to the controlling interest being obtained by DirectMoney Shareholders.

- The Company will be changing the nature of its activities to those of DirectMoney, which may not be consistent with the objectives of Shareholders and will reduce the possibility of an alternative direction for the Company.
- Significant future outlays of funds from the Company may be required for the integration of DirectMoney and to meet the proposed new strategic direction and business objectives of the Company.
- The Transaction will result in the significant dilution of current shareholders ownership percentages. Following completion of the Transaction, Basper's existing Non-Associated Shareholders interest will decrease from 100% to as low as 3.51% prior to any existing shareholders subscribing for shares under the Capital Raising (and without taking into account the vesting of the Performance Rights).

Having considered the Transaction is fair, the potential of the DirectMoney business and alternatives of not proceeding with the Transaction, in our opinion the Non-Associated Shareholders of Basper should benefit if the Transaction proceeds and therefore the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Basper Limited Audited Financial Reports for the financial years ended 30 June 2013 and 30 June 2014 and unaudited management accounts to 31 December 2014;
- DirectMoney Pty Ltd unaudited management accounts for the financial years ended 30 June 2013 and 30 June 2014;
- DirectMoney Information Memorandum, October 2014;
- DirectMoney Investor Presentation, January 2015;
- Draft Basper Limited Shareholder Booklet;
- Term Sheet between Basper and DirectMoney;
- Basper registry details;
- DirectMoney registry details;
- Publicly available information on Basper, DirectMoney and comparable companies, including media releases, ASX announcements and websites;
- S&P Capital IQ research;
- ASIC Regulatory Guide 74 'Acquisitions Approved by Members';
- ASIC Regulatory Guide 111 'Content of Expert Reports';
- ASIC Regulatory Guide 112 'Independence of Experts';
- APES 225 'Valuation Services'.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to Basper, and DirectMoney with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Experts”. HCC considers that it meets the requirements of RG 112 and that it is independent of Basper and DirectMoney.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with Basper, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the proposed transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of Basper for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of Basper have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by Basper and DirectMoney as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report. Accordingly, we have taken no further steps to verify the accuracy, completeness or fairness of the data provided.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

Basper has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by Basper to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited ("HCC") carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC's representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of Basper. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to Basper shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC's opinion as to whether or not the proposed Transaction is fair and reasonable.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to Basper shareholders.

Shareholders should read all documents issued by Basper that consider the proposed Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these documents, with the exception of our report.

This report has been prepared specifically for the Non-Associated Shareholders of Basper. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated Shareholder of Basper, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Dated 2 June 2015

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Hall Chadwick Corporate (NSW) Limited ABN 28 080 462 488, Australian Financial Services Licence Number 227902 (HCC).

This FSG includes information about:

- HCC and how they can be contacted
- the services HCC is authorised to provide
- how HCC are paid
- any relevant associations or relationships of HCC
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that HCC has in place.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that HCC is authorised to provide

HCC holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities and interests in managed investment schemes, including investor directed portfolio services, to retail clients.

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of finance products.

HCC's responsibility to you

HCC has been engaged by the independent directors of Basper Limited ("Basper" or the "Client") to provide general financial product advice in the form of a Report to be included in the Notice of Meeting ("Document") prepared by Basper in relation to the proposed transaction to acquire all of the issued shares in DirectMoney Pty Ltd ("DirectMoney") (the "Transaction").

You have not engaged HCC directly but have received a copy of the Report because you have been provided with a copy of the Document. HCC nor the employees of HCC are acting for any person other than the Client.

HCC is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As HCC has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees HCC may receive

HCC charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay HCC \$20,000 (excluding GST and out of pocket expenses) for preparing the Report. HCC and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

HCC officers and representatives receive a salary or a partnership distribution from Hall Chadwick Sydney professional advisory and accounting practice (the Hall Chadwick Sydney Partnership). Remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

HCC does not pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures HCC is controlled by and operates as part of the Hall Chadwick Sydney Partnership. HCC's directors may be partners in the Hall Chadwick Sydney Partnership. Mr Drew Townsend, director of HCC and partner in the Hall Chadwick Sydney Partnership, has prepared this report. The financial product advice in the Report is provided by HCC and not by the Hall Chadwick Sydney Partnership.

From time to time HCC, the Hall Chadwick Sydney Partnership and related entities (HC entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

If you have a complaint, please let HCC know. Formal complaints should be sent in writing to:
The Complaints Officer

Hall Chadwick Corporate (NSW) Limited

GPO Box 3555

Sydney NSW 2001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, Drew Townsend, on 02 9263 2600 and he will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If HCC cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

HCC has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact HCC at:
Hall Chadwick Corporate (NSW) Limited
GPO Box 3555
Sydney NSW 2001
Telephone: 02 9263 2600
Facsimile: 02 9263 2800

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