

13 October 2015

Company Announcements

For Immediate Release

ASX Code: ONC

ONCARD INTERNATIONAL LIMITED (THE “COMPANY”)

NOTICE OF GENERAL MEETING DOCUMENTS

The Company hereby provides copies of documents related to the Company's General Meeting which will be dispatched to shareholders today.

Included in the attachments are:

- Notice of General Meeting and Explanatory Statement; and
- Proxy Form.

Ends.

OnCard International Limited
ACN 084 800 902

Notice of general meeting

Notice is given that a general meeting of OnCard International Limited (**Company**) will be held at the offices of Norton Gledhill, Level 23, 459 Collins Street, Melbourne, Victoria, 3000 on 19 November 2015 at 10:00 am (Melbourne time).

Resolution 1 — issue of shares to Meander Valley sellers

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

That the issue of 1,666,667 fully paid ordinary shares in the Company on 17 September 2015 to Robin and Karen Dornauf as part of the consideration for the acquisition by the Company of the Meander Valley Dairy branded food products business, and otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting, be approved for the purpose of rule 7.4 of the ASX Listing Rules and for all other purposes.

Resolution 2 — issue of shares under share purchase plan

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

That:

- (a) the issue of fully paid ordinary shares in the Company offered under the Company's share purchase plan to eligible shareholders on the terms summarised in the explanatory statement accompanying the notice of this meeting; and
- (b) the issue of any shortfall shares resulting from the offer (i.e. offered shares not taken up by eligible shareholders) within 3 months from the date of this meeting to any person or persons identified or selected by or on behalf of the Company at the same issue price offered under the share purchase plan offer;

be approved for the purpose of rule 7.1 of the ASX Listing Rules and for all other purposes.

Resolution 3 — issue of shares under placement offer

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

That the issue of up to 4,500,000 fully paid ordinary shares in the Company within 3 months from the date of this meeting that are offered under a placement offer that does not need disclosure under part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**) to any person or persons identified or selected by or on behalf of the Company at the issue price of \$0.25 each, and otherwise on the terms summarised in the explanatory statement accompanying the notice of this meeting, to raise up to \$1,125,000, be approved for the purpose of rule 7.1 of the ASX Listing Rules and for all other purposes.

Resolution 4 — approval of OnCard ESOP

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

That the Company's employee share ownership plan 2015 (**OnCard ESOP**), the terms of which are summarised in the explanatory statement accompanying the notice of this meeting, and the issue of securities in the Company under the OnCard ESOP, be approved for the purposes of

part 2J.2 and part 2J.3 of the *Corporations Act 2001* (Cth) (**Corporations Act**), for the purpose of exception 9 of rule 7.2 of the ASX Listing Rules and for all other purposes.

Resolution 5 — acquisition of options by Rob Woolley

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

That:

- (a) the acquisition by Rob Woolley (or his nominee) under the OnCard ESOP of 9,500,000 options comprising:
 - (1) 4,750,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.21; and
 - (2) 4,750,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.42;

with an exercise period for all options ending on 3 September 2019 and otherwise on the terms of the options as summarised in the explanatory statement accompanying the notice of this meeting; and

- (b) the acquisition of the underlying shares following exercise of the options;

be approved as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act, for the purpose of rule 10.14 of the ASX Listing Rules and for all other purposes.

Resolution 6 — acquisition of options by Roger McBain

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

That:

- (a) the acquisition by Roger McBain (or his nominee) under the OnCard ESOP of 2,500,000 options comprising:
 - (1) 1,250,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.21; and
 - (2) 1,250,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.42;

with an exercise period for all options ending on 3 September 2019 and otherwise on the terms of the options as summarised in the explanatory statement accompanying the notice of this meeting; and

- (b) the acquisition of the underlying shares following exercise of the options;

be approved as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act, for the purpose of rule 10.14 of the ASX Listing Rules and for all other purposes.

Resolution 7 — acquisition of options by Tony Robinson

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

That:

- (a) the acquisition by Tony Robinson (or his nominee) under the OnCard ESOP of 1,500,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.21, with an exercise period ending on 3 September 2019 and otherwise on the terms of the options as summarised in the explanatory statement accompanying the notice of this meeting; and
- (b) the acquisition of the underlying shares following exercise of the options;

be approved as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act, for the purpose of rule 10.14 of the ASX Listing Rules and for all other purposes.

Resolution 8 — acquisition of options by Tom Woolley

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

That:

- (a) the acquisition by Tom Woolley (or his nominee) under the OnCard ESOP of 2,500,000 options comprising:
 - (1) 1,250,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.21; and
 - (2) 1,250,000 options for nil consideration, each of which entitles the holder to acquire 1 ordinary share in the Company at an exercise price of \$0.42;

with an exercise period for all options ending on 3 September 2019 and otherwise on the terms of the options as summarised in the explanatory statement accompanying the notice of this meeting; and

- (b) the acquisition of the underlying shares following exercise of the options;

be approved as the giving of a financial benefit to a related party for the purpose of section 208 of the Corporations Act, for the purpose of rule 10.14 of the ASX Listing Rules and for all other purposes.

Resolution 9 — modification of Company's constitution

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

That the existing constitution of the Company be repealed and, in its place, a constitution in the form presented to the meeting, and signed by the chairman for the purpose of identification, be adopted as the Company's new constitution, effective at the close of this meeting.

Resolution 10 — change of Company's name

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

That the name of the Company be changed to TasFoods Limited, and the Company adopt that name as its new name.

Dated: 9 October 2015

By order of the board



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Mark Licciardo
Company Secretary

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint one proxy or, if the member is entitled to cast two or more votes at the meeting, two proxies to attend and vote on behalf and instead of the member.
2. Where two proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. A proxy need not be a member.
4. A proxy form accompanies this notice. To be valid it must be received together with the power of attorney or other authority (if any) under which the form is signed, or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting, namely by 10:00 am (Melbourne time) on 17 November 2015:

(a) at the Company's share registrar, Advanced Share Registry Limited, by:

- (1) hand delivery to 110 Stirling Highway, Nedlands, Western Australia, 6009;
- (2) post to PO Box 1156, Nedlands, Western Australia, 6909; or
- (3) facsimile on 08 9262 3723 (within Australia) or +61 8 9262 3723 (outside Australia); or

(b) at the registered office of the Company by:

- (1) hand delivery or post to Level 7, 330 Collins Street, Melbourne, Victoria, 3000; or
 - (2) facsimile on 03 9602 4709 (within Australia) or +61 3 9602 4709 (outside Australia).
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5. Regulation 7.11.37 determination: A determination has been made by the board of directors of the Company under regulation 7.11.37 of the *Corporations Regulations* 2001 (Cth) that those persons who are registered as the holders of shares in the Company as at 7:00 pm (Melbourne time) on 17 November 2015 will be taken to be the holders of shares for the purposes of determining voting entitlements at the meeting.

Voting exclusion statement:

The Company will disregard any votes cast on:

1. resolution 1 (issue of shares to Meander Valley sellers) by Robin Dornauf or Karen Dornauf, or an associate of any of those persons;
2. resolution 2 (issue of shares under share purchase plan) by a person who may participate in any shortfall offer resulting from the share purchase plan offer or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares in the Company) if the resolution is passed, or an associate of any such person;
3. resolution 3 (issue of shares under placement offer) by a person who may participate in the proposed issue or might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary shares in the Company) if the resolution is passed, or an associate of any such person;
4. resolution 4 (approval of OnCard ESOP) by:
 - (a) a director of the Company, or an associate of a director; and
 - (b) a person appointed as a proxy if the person is either a member of the key management personnel for the Company (**KMP Member**) or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution;
5. resolutions 5 to 7 (acquisition of options by Rob Woolley, Roger McBain and Tony Robinson) by:
 - (a) or on behalf of Rob Woolley, Roger McBain or Tony Robinson, or an associate of any of those persons;
 - (b) any other director of the Company, or an associate of a director; and
 - (c) a person appointed as a proxy if the person is either a KMP member or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution; and
6. resolution 8 (acquisition of options by Tom Woolley) by:
 - (a) or on behalf of Tom Woolley, or an associate of Tom Woolley;
 - (b) any director of the Company, or an associate of a director; and
 - (a) a person appointed as a proxy if the person is either a KMP member or a closely related party of a KMP Member, and the appointment does not specify the way the proxy is to vote on the resolution.

However, the Company need not disregard a vote in relation to:

1. resolution 1, 2 or 3 if it is cast by:
 - (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
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- (b) 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;
- 2. resolution 4 if it is cast by:
 - (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (b) 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 (and the appointment of proxy expressly authorises the chair to vote in accordance with a direction on the proxy form to vote as the proxy decided, even if the resolution is connected directly or indirectly with the remuneration of a KMP member); or
- 3. resolution 5, 6, 7 or 8 if it is cast by:
 - (a) a person as proxy for a person who is entitled to vote, and the appointment of proxy is in writing and specifies how the proxy is to vote on the proposed resolution; or
 - (b) 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 (and the appointment of proxy expressly authorises the chair to vote in accordance with a direction on the proxy form to vote as the proxy decided, even if the resolution is connected directly or indirectly with the remuneration of a KMP member).

To the extent he is permitted to vote, the chairman intends to vote undirected proxies held by him in favour of each resolution. Please refer to the proxy form accompanying this notice of meeting for more information.

Explanatory statement

1. General information

This explanatory statement is dated 9 October 2015. It is an important document and should be read carefully. It comprises part of, and should be read in conjunction with, the notice of general meeting of OnCard International Limited (**Company**) to be held on 19 November 2015.

If you do not understand its contents or are not sure what to do, you should consult your stockbroker or other professional adviser immediately.

If you have any questions regarding the matters set out in this explanatory statement (or elsewhere in the notice of annual general meeting), you may contact Tony Robinson, a director of the Company, by telephone on +61 3 9642 3812 or +61 407 355 616.

2. Resolution 1 — issue of shares to Meander Valley sellers

2.1 Background

On 17 September 2015, the Company completed its acquisition of the Meander Valley Dairy branded food products business (**Meander Valley**) based in Tasmania from Robin and Karen Dornauf for consideration of \$2.1 million.

Meander Valley specialises in the production of premium cream and dairy products. Its processing facility is located near Launceston and its branded products are sold through distributors throughout Australia.

This acquisition is the result of the Company exploring a number of investment opportunities since completing the share buy-back and transfer of its residual Chinese businesses, and reflects the Company's identification of the food industry as an area for its investment focus.

The consideration provided by the Company for Meander Valley included cash consideration of \$1,800,000. The balance of the consideration of \$300,000 was satisfied by the issue of 1,666,667 fully paid ordinary shares in the Company to Robin and Karen Dornauf (each ranking equally from the date of their issue on 17 September 2015 with the existing fully paid ordinary shares in the Company). This represents an issue price of approximately \$0.18 for each share issued.

As a consequence, the total number of issued shares in the Company increased by approximately 8% from 20,863,514 ordinary shares to 22,530,181 ordinary shares.

2.2 Rule 7.4 of ASX Listing Rules

Rule 7.1 of the ASX Listing Rules restricts the number of shares and other equity securities the Company may issue without shareholder approval in a 12 month period to a maximum of 15% of the Company's issued fully paid ordinary shares, subject to a number of exceptions. The 15% limit is calculated on the total number of fully paid ordinary shares on issue excluding shares issued or agreed to be issued in the previous 12 months that are not issued under an exception in rule 7.2 or with shareholder approval under rule 7.1 or 7.4.

Rule 7.4 of the ASX Listing Rules provides that an issue of securities made without shareholder approval under rule 7.1, such as the issue of fully paid ordinary shares to the Meander Valley sellers, is treated as having been made with approval for the purpose of rule 7.1 if the issue of shares did not breach rule 7.1 and shareholders subsequently approve it.

The issue of shares as partial consideration for the branded food products business did not breach rule 7.1 as the shares did not represent more than 15% of the Company's issued fully

paid ordinary shares and no other equity securities had been issued by the Company in the previous 12 months.

If resolution 1 is passed, the approval of shareholders to the issue of shares to the Meander Valley sellers will be obtained for the purpose of rule 7.4. The Company will then have the flexibility to issue additional equity securities without shareholder approval in the next 12 months up to 15% of the fully paid ordinary shares in the Company on issue, including those issued to the Meander Valley sellers.

2.3 Directors' recommendation

The directors recommend that shareholders vote in favour of resolution 1.

3. Resolution 2 — issue of shares under share purchase plan

3.1 Share purchase plan

As announced to the Australian Securities Exchange (**ASX**) on 9 October 2015, subject to shareholder approval being obtained, the Company will undertake an offer of shares under the Company's share purchase plan (**SPP**) to increase its spread of marketable parcel shareholdings and strengthen its balance sheet.

There are 1,047 shareholders of the Company who may be eligible to participate in the SPP offer, approximately 585 of which hold less than a marketable parcel of \$2,000 worth of shares. In the circumstances, the SPP offer will give those shareholders an opportunity to increase their shareholding above a marketable parcel, as well as to allow other shareholders to participate equally in the offer. The funds to be raised by the SPP offer (after costs) are intended to be used for developing the Company's Meander Valley and MarketSmart businesses, further acquisitions in the food industry and for general working capital purposes.

The key terms of the SPP offer will be as follows:

- (a) A person will be eligible to receive an offer under the SPP if the person was registered as a shareholder of the Company on 8 October 2015 at 7:00 pm (Melbourne time), being the business day before the SPP offer was announced by the Company to ASX, and the person's address on the Company's register of members is in Australia or such other place in which, in the reasonable opinion of the Company, it is lawful and practical for the Company to offer and issue shares under the SPP.
- (b) Each eligible shareholder will be entitled to subscribe for fully paid ordinary shares in the Company with an aggregate issue price of \$3,000 or \$6,000 (with fractional entitlements to new shares being rounded up to the nearest whole number), subject to paragraph (c) below.
- (c) The SPP offer will enable an eligible shareholder who is a custodian (as defined in ASIC class order [CO 09/425]) to acquire \$3,000 or \$6,000 worth of fully paid ordinary shares in the Company for each person (**beneficiary**):
 - (1) on whose behalf the custodian is holding fully paid ordinary shares in the Company (provided the person is not also a custodian); or
 - (2) on whose behalf another custodian (**downstream custodian**) holds beneficial interests in fully paid ordinary shares in the Company and the custodian holds the shares to which those beneficial interests relate on behalf of the downstream custodian or another custodian;

at the time noted in paragraph (a) above, and otherwise on the same basis as though the beneficiary were an eligible shareholder.

- (d) Participation in the SPP is optional.
- (e) The issue price for each share will be \$0.25.
- (f) Offers are expected to be despatched to eligible shareholders on the next business day after shareholders approve the issue of shares under the SPP offer, namely on 20 November 2015, and will close for acceptance 10 business days later on 4 December 2015 at 7:00 pm (Melbourne time).
- (g) Shares issued under the SPP offer will rank from the date of issue equally with the other fully paid ordinary shares in the Company then on issue.
- (h) Shares offered under the SPP are expected to be issued 3 business days after the closing date of the offer, namely on 9 December 2015.
- (i) Offers to acquire shares under the SPP will be non-renounceable, meaning that a person cannot transfer a right to acquire shares offered under the SPP to another person.

Apart from the time noted in paragraph (a) above, the above dates are indicative only and subject to change. Any change of a date may have a consequential effect on another date.

As at the time noted in paragraph (a) above for determining who may participate in the SPP offer, the Company had 1,047 shareholders. Assuming none is excluded from participating or holds shares as a custodian:

- (a) the maximum number of securities that the Company could issue under the SPP offer is 25,128,000 fully paid ordinary shares;
- (b) the total number of the Company's issued shares could increase by a maximum of approximately 111% from 22,530,181 fully paid ordinary shares to 47,658,181 fully paid ordinary shares; and
- (c) the Company could raise up to \$6,282,000 (before costs);

in consequence of the issue of shares offered under the SPP, based on there being no other changes to the issued share capital of the Company.

Shortfall

If there is a shortfall in the SPP offer due to any eligible shareholders not applying for their full entitlement of \$6,000 worth of shares, the Company intends to offer the shares in the shortfall to other investors at the same issue price offered under the SPP offer.

This offer will be made to sophisticated and professional investors and other people without, and in circumstances and/or on terms that do not require, disclosure under part 6D.2 of the Corporations Act.

The investors will be selected by or on behalf of the Company from contacts of the directors and/or clients of Wilson HTM Ltd (**Wilson HTM**), and any shares applied for in consequence of the shortfall offer will be issued after the closing date of the SPP offer and within 3 months from the date of the meeting i.e. by 18 February 2016. Depending on demand, the shares may be issued progressively through this period. The Company has agreed to pay to Wilson HTM for the subscription of any shortfall shares it arranges commission of 3% of the amount subscribed plus GST. Hugh Robertson, a director of the Company, is an authorised representative of Wilson HTM.

All shares issued under the shortfall offer will rank from the date of issue equally with the other fully paid ordinary shares in the Company then on issue.

The shortfall offer will not result in the Company issuing any more shares or raising any more share capital than if all eligible shareholders had participated in the SPP offer to the maximum extent permitted, and any funds raised are intended to be used for the same purpose as the intended purpose of funds raised under the SPP offer.

3.2 ASIC class order relief

ASIC class order [CO 09/425]

Under class order [CO 09/425], the Australian Securities and Investments Commission (**ASIC**) has given relief from part 6D.2 of the *Corporations Act 2001* (Cth) (**Corporations Act**) to allow ASX-listed companies to offer shares to existing shareholders under a share purchase plan without having to make disclosure to those shareholders, e.g. by issuing a prospectus, provided the conditions in that class order are satisfied.

The Company intends to rely on the class order relief in making offers under the SPP and, therefore, does not intend to prepare a prospectus or other prescribed disclosure document for the offers. The following is a summary of the conditions which the Company must satisfy in order to rely on the class order:

- (a) The Company must have complied with its continuous disclosure and financial reporting obligations.
- (b) Subject to special conditions for some custodians, a shareholder must not be issued more than \$15,000 worth of shares in any consecutive 12 month period (based on the price paid for the shares) under the SPP or a similar arrangement.
- (c) The Company must give ASX a 'cleansing notice' in relation to the proposed issue of shares under the SPP or must have given ASX a cleansing notice in relation to another issue of shares in the previous 30 days.
- (d) Offers must only be made to each registered holder of shares in the same class, whose address (as recorded in the Company's register of members) is in a place in which, in the reasonable opinion of the Company, it is lawful and practical for the Company to offer and issue shares to that person.
- (e) Each offer must be made on similar terms and conditions and on a non-renounceable basis.
- (f) The issue price for shares under the offer must be less than the market price during a specified period (determined by the Company) in the 30 days before either the date of the offer or the date of the issue of shares under the share purchase plan.
- (g) The offer document must disclose the method used to calculate the issue price, the relationship between the issue and market price, and the risk that the market price may change between the date of the offer and the date when shares are issued under the share purchase plan.
- (h) If the Company chooses to issue shares under the share purchase plan to a shareholder who is a custodian (as defined in the class order) for beneficiaries of that custodian or a downstream custodian, the custodian must certify in writing to the Company that certain conditions have been met and the Company must be reasonably satisfied that in any consecutive 12 month period, the total issue price of the shares to be issued under the SPP or any similar arrangement for any such beneficiary is not more than \$15,000. The Company has discretion as to whether to make share purchase plan offers to custodians on the basis that allows them to participate on behalf of some or all beneficiaries.

The Company reserves the right not to proceed with, or to withdraw, the SPP offer at any time for any reason including, for example, if a requirement for the relief from disclosure under ASIC class order [CO 09/425] is not or cannot be met.

3.3 Rule 7.1 of ASX Listing Rules

Rule 7.1 of the ASX Listing Rules requires the Company to obtain shareholder approval if it wishes to issue, or agrees to issue, equity securities in a 12 month period in excess of 15% of the fully paid ordinary shares in the Company on issue, unless an exception applies. The number of shares which may be issued in consequence of the SPP offer (and any shortfall offer) could exceed that 15% limit. Although there is an exception for an issue of shares under a share purchase plan offer, that exception is limited to an offer where the number of securities to be issued is not greater than 30% of the number of fully paid ordinary shares then on issue, which is not applicable in this case.

If resolution 2 is passed, the approval of shareholders to the issue of shares offered under the SPP to eligible shareholders (and to other investors in consequence of any shortfall offer) will be obtained for the purpose of rule 7.1, thereby allowing the Company to issue the maximum number of shares offered under the SPP.

3.4 ASX waiver

Rule 7.3.8 of the ASX Listing Rules

Rules 7.3.8 and 14.11 of the ASX Listing Rules provide that the notice of meeting must include a statement to the effect that any person who may participate in the SPP must not vote on resolution 2. As the Company is planning to make offers under the SPP to all shareholders, then potentially no person would be able to vote on resolution 2 to approve the issue of shares under the SPP. In the circumstances, ASX has granted the Company a waiver from rule 7.3.8 so that any person who may participate in the SPP may vote on resolution 2, except for any person who may also participate in any shortfall offer resulting from the SPP offer.

Rule 10.11 of the ASX Listing Rules

Rule 10.11 of the ASX Listing Rules provides that an entity must not issue equity securities (such as shares) to related parties of the entity (such as directors, close relatives of directors or any of their controlled entities) without shareholder approval, subject to a limited number of exceptions. ASX has granted the Company a waiver from rule 10.11 so that shareholder approval is not required for directors and other related parties to participate in the SPP on the same terms as other shareholders.

3.5 Directors' interests and intentions

As at the date of this explanatory statement, the relevant interests in shares in the Company of each director and his intentions in relation to the SPP are as follows:

- (a) Rob Woolley: VEF Pty Ltd has a relevant interest in 175,000 shares in the Company (which is approximately 0.78% of the Company's issued shares). Rob Woolley is a director and shareholder of that company. He has indicated to the Company that VEF Pty Ltd intends to take up the SPP offer.
 - (b) Roger McBain: Vermilion 21 Pty Ltd as trustee for the McNelhaus Superannuation Fund has a relevant interest in 175,000 shares in the Company (which is approximately 0.78% of the Company's issued shares). Roger McBain is a beneficiary of that superannuation fund. He has indicated to the Company that Vermilion 21 Pty Ltd intends to take up the SPP offer.
 - (c) Tony Robinson: Rowena House Pty Ltd has a relevant interest in 400,000 shares in the Company (which is approximately 1.78% of the Company's issued shares). Tony Robinson is a director, secretary and shareholder of that company. He has indicated to the Company that Rowena House Pty Ltd intends to take up the SPP offer.
 - (d) Hugh Robertson: Bungeeltap Pty Ltd as trustee for the H & B Robertson Super Fund has a relevant interest in 150,000 shares in the Company (which is approximately 0.67% of
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the Company's issued shares). Hugh Robertson is a director and shareholder of that company, and a beneficiary of that superannuation fund. He has indicated to the Company that Bungeeltap Pty Ltd intends to take up the SPP offer.

3.6 Directors' recommendation

The directors recommend that shareholders vote in favour of resolution 2.

4. Resolution 3 — issue of shares under placement offer

4.1 Placement offer

The Company intends to undertake a placement offer of up to 4,500,000 ordinary shares in the Company at \$0.25 each, payable in full before issue of the shares, to raise up to \$1,125,000.

This offer will be made to sophisticated and professional investors and other people without, and in circumstances and/or on terms that do not require, disclosure under part 6D.2 of the Corporations Act.

Shares offered under the placement offer will be issued to investors selected by or on behalf of the Company from contacts of the directors and/or clients of Wilson HTM, and within 3 months from the date of the meeting i.e. by 18 February 2016. Depending on demand, the shares may be issued progressively through this period. The Company has agreed to pay to Wilson HTM for the subscription of any placement shares it arranges commission of 3% of the amount subscribed plus GST. Hugh Robertson, a director of the Company, is an authorised representative of Wilson HTM.

All shares issued under the placement offer will rank from the date of issue equally with the other fully paid ordinary shares in the Company then on issue.

The funds to be raised by the placement offer (after costs) are intended to be used for developing the Company's Meander Valley and MarketSmart businesses, further acquisitions in the food industry and for general working capital purposes.

4.2 Rule 7.1 of ASX Listing Rules

As noted in section 3.3, rule 7.1 of the ASX Listing Rules requires the Company to obtain shareholder approval if it wishes to issue, or agrees to issue, equity securities in a 12 month period in excess of 15% of the ordinary shares in the Company on issue, subject to a number of exceptions set out in rule 7.2. The 15% limit is calculated on the total number of fully paid ordinary shares on issue excluding shares issued or agreed to be issued in the previous 12 months that are not issued under an exception in rule 7.2 or with shareholder approval under rule 7.1 or 7.4. The number of shares which may be issued in consequence of the placement offer could exceed that 15% limit and, further, if they are issued without shareholder approval, they would use up the 15% capacity under rule 7.1.

If resolution 3 is passed, the approval of shareholders to the issue of up to 4,500,000 ordinary shares will be obtained for the purpose of rule 7.1. The Company will then also have the flexibility to issue additional equity securities without shareholder approval in the next 12 months up to 15% of the fully paid ordinary shares in the Company on issue, including those issued under the placement offer.

4.3 Directors' recommendation

The directors recommend that shareholders vote in favour of resolution 3.

5. Resolution 4 — approval of OnCard ESOP

5.1 Background

The directors of the Company have recently established the Company's employee share ownership plan 2015 (**OnCard ESOP**). The objectives of the OnCard ESOP are:

- (a) to motivate and retain employees and directors of the Company and its related bodies corporate (**Group**);
- (b) to attract quality employees and directors to the Group;
- (c) to create commonality of purpose between the employees and directors and the Group; and
- (d) to add wealth for all shareholders of the Company through the motivation of the Group's employees and directors;

by allowing employees and directors to share the rewards of the success of the Group as holders of securities in the Company.

5.2 Terms of OnCard ESOP

Under the terms of the OnCard ESOP:

- (a) employees and directors of the Group (and a person who has been made an offer to become such an employee or director) are eligible to participate;
- (b) eligible participants may acquire ordinary shares in the Company, options over ordinary shares and rights to, or interests in, such shares (including directly or by a nominee, or as a beneficiary of a trust established by the Company for participants); and
- (c) the directors have broad discretion as to the terms on which eligible participants may acquire securities under the OnCard ESOP, including as to the number and type of securities that may be offered, the price payable for securities (which may be nil) and how payment for securities may be made (e.g. by loans from the Company, whether interest-free or limited recourse or otherwise, or by salary sacrifice or sacrifice of cash bonuses).

The directors may also impose a requirement that securities acquired under the OnCard ESOP may be bought back by the Company or cancelled on such terms as the directors may determine, and may impose restrictions on dealing in securities acquired under the OnCard ESOP (e.g. prohibiting them from being sold or transferred for a period of time), and may amend the terms of the OnCard ESOP (subject to the Corporations Act and ASX Listing Rules), or suspend or terminate it at any time.

Terms of options

The directors of the Company may also determine the terms of options which may be acquired under the ESOP such as the exercise price, any restrictions as to exercise (e.g. vesting conditions), any restrictions as to the disposal or encumbrance of any options or underlying shares once acquired, and the expiry date of options. Other terms of options are as follows:

- (a) An option holder will be entitled to have the number of options, the exercise price of the options and/or the number of shares underlying the options varied in the event of a bonus issue, rights offer or reconstruction of the share capital of the Company, in accordance with the ASX Listing Rules.
-

- (b) The Company is not required to issue any shares following an exercise of options unless the Company can be satisfied that an offer of those shares for sale within 12 months after their issue will not need disclosure to investors under part 6D.2 of the Corporations Act.
- (c) Subject to the Corporations Act and the ASX Listing Rules, no options may be disposed of (e.g. by sale or transfer) until any vesting conditions have been satisfied, and no options may be transferred except in circumstances (if any) permitted by the Company.

A copy of the OnCard ESOP, including the terms of options under the ESOP, may be obtained free of charge from the company secretary by contacting +61 3 8689 9997.

5.3 Parts 2J.2 and 2J.3 of the Corporations Act

Subject to certain exceptions, part 2J.2 of the Corporations Act prohibits a company from taking security over shares in itself. One exception is where security is taken over shares acquired under an employee share scheme (such as the OnCard ESOP) that has been approved by an ordinary resolution of shareholders.

Accordingly, if the OnCard ESOP is approved by shareholders pursuant to resolution 4, the Company will be able to take security over shares in itself where those shares (or rights or interests in them) are acquired by eligible persons under the OnCard ESOP.

The provision of loans by the Company to, or for the benefit of, eligible persons to enable them to acquire shares (or rights or interests in them) in the Company (including by the exercise of options over shares, the issue of new shares or the acquisition of existing shares) will be the provision of financial assistance by the Company for the acquisition of shares (or rights or interests in shares) in the Company. Under part 2J.3 of the Corporations Act, the general rule is that a company may financially assist a person to acquire shares (or rights or interests in shares) in the company only if:

- (a) approved by a special resolution of shareholders; or
- (b) giving the assistance does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors.

However, financial assistance given under an employee share scheme (such as the OnCard ESOP) is exempted provided that the scheme has been approved by an ordinary resolution of shareholders.

Accordingly, if the OnCard ESOP is approved by shareholders pursuant to resolution 4, the Company will be able to provide financial assistance under the OnCard ESOP for the acquisition of shares (or rights or interests in shares) in the Company (including by the exercise of options over shares in the Company) by making loans available for that purpose, in accordance with the terms of the OnCard ESOP.

5.4 Exception 9 of rule 7.2 of the ASX Listing Rules

As noted in section 3.3, rule 7.1 of the ASX Listing Rules requires the Company to obtain shareholder approval if it wishes to issue, or agrees to issue, equity securities in a 12 month period in excess of 15% of the ordinary shares in the Company on issue. However, rule 7.1 is subject to a number of exceptions set out in rule 7.2.

One of the exceptions is where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue: exception 9.

If resolution 4 is passed, shareholder approval for the issue of securities under the OnCard ESOP will be obtained for the purpose of exception 9, which means that any shares or other equity securities issued by the Company under the OnCard ESOP in the following 3 years will not require shareholder approval under rule 7.1 even if the issue were to exceed the 15%

annual limit, and will not erode the Company's capacity under rule 7.1 to issue up to the 15% annual limit.

Exception 9 requires the notice of meeting to include a summary of the terms of the OnCard ESOP, and information about the number of securities issued under the OnCard ESOP since the date of the last approval by shareholders. No shares, options or other securities of the Company have previously been issued under the OnCard ESOP. However, in addition to the proposed issue of 16,000,000 options to directors and other related parties of the Company discussed in sections 6 and 7 of this explanatory statement, the Company has agreed to issue 2,500,000 options to Jane Bennett, who is a senior manager of the Company, in two equal tranches at an exercise price of \$0.21 and \$0.42 respectively and with an expiry date of 3 September 2019.

5.5 Directors' recommendation

As all directors are eligible to participate in the OnCard ESOP, they do not consider it appropriate for them to make a recommendation to shareholders about how to vote on resolution 4 and do not do so.

6. Resolutions 5 to 7 — acquisition of options by directors

6.1 Background

To enhance the board's skills in the areas of branded food products and strategic business development following the Meander Valley acquisition, Rob Woolley and Roger McBain have joined the board as non-executive directors. Rob has also been appointed chairman in place of Hugh Robertson (who remains a non-executive director).

Rob is the chairman of ASX-listed Bellamy's Australia Limited, a branded organic baby food company. He is a former chairman of Tandou Ltd and a board member of Forestry Tasmania and the not-for-profit Tasmanian Leaders Inc. Rob was previously managing director of Webster Limited following over 20 years as a partner of Deloitte.

Roger is currently a partner of Deloitte based in Launceston. Roger is a chartered accountant and will bring broad commercial and financial skills to the board.

As part of these changes, the board has reviewed the remuneration of directors to ensure directors are remunerated fairly and reasonably and at a level which assists the Company to attract and retain appropriately experienced and qualified directors. Having regard to the current emerging stage of the Company's development, the board also considered alternative non-cash remuneration approaches to minimise cash outflows.

Currently, the chairman, Rob Woolley, and the Company's executive director, Tony Robinson, are each paid an annual fee of \$50,000 and each other director is paid an annual fee of \$30,000 (inclusive of superannuation in each case).

In addition to the fees payable to them and subject to shareholder approval, the Company has agreed to issue to Rob Woolley, Roger McBain and Tony Robinson (or their nominees), options to acquire ordinary shares in the Company under the terms of the OnCard ESOP as follows:

The Company has agreed to issue to this director (or his nominee) ...	this number of options for nil consideration ...	each with an exercise price of ...	and which will expire if not exercised by ...
Rob Woolley	4,750,000	\$0.21	3 September 2019
	4,750,000	\$0.42	3 September 2019
Roger McBain	1,250,000	\$0.21	3 September 2019

	1,250,000	\$0.42	3 September 2019
Tony Robinson	1,500,000	\$0.21	3 September 2019
Total	13,500,000		

Each option entitles the holder to acquire 1 new fully paid ordinary share in the Company following exercise and payment of the exercise price of the option at any time before the expiry date, on and subject to the terms of the options. Share issued in consequence of an exercise of options will rank equally from the date of their issue with the existing fully paid ordinary shares in the Company. An option holder is not entitled to acquire shares on the exercise of any options if that acquisition would result in a breach of law.

Further information about the OnCard ESOP and terms of the options are set out in section 5.2 of this explanatory statement.

6.2 Section 208 of the Corporations Act

Section 208 of the Corporations Act states that for a public company to give a financial benefit to a related party, it must obtain shareholder approval (unless an exception applies).

The Company is a public company and Rob Woolley, Roger McBain and Tony Robinson are related parties of the Company as they are directors. If a director decides to nominate another entity to be issued the options, the nominee will also be a related party of the Company because a related party includes spouses and other close relatives of directors and entities controlled by directors and their close relatives. The proposed issue of options constitutes the giving of a financial benefit. The Company is not seeking to rely on any of the exceptions in relation to the issue of options to the directors (or their nominees).

Accordingly, if resolutions 5 to 7 are passed, the Company will be able to give financial benefits to its directors (or their nominees) in the form of the issue of options as proposed.

Valuation of the financial benefit

The Company has engaged Wilson Hanna Pty Ltd (**Wilson Hanna**) to provide an independent expert report to shareholders as to whether the proposed issue of options to directors and other related parties and executives of the Company is fair and reasonable to the shareholders of the Company who are not receiving options. **Wilson Hanna has concluded that the proposed issue is fair and reasonable to the non-related party shareholders.**

As part of its assessment, Wilson Hanna has expressed an opinion on the value of the options.

A copy of the Wilson Hanna report is set out in schedule 1 of this explanatory statement. You are encouraged to read the report in its entirety, including the basis of the valuation set out in section 4.3.7 of the report.

Wilson Hanna has valued the:

- (a) options with an exercise price of \$0.21 at between \$0.016 and \$0.024 each; and
- (b) options with an exercise price of \$0.42 at between \$Nil and \$0.004 each.

Based on the mid-point of the above valuation ranges of \$0.02 for a \$0.21 option and \$0.002 for a \$0.042 option, the value of the options is as follows:

This number of options ...	which the Company has agreed to issue to this director (or his nominee) ...	each with an exercise price of ...	has a mid-point value of ...
4,750,000	Rob Woolley	\$0.21	\$95,000

This number of options ...	which the Company has agreed to issue to this director (or his nominee) ...	each with an exercise price of ...	has a mid-point value of ...
4,750,000		\$0.42	\$9,500
1,250,000	Roger McBain	\$0.21	\$25,000
1,250,000		\$0.42	\$2,500
1,500,000	Tony Robinson	\$0.21	\$30,000
Total			\$162,000

Reasons

The Company has included an issue of options as part of those directors' remuneration because it:

- (a) minimises cash outflows from the Company and frees up additional cash for the Company to deploy in operating and developing the new Meander Valley business and the existing MarketSmart business;
- (b) better aligns the interests of those directors with the interests of shareholders; and
- (c) is designed to incentivise those directors to commit their particular skills and experience to growing and developing the Company's businesses over an extended period of time.

The number and exercise price of the options were determined when the new directors agreed to join the board and at a time when a fully paid ordinary share in the Company was trading on ASX at around \$0.18. The exercise price of \$0.21 for some of the options reflected the estimated net tangible asset backing of a fully paid ordinary share in the Company at that time and the exercise price of \$0.42 for the other options reflected twice that estimated amount.

Based on the last recorded sale price of a share in the Company before the date of this explanatory statement, which was \$0.465, the options would be 'in the money', i.e. the market price of a share is higher than the exercise price payable to acquire it. Even though they may be in the money, the directors consider that the proposed issue of options to Rob Woolley, Roger McBain and Tony Robinson is a fair and reasonable form and quantum of remuneration for them in light of the skills and experience they bring to the Company at this important stage in its development, their duties in the Company and the important contribution they are to make to the Company's future growth.

Alternatives

Given the proposal to issue these options is for the purpose of providing remuneration for the directors of the Company, there is no non-related party alternative which the Company could consider.

Existing interests

As at the date of this explanatory statement, the relevant interests in shares in the Company of Rob Woolley, Roger McBain and Tony Robinson are as set out in section 3.5.

Dilution effect

The issue of options to the directors (or their nominees) will not have any dilutionary effect on shareholders in the Company.

However, if option holders exercise their options and are issued new ordinary shares in the Company, there will be a dilutionary effect on other shareholders. The extent of that dilution will depend on the number of options exercised.

The Company proposes to issue:

- (a) 13,500,000 options to Rob Woolley, Roger McBain and Tony Robinson (see section 6.1)
- (b) 2,500,000 options to Tom Woolley, the son of the Company's chairman (see section 7.1); and
- (c) 2,500,000 options to Jane Bennett, the Company's Head of Strategic Development and General Manager of Dairy (see section 5.4).

If all of these options were exercised and 18,500,000 ordinary shares were issued, the total number of issued shares in the Company would increase by approximately 82% (from 22,530,181 to 41,030,181 - based on the Company's current issued share capital and assuming no shares were issued under the SPP offer, shortfall offer or placement offer the subject of resolutions 2 and 3 and there were no other changes to the issued share capital of the Company). In consequence, each other shareholding in the Company would proportionately decrease by approximately 45%.

If the maximum number of shares which could be offered under the SPP (as assumed in section 3.1) and the maximum number of shares under the placement offer were issued, then assuming no other changes to the issued share capital of the Company the exercise of these options would only result in an increase in the total number of issued shares in the Company of approximately 35% (from 52,158,181 to 70,658,181), and every other shareholding would proportionately decrease by approximately 26%.

Set out below is a table showing the dilutionary effect if all options were exercised and 18,500,000 ordinary shares were issued, and assuming the other changes in the issued share capital of the Company noted in the table:

	Number	Shares underlying options as a percentage of issued shares ¹
A Current issued shares	22,530,181	
B Shares that may be issued due to exercise of options	18,500,000	
A+B	41,030,181	45.09%
C Shares that may be issued under SPP offer	25,128,000	
A+B+C	66,158,181	27.96%
D Shares that may be issued under placement offer	4,500,000	
A+B+C+D	70,658,181	26.18%

1. Percentages rounded to second decimal place

Control of Company

The issue of options to directors (or their nominees) and the acquisition of underlying shares ought not have any significant effect on the control of the Company because an option holder is not entitled to acquire shares on the exercise of any options if that acquisition would result in a breach of law. This would include, for example, an acquisition which would result in a breach of section 606 of the Corporations Act, which prohibits a person acquiring a relevant interest in issued voting shares in a listed company if it would result in that person's or someone else's voting power in the company increasing from 20% or below to more than 20%, unless an exception applies.

6.3 Rule 10.14 of the ASX Listing Rules

Rule 10.14 of the ASX Listing Rules relevantly states that an entity must not permit a director (or an associate of such a director) to acquire securities under an employee incentive scheme (such as the OnCard ESOP) without the approval of holders of ordinary shares.

Rule 10.14 also states that the notice of meeting to obtain shareholder approval must comply with either rule 10.15 or 10.15A of the ASX Listing Rules. The Company has elected to prepare the notice of meeting so that it complies with rule 10.15, and provides the following information for the purpose:

- (a) The maximum number of options which may be acquired by the directors, Rob Woolley, Roger McBain and Tony Robinson, or their nominees, if resolutions 5 to 7 are passed is 13,500,000. Assuming all of those options are exercised and there is no capital reconstruction adjustment under the terms of the options, 13,500,000 fully paid ordinary shares in the Company will be acquired by them.
- (b) No consideration is payable for the issue of the options. The exercise price of 7,500,000 of the options is \$0.21 each and the exercise price of the other 6,000,000 options is \$0.42 each, subject to adjustment for capital reconstructions.
- (c) As the OnCard ESOP was established only recently, it has not previously been approved by the Company's shareholders and no director, associate of a director or other person referred to in rule 10.14 has yet received securities under it.
- (d) Each director of the Company is eligible to participate in the OnCard ESOP, as well as the other directors and employees of the Group and a person who has been made an offer to become such a director or employee. Securities under the OnCard ESOP may also be acquired by an approved nominee of an eligible participant.
- (e) No loan has been given or is proposed to be given by the Company in relation to the acquisition of options under the OnCard ESOP or underlying shares.
- (f) Assuming the relevant shareholder approval is obtained, it is intended that the options will be issued to the directors (or their nominees) within 5 business days from the date of the meeting.

If resolutions 5 to 7 are passed, Rob Woolley, Roger McBain and Tony Robinson (or their nominees) will be able to acquire the options under the OnCard ESOP as proposed. Further, the director or his nominated option holder may acquire fully paid ordinary shares in the Company in consequence of exercising any options in accordance with their terms.

6.4 Rule 7.1 of the ASX Listing Rules

As noted in section 3.3, rule 7.1 of the ASX Listing Rules requires the Company to obtain shareholder approval if it wishes to issue, or agrees to issue, equity securities in a 12 month period in excess of 15% of the ordinary shares in the Company on issue, unless an exception set out in rule 7.2 applies.

One of the exceptions set out in rule 7.2 is where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue: exception 9. Another exception is where shareholders have approved the issue of the securities under rule 10.14 of the ASX Listing Rules: exception 14. Accordingly, if shareholders approve the issue of securities under the OnCard ESOP by passing resolution 4 or give approval under rule 10.14 to the issue of options to Rob Woolley, Roger McBain and Tony Robinson (or their nominees) by passing resolutions 5 to 7, shareholder approval is not required under rule 7.1.

6.5 No other information

Except as described elsewhere in this explanatory statement, there is no information known to the Company or any of its directors about the proposed financial benefit to Rob Woolley, Roger McBain and Tony Robinson that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass resolutions 5 to 7.

6.6 Interests of directors in resolutions 5 to 7

Except as described elsewhere in this explanatory statement, no director of the Company has an interest in the outcome of resolutions 5 to 7.

6.7 Directors' recommendation

Given the resolutions relate to remuneration of directors, the directors do not consider it appropriate for them to make a recommendation to shareholders about how to vote on resolutions 5 to 7 and do not do so.

7. Resolution 8 — acquisition of options by Tom Woolley

7.1 Background

Tom Woolley has recently joined the Company as commercial manager on a part time basis. His annual remuneration is based on \$200,000 (inclusive of superannuation) for a full time role.

In addition to his cash remuneration and subject to shareholder approval, the Company has agreed to issue to Tom Woolley (or his nominee) options to acquire ordinary shares in the Company under the terms of the OnCard ESOP as follows:

This number of options for nil consideration ...	each with an exercise price of ...	and which will expire if not exercised by ...
1,250,000	\$0.21	3 September 2019
1,250,000	\$0.42	3 September 2019
Total 2,500,000		

The other terms of the options are the same as for the options to be issued to the directors referred to in section 6 of this explanatory statement.

7.2 Section 208 of the Corporations Act

As noted in section 6.2, shareholder approval is required under section 208 of the Corporations Act for the Company to issue options to a related party (unless an exception applies). Because Tom Woolley is the son of the Company's chairman, Rob Woolley, he (or his nominee) is also a related party of the Company.

Accordingly, if resolution 8 is passed, the Company will be able to give a financial benefit to Tom Woolley (or his nominee) in the form of the issue of options as proposed.

Valuation of the financial benefit

As noted in section 6.2, the mid-point of Wilson Hanna's valuation range of the options with an exercise price of \$0.21 is \$0.02 and the options with an exercise price of \$0.42 is \$0.002.

Based on the mid-point, the value of the options to be issued to Tom Woolley (or his nominee) is as follows:

This number of options ...	each with an exercise price of ...	has a mid-point value of ...
1,250,000	\$0.21	\$25,000
1,250,000	\$0.42	\$2,500
Total		\$27,500

Reasons

The Company has included an issue of options as part of Tom Woolley's remuneration for similar reasons to the issue of options to directors, namely to minimise cash outflows and free up cash for the Company's businesses, to align his interests with the interests of shareholders and otherwise provide him with an incentive to commit to the Company for an extended period of time.

The number and exercise price of the options were determined when Tom Woolley agreed to join the Company and at a time when a fully paid ordinary share in the Company was trading on ASX at around \$0.18. The exercise price of \$0.21 for half of the options reflected the estimated net tangible asset backing of a fully paid ordinary share in the Company at that time and the exercise price of \$0.42 for the other half reflected twice that estimated amount.

As noted in section 6.2, it may be the case that the options to be issued for \$0.21 would be 'in the money'. Despite that, the directors consider that the proposed issue of options to Tom Woolley is a fair and reasonable form and quantum of remuneration for the reasons given in section 6.2 in relation to the issue of in the money options to directors.

Alternatives

Given the proposal to issue these options is for the purpose of remunerating a related party of the Company, there is no non-related party alternative which the Company could consider.

Existing interests

As at the date of this explanatory statement, Tom Woolley has a relevant interest in 175,000 shares in the Company (which is approximately 0.78% of the Company's issued shares).

Dilution effect

The issue of options to Tom Woolley (or his nominee) will not have any dilutionary effect on shareholders in the Company. However, see section 6.2 for an explanation of the dilutionary effect on other shareholders if those options (and others issued under the OnCard ESOP) are exercised and new ordinary shares in the Company are issued.

Control of Company

The issue of options to Tom Woolley (or his nominee) and the acquisition of underlying shares will not have any effect on the control of the Company because an option holder is not entitled to acquire shares on the exercise of any options if that acquisition would result in a breach of the 20% takeover threshold under section 606 of the Corporations Act.

7.3 Rule 10.14 of the ASX Listing Rules

Rule 10.14 of the ASX Listing Rules relevantly states that an entity must not permit an associate of a director to acquire securities under an employee incentive scheme (such as the OnCard ESOP) without the approval of holders of ordinary shares. As Tom Woolley is the son of Rob Woolley, he (and his nominee) are taken to be associates of a director for the purpose of this rule.

Rule 10.14 also states that the notice of meeting to obtain shareholder approval must comply with either rule 10.15 or 10.15A of the ASX Listing Rules. The Company has elected to prepare the notice of meeting so that it complies with rule 10.15, and provides the following information for the purpose:

- (a) The maximum number of options which may be acquired by Tom Woolley (or his nominee) if resolution 8 is passed is 2,500,000. Assuming all of those options are exercised and there is no capital reconstruction adjustment under the terms of the options, 2,500,000 fully paid ordinary shares in the Company will be acquired by him.
- (b) No consideration is payable for the issue of the options. The exercise price of 1,250,000 of the options is \$0.21 each and the exercise price of the other 1,250,000 options is \$0.42 each, subject to adjustment for capital reconstructions.
- (c) Assuming shareholder approval is obtained, it is intended that the options will be issued to Tom Woolley (or his nominee) within 5 business days from the date of the meeting.

All other information required to be included by rule 10.15 is set out in section 6.3.

If resolution 8 is passed, Tom Woolley (or his nominee) will be able to acquire the options under the OnCard ESOP as proposed. Further, he or his nominated option holder may acquire fully paid ordinary shares in the Company in consequence of exercising any options in accordance with their terms.

7.4 Rule 7.1 of the ASX Listing Rules

As noted in section 3.3, rule 7.1 of the ASX Listing Rules requires the Company to obtain shareholder approval if it wishes to issue, or agrees to issue, equity securities in a 12 month period in excess of 15% of the ordinary shares in the Company on issue, unless an exception set out in rule 7.2 applies.

One of the exceptions set out in rule 7.2 is where shareholders have approved the issue of securities under an employee incentive scheme within 3 years before the date of issue: exception 9. Another exception is where shareholders have approved the issue of securities under rule 10.14 of the ASX Listing Rules: exception 14. Accordingly, if shareholders approve the issue of securities under the OnCard ESOP by passing resolution 4 or give approval under rule 10.14 to the issue of options to Tom Woolley (or his nominee) by passing resolution 8, shareholder approval is not required under rule 7.1.

7.5 No other information

Except as described elsewhere in this explanatory statement, there is no information known to the Company or any of its directors about the proposed financial benefit to Tom Woolley that is reasonably required by shareholders in order to decide whether or not it is in the Company's interests to pass resolution 8.

7.6 Interests of directors in resolution 8

Except as described elsewhere in this explanatory statement, no director of the Company has an interest in the outcome of resolution 8.

7.7 Directors' recommendation

Given the resolution relates to remuneration of his son, Rob Woolley does not consider it appropriate for him to make a recommendation to shareholders about how to vote on resolution 8 and does not do so.

The other directors recommend that shareholders vote in favour of resolution 8 for the reasons set out in this explanatory statement.

8. Resolution 9 — modification of Company's constitution

8.1 Background

The Company's constitution was last amended in 2006.

In the circumstances, the directors propose to adopt a new constitution to replace the existing constitution in its entirety. This is intended to bring the Company's constitution into line with current law and regulation, corporate governance developments and listed company practice.

A summary of the proposed new constitution is set out in schedule 2 of this explanatory statement. Copies of the existing constitution and proposed new constitution may be obtained free of charge from the company secretary by contacting +61 3 8689 9997.

8.2 Principal rights unchanged

The proposed new constitution does not change the principal rights shareholders enjoy under the existing constitution. For example, shareholders will continue to be entitled to:

- (a) receive notice of meetings of the Company;
- (a) attend, speak and vote at meetings (or appoint a proxy or representative to do so);
- (b) receive dividends paid or other distributions made by the Company; and
- (c) participate in any surplus assets of the Company on a winding up.

However, there are differences between the existing constitution and the proposed new constitution.

Some of the differences reflect the age of the existing constitution. For example, in the proposed new constitution outdated references have been updated, such as the change of name of Australian Stock Exchange Limited to ASX Limited and the change of name of the operating rules of ASX's clearing and settlement facility from SCH Business Rules to ASX Settlement Operating Rules.

There are other differences between the constitutions which do not necessarily fall into the above category. For example, from time to time the Company may wish to distribute shares in another company to shareholders, e.g. in lieu of paying a cash dividend. Under the existing constitution, the Company would need to obtain the consent of each shareholder to do so. The new constitution overcomes this requirement by including a power of attorney by which each shareholder appoints the Company as its agent to do anything to give effect to a distribution, e.g. to agree to become a member of the relevant company.

8.3 Proportional takeover approval provision

The proposed new constitution contains (in rule 5.7) a proportional takeover bid approval provision (**Approval Provision**). The existing constitution does not contain a proportional takeover bid approval provision.

If the constitution is adopted, the Approval Provision will enable the Company to refuse to register shares acquired by a bidder under a proportional takeover bid unless a resolution approving the bid (**Approval Resolution**) has been passed at a meeting of shareholders. A proportional takeover bid is an off-market takeover offer sent to all shareholders but only in respect of a specified proportion of each shareholder's shares in the Company. If a shareholder were to accept a proportional takeover bid, the shareholder would dispose of the specified proportion of their shares to the bidder, but would retain the balance of the shareholding.

If a company proposes to adopt a constitution which contains an Approval Provision, the Corporations Act requires the Company to provide certain information to shareholders. The Company provides the following information for this purpose:

Effect of the Approval Provision

If a person makes a proportional takeover bid to a shareholder, the Approval Provision requires the Company's directors to convene a meeting of shareholders to be at least 15 days before the offer period for the bid closes. The purpose of the meeting is to vote on the Approval Resolution. For the Approval Resolution to be passed, more than 50% of the votes validly cast on the resolution must be in favour of the resolution. The bidder and any associates of the bidder are not entitled to vote on the Approval Resolution.

If the Approval Resolution is rejected, all contracts resulting from the acceptance of the offers made by the bidder under the bid will be rescinded and all offers which have not been accepted by shareholders are taken to be withdrawn.

If the Approval Resolution is not voted on within that timeframe, the Approval Resolution is deemed to have been passed. In those circumstances, the Company would be obliged to register transfers of shares acquired by the bidder under the proportional takeover bid (assuming those transfers are otherwise in order for registration). Therefore, shareholders can collectively only prohibit a proportional takeover bid by voting to reject the Approval Resolution.

If the constitution is adopted, the Approval Provision ceases to apply on the 3rd anniversary of the date the constitution was adopted (but it can be renewed with shareholder approval).

Reasons for including the Approval Provision in the constitution

The directors believe it is important for shareholders to have the opportunity to consider and vote on a proportional takeover bid because it may result in:

- (a) the effective control of the Company changing without the shareholders being able to dispose of all of their shares;
- (b) shareholders being left with a minority interest in the Company; and
- (c) control of the Company passing to a person who has not paid an adequate premium to shareholders to obtain that control.

Proposed acquisitions

As at the date of this explanatory statement, none of the directors of the Company is aware of a proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages for directors and shareholders

The directors believe it is to the advantage of shareholders that they have the opportunity to consider and vote on any proposed proportional takeover bid. As the Approval Resolution requires the support of more than 50% of the votes cast by shareholders (excluding the bidder and its associates), having the Approval Provision in the constitution should motivate a bidder to make an offer on terms which are attractive to a majority of shareholders (and potentially on terms superior to those the bidder would have offered had the constitution not contained an Approval Provision). This should result in the terms of the offer being at least fair and reasonable (or potentially superior terms), including a premium for the bidder taking control of the Company.

The directors also believe that it would assist them to be able to ascertain the views of shareholders about any proportional takeover bid.

Potential disadvantages for directors and shareholders

Adopting a constitution which includes the Approval Provision may make the Company a less likely target for a bidder, because a bidder may be less inclined to bid for a company where it will be necessary to obtain shareholder approval of the bid, which is not guaranteed (in addition to having shareholders accept the bid). Some shareholders may also perceive that including the Approval Provision will mean proportional takeover bids are less likely to succeed because the Approval Resolution is an additional 'hurdle' to satisfy. In these circumstances, bidders may be deterred from making proportional takeover bids which may in turn reduce the likelihood of shareholders receiving a premium for ceding control of the Company.

Some shareholders may also consider that the Approval Provision is an unreasonable restriction of their ability to deal with their shares as they see fit. In addition, there will be costs to the Company to convene and hold a meeting each time an Approval Resolution needs to be put to shareholders.

8.4 Section 136 of the Corporations Act

Section 136 of the Corporations Act states that a company may adopt a new constitution by passing a special resolution. A special resolution requires at least 75% of the votes cast by shareholders entitled to vote on the resolution to be in favour of it. Accordingly, if resolution 9 is passed by the required 75% majority, the new constitution will be adopted in place of the Company's existing constitution on the date the resolution is passed.

8.5 Directors' recommendation

The directors recommend that shareholders vote in favour of resolution 9.

9. Resolution 10 — change of Company's name**9.1 Background**

To reflect the Company's investment in, and focus on, the Tasmanian food industry, the Company proposes to change its name to TasFoods Limited.

9.2 Section 157 of the Corporations Act

Section 157 of the Corporations Act states that if a company wants to change its name, it must pass a special resolution adopting a new name and lodge an application with ASIC. Accordingly, if resolution 10 is passed, the Company intends to lodge an application with ASIC to change its name to TasFoods Limited. In anticipation of this change of name, ASIC has advised the Company that it has reserved TasFoods Limited for the Company.

9.3 Directors' recommendation

The directors recommend that shareholders vote in favour of resolution 10.

Schedule 1

Wilson Hanna independent expert report



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21 September 2015

The Directors
Oncard International Limited
Level 7
330 Collins Street
Melbourne VIC 3000

Dear Directors

Independent Expert's Report and Financial Services Guide

1.0 Introduction

On 4 September 2015, Oncard International Limited ("ONC or the "Company") announced its intention to issue options to a number of directors and senior executives under an employee share ownership plan ("ESOP"). The announcement follows the appointments of Mr Rob Woolley and Mr Roger McBain to the ONC Board and Ms Jane Bennett and Mr Tom Woolley as senior executives, and the Company's identification of the food industry as an area for its investment focus.

The Company proposes to issue a total of 18.5 million options ("the Options" or "Proposed Transaction") in various quantities to Ms Jane Bennett, Mr Roger McBain, Mr Tony Robinson, Mr Rob Woolley and Mr Tom Woolley ("Option holders") with two exercise prices. As such, one tranche of 10 million Options have an exercise price of \$0.21, and a second tranche of 8.5 million Options have an exercise price of \$0.42. The exercise period for the Options will expire on 3 September 2019. Shares issued in consequence of an exercise of Options will rank equally from the date of their issue with the existing fully paid ordinary shares in the Company.

Whilst some Option holders are also ONC shareholders, each Option holder has separately agreed to only exercise options to the extent that their interest, together with that of their associates (if any), in ONC does not exceed 20% of the issued share capital.

This report should be considered in conjunction with, and not independently of, the information set out in the Notice of Meeting ("Notice of Meeting") to which this report is attached.

Wilson Hanna's Financial Services Guide is contained in Part Two of this report.

Purpose of the report

The Independent Directors of the Company have engaged Wilson Hanna Pty Ltd ("Wilson Hanna") to prepare an Independent Expert's Report, to assess whether the Proposed Transaction is fair and reasonable based on ASIC Regulatory Guidelines, Corporations Act and as a matter of good practice. This report is prepared for the ONC shareholders who do not hold Options under the Proposed Transaction ("Non-Related Party Shareholders").

Chapter 2E of the Corporations Act and ASIC Regulatory Guide 76 apply to related party transactions. Specifically, Section 208 requires shareholder approval for financial benefits to related parties. A company is required to seek shareholder approval before giving a financial

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benefit to a related party. Mr Rob Woolley, Mr Roger McBain and Mr Tony Robinson are considered related parties by virtue of the fact that they are current directors of ONC. Additionally, Mr Tom Woolley is defined as a related party because he is the son of Mr Rob Woolley.

ASIC's Regulatory Guidelines aim to improve the disclosures around related party transactions. Regulatory Guide 76 "Related Party Transactions" ("RG 76") states that an independent expert report may be necessary where:

- The financial benefit is difficult to value;
- The transaction is significant from the point of view of the entity. Furthermore RG 76.112 states that "a transaction may be considered to be significant if it involves a change of strategic direction... for reasons other than the dollar amount involved"; or
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

The independent directors have engaged Wilson Hanna due to the significance of the Proposed Transaction and because some of the parties who are to be granted Options are related parties.

The independent expert's report sets out whether, in Wilson Hanna's opinion, the Proposed Transaction is fair and reasonable to the Non-Related Party Shareholders of the Company. This letter contains a summary of Wilson Hanna's opinion and main conclusions.

2. Summary of Opinion

In our opinion, the Proposed Transaction is fair and reasonable.

In forming our opinion, we had regard to whether the benefits under the Proposed Transaction are fair and reasonable to the Non-Related Party shareholders. The principal matters we have taken into consideration in forming our opinion are summarised below.

Is the Proposed Transaction fair?

In arriving at our assessment, we have considered;

- The theoretical value of the Options being between \$166k and \$270k;
- The market value and historical trading range of ONC shares up to the date of the announcement;
- The underlying assets of the Company before the Proposed Transaction; and
- The financial position of the Company under differing future ONC share price scenarios.

As at 3 September 2015, the underlying net assets of ONC were approximately \$0.21 per share. On the basis that the Option holders only benefit where the ONC share price is above \$0.21 per share, we conclude that the Proposed Transaction is fair to the Non-Related Party Shareholders.

Is the Proposed Transaction Reasonable?

In accordance with the Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111, 'Content of Expert's Reports' ("RG111"), an offer is reasonable if it is fair. We have also separately considered a range of factors that relate to the reasonableness of the Proposed Transaction.

The reasons for the Proposed Transaction

- Alternate investment opportunities for ONC are potentially limited due to its finite cash resources. Accordingly, it is likely that any proposal to attract new businesses with strong leadership is likely to require ONC to provide equity upside.
- The issue of options preserves the limited cash of ONC and provides an incentive for experienced personnel with a proven track record to generate shareholder value.



- Whilst the Option holders have the potential to convert options such that they hold a maximum of 20% of the Company, the directors believe this quantum of options is required in order to incentivise the calibre of Mr Rob Woolley and Ms Jane Bennett and other Option holders given their experience and track record.
- Whilst the number of the Options to be issued under the Proposed Transaction is significant, the value of the Options collectively is up to \$270k. This value is to be shared between five senior executives, the primary beneficiary of which (9.5m Options) is Mr Rob Woolley. However, when considered together with Mr Woolley's \$50k in directors fees, this total remuneration does not appear unreasonable given his experience. We also note the other ONC Director's fees range between \$30k and \$50k per annum.
- The Company has explored a range of potential investment alternatives and has also engaged in discussions with a number of parties regarding these opportunities. The Proposed Transaction is considered by the directors of ONC to be the most attractive proposal and has progressed it sufficiently such that it can be presented to shareholders, following the announced closure and sale of the former principal businesses in January 2015.

The financial effect of the Proposed Transaction including consideration of impact of the Proposed Transaction on the underlying net assets of the Company

- The Proposed Transaction provides an incentive for the Option holders to increase value for Non-Related Party Shareholders. The Option holders would exercise the Options where ONC's share price increases above \$0.21 per share for the first tranche of options, and above \$0.42 per share for the second tranche.

The advantages of the Proposed Transaction

- The Option holders are motivated to perform to increase the value of the business beyond \$0.21 per share (being the exercise price of the Tranche 1 Options).
- The Proposed Transaction provides an opportunity to participate in a new sector with growth prospects, being led by an experienced competent management team with a strong and successful track record.
- Option holders' interests are aligned with Non-Related Party Shareholders.

The disadvantages of the Proposed Transaction

- The downside risk of the Proposed Transaction failing to increase the share price above \$0.21 per share is borne principally by the Non-Related Party Shareholders. We note that whilst the underlying net assets of the business currently equate to approximately \$0.21 per share, the Company's ongoing losses are gradually consuming its cash reserves.
- In the event the Option holders leave the Company, the ONC share price may be constrained until the Options are either exercised or lapse.

If the Proposed Transaction is Not Approved

- Should the Proposed Transaction not proceed, ONC may have to alter its remuneration package to each Option holder to retain his or her services. This may impact directly on the cash reserves of ONC.

Based on the factors identified above, it is our opinion that on balance, the ONC shareholders are better off, or at least no worse off, if the Proposed Transaction proceeds. Accordingly, Wilson Hanna has concluded that the Proposed Transaction is **reasonable** to the ONC shareholders.



Tax Considerations

Shareholders should seek their own independent taxation advice in relation to the effect of the Proposed Transaction.

Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of the Company's individual shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should also read the Notice of Meeting issued by ONC in relation to the Proposed Transaction.

Acceptance or rejection of the Proposed Transaction is a matter for individual shareholders, based on their own views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in the Company. This is an investment decision independent of a decision on whether to vote for or against the Proposed Transaction upon which Wilson Hanna does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

Wilson Hanna has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is set out in Part Two of this report.

This letter is a summary of Wilson Hanna's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
WILSON HANNA PTY LTD

A handwritten signature in black ink, appearing to read "Martin Toll".

MARTIN TOLL
Director

A handwritten signature in black ink, appearing to read "John Patton".

JOHN PATTON
Director



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Part One – Independent Expert's Report

1 The Proposed Transaction

On 4 September 2015, Oncard International Limited ("ONC or the "Company") announced its intention to issue options to a number of directors and senior executives under an employee share ownership plan ("ESOP"). The announcement follows the appointments of Mr Rob Woolley and Mr Roger McBain to the ONC Board and Ms Jane Bennett and Mr Tom Woolley as senior executives, and the Company's identification of the food industry as an area for its investment focus.

The Company proposes to issue a total of 18.5 million options (the "Options" or "Proposed Transaction") in various quantities to Ms Jane Bennett, Mr Roger McBain, Mr Tony Robinson, Mr Rob Woolley and Mr Tom Woolley ("Option holders") with two exercise prices. As such, one tranche of 10 million Options have an exercise price of \$0.21, and a second tranche of 8.5 million Options have an exercise price of \$0.42. The exercise period for the Options will expire on 3 September 2019. Shares issued in consequence of an exercise of Options will rank equally from the date of their issue with the existing fully paid ordinary shares in the Company.

Whilst some Option holders are also ONC shareholders, each Option holder has separately agreed to only exercise options to the extent that their interest, together with that of their associates (if any), in ONC does not exceed 20% of the issued share capital.

The Directors believe that the Proposed Transaction will provide sufficient incentive to Mr Rob Woolley, Ms Jane Bennett and other Option holders to lead the Company's new strategic direction to the mutual benefit of all shareholders.

2 Scope of the Report

2.1 Purpose

The Independent Directors of the Company have engaged Wilson Hanna Pty Ltd ("Wilson Hanna") to prepare an Independent Expert's Report, to assess whether the Proposed Transaction is fair and reasonable based on ASIC Regulatory Guidelines, Corporations Act and as a matter of good practice. This report is prepared for the ONC shareholders who do not hold Options under the Proposed Transaction ("Non-Related Party Shareholders").

The independent directors have engaged Wilson Hanna due to the significance of the Potential Transaction and because some of the parties who are to be granted Options are related parties.

2.2 Regulatory requirements

The Proposed Transaction is subject to the approval of the Non-Related Party Shareholders of the Company in accordance with Section 208(1) of the Corporations Act. Section 208 of Chapter 2E of the Corporations Act requires a company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception.

"Related party" is defined in section 228 of the Corporations Act. Mr Rob Woolley, Mr Roger McBain and Mr Tony Robinson are considered related parties by virtue of the fact that they are current directors of ONC. Additionally, Mr Tom Woolley is defined as a related party because he is the son of Mr Rob Woolley.

A "financial benefit" is broadly defined in Section 229 of the Corporations Act, and includes



issuing securities or granting an option to a related party. Accordingly, the Proposed Transaction constitutes the giving of a financial benefit.

Regulatory Guide 76 "Related Party Transactions" ("RG 76") states that it may be necessary for entities to include a valuation from an independent expert, to accompany the notice of meeting for member approval under Chapter 2E of the Corporations Act where:

- The financial benefit is difficult to value;
- The transaction is significant from the point of view of the entity. Furthermore RG 76.112 states that "a transaction may be considered to be significant if it involves a change of strategic direction... for reasons other than the dollar amount involved"; or
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

Through seeking the approval of shareholders for the Proposed Transaction, ONC is also complying with Chapters 7 and 10 of the ASX listing rules regarding a restriction on the issue of securities to 15% of capital and issuing shares to directors under an ESOP.

2.3 Basis of assessment

The Corporations Act does not define the meaning of "fair and reasonable". In preparing our report, Wilson Hanna has had regard to the Regulatory Guides issued by the Australian Securities and Investments Commission ("ASIC"). In particular, RG 111 provides guidance in relation to independent expert's reports.

In paragraph 56 of RG 111, ASIC states that where an expert assesses whether a related party transaction is 'fair and reasonable', this test should not be applied as a composite test and that there should be a separate assessment of whether the transaction is 'fair' and 'reasonable'.

Fairness is a more demanding test. A 'fair' proposal will always be 'reasonable' but a 'reasonable' proposal may not necessarily be 'fair'. A proposed related party transaction could be considered 'reasonable' if there were valid reasons to accept or vote in favour notwithstanding that it was not 'fair'. In deciding whether a proposed transaction is 'reasonable', RG 111 sets out additional factors that an expert might consider, including:

- Whether the Proposed Transaction is fair;
- The reasons for the Proposed Transaction;
- The alternative options available; and
- The financial effect of the Proposed Transaction and its effect on the Non-Related Party Shareholders interests;
- The advantages and disadvantages of the Proposed Transaction.
- The implications to the Company and the Non-Related Party Shareholders if the Proposed Transaction is not approved;



2.4 Limitations and Reliance on Information

This report and opinion is 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.

Wilson Hanna has prepared this report on the basis of financial and other information provided by the Company and publicly available information. Wilson Hanna has considered and relied upon this information. Wilson Hanna has no reason to believe that any information supplied by the Company was false or that any material information has been withheld. Wilson Hanna has evaluated the information provided by the Company and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Wilson Hanna has audited any information supplied to us, or has in any way carried out an audit on the book of accounts or other records of the Company.

This report has been prepared to assist the Company and its shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Wilson Hanna's opinion as to whether the Proposed Transaction is fair and reasonable.

The Company has indemnified Wilson Hanna, its officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by the Company, which the Company knew or should have known to be false and/or reliance on information, which was material information the Company had in its possession and which the Company knew or should have known to be material and which the Company did not provide to Wilson Hanna. The Company will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

3 Company Overview

3.1 History

Historically, ONC's principal activity has been the provision of Loyalty and Payment & Rewards solutions. However, there has been a significant change in these activities with various operations being closed and various activities being sold since 1 January 2015, resulting in \$49.5m being distributed back to ONC shareholders through dividends and a share buy back.

Other than the residual operations which have been closed down and are being disposed, ONC retains the MarketSmart loyalty system as its sole remaining business. MarketSmart's sole customer has advised the Company that its services were no longer required beyond 30 June 2015. Management are continuing to invest in the business and work to identify new opportunities regarding this business.

3.1.1 New strategic direction

On 4 September 2015, ONC announced that it had acquired a branded food products business with the name Meander Valley Dairy for \$2.1m. This represents the Company's first foray into its chosen new strategic direction of food manufacturing and distribution.



Additionally ONC announced the appointment of a team of experienced food industry executives to drive the new business including two new directors and two new executives. ONC are confident that there are material opportunities to both grow Meander Valley's business and expand into other food businesses. ONC continues to look for other acquisitions in this area.

Two key members of the new executive team and an overview of their credentials are set out below

Mr Rob Woolley is the chairman of ASX listed Bellamy's Australia Limited, a branded organic baby food company with a market capitalisation of approximately \$700m. Mr Woolley is also a former chairman of Tandou Ltd, a board member of Forestry Tasmania and was a director of Webster Limited for over 20 years.

Ms Jane Bennett is a former managing director of Ashgrove Cheese, one of Australia's leading premium dairy brands. Jane also chaired the Tasmanian Food Industry Council and was a board member of Brand Tasmania Council for over 10 years. As a non executive director Jane has previous directorships with CSIRO, Australian Broadcasting Commission, Van Diemen's Land Company and Tasmanian Ports Corporation.

3.2 Financial Overview

3.2.1 Balance Sheet Performance

The reported consolidated financial position of ONC as at 30 June 2015 is summarised below.

ONC Balance Sheet History	2015 \$A'000
Balance Sheet	
Cash and Cash equivalents	5,351
Trade and other receivables	44
Other current assets	78
Total Assets	5,473
Trade and other payables	586
Provisions	200
Total Liabilities	786
Net Assets	4,687

Source: ONC Half Year Reports (Audited)

The net assets as disclosed in ONC's audited half year accounts at 30 June 2015 were \$4,687m or \$0.2246 per share. ONC has incurred cumulative losses of approximately \$0.12m or \$0.006 per share from the July and August trading period.

3.3 Capital Structure

The Company has approximately 20,863,514 ordinary shares on issue as at 30 June 2015. As at 31 December 2014, ONC had 174,572,890 ordinary shares on issue, but undertook a share buyback of 153,709,376 ordinary shares to return capital to ONC shareholders on 26 June 2015. There are no other classes of shares or options that have been issued by the Company.



3.4 Recent Trading on ASX

A summary of the recent trading history of ONC shares is set out below;

Mth end	Highest price A\$/Share	Lowest price A\$/Share	Closing price A\$/Share	Volume Traded (000's)
Oct 14	0.215	0.195	0.215	1,597
Nov 14	0.230	0.220	0.230	1,502
Dec 14	0.260	0.200	0.260	7,961
Jan 15	0.290	0.250	0.290	6,841
Feb 15	0.300	0.200	0.200	13,741
Mar 15	0.210	0.200	0.210	1,198
Apr 15	0.220	0.190	0.210	6,486
May 15	0.220	0.210	0.220	3,499
Jun 15	0.200	0.150	0.180	4,837
Jul 15	0.200	0.180	0.180	1,017
Aug 15	0.220	0.150	0.150	1,736
Sept 15**	0.160	0.150	0.150	13
TOTALS				50,428
Source: ASX				

** Trading up to and including 3 September 2015 being the date prior to the announcement.

The ONC share price has traded in the range of \$0.15 to \$0.30 since October 2014. ONC declared a dividend of \$0.09 per share with a record date of 23 February 2015. Accordingly, the trading history above includes the pre dividend trading period.

Furthermore, ONC's VWAP prior to the announcement;

- 30 day VWAP of \$0.1812;
- 60 days VWAP of \$0.1827 and
- 90 days VWAP of \$0.1845.

4 Evaluation of the Proposed Transaction

4.1 Summary

The Options have a theoretical value of between \$166k and \$270k. Set out below is the methodology, workings and other factors in determining the theoretical value of the Options.

4.2 Valuation Methodology

There are a number of accepted valuation methodologies available with which to value options over shares in a company. The most commonly used of these models is the Black-Scholes Option Valuation Model and the Binomial Option Pricing Model which value an option based on a model of the behaviour (log normal variation). The value of an option is then calculated as an output of the following:

- The current market value of the underlying asset (shares)
- The exercise price of the option
- The time to expiry of the option
- The prevailing level of the risk free interest rate



- The expected volatility of the value of the underlying asset (share) over the period until the expiry of the option
- The level of dividends expected to be paid on the asset (share) in the period until the expiry of the option and their timing.

The Black-Scholes Option Valuation Model is not designed to take into account dividends expected to be received on the underlying shares. However, as ONC is seeking to further expand in the food industry over the next few years, the directors currently believe it is unlikely the Company will pay a dividend prior to the expiry of the Options. Accordingly, we have considered the value of the Options under both the Black-Scholes and Binomial Option Pricing Models.

4.3 Valuation of Proposed Transaction

Set out below is each determinant of an option's value.

4.3.1 The current market value of the underlying asset

Under the terms of the Proposed Transaction, the Option holders will receive one ordinary share in ONC for every option exercised. Ordinary shares issued in consequence of an exercise of the Options will rank equally from the date of their issue with the existing fully paid ordinary shares in ONC.

We have considered the net assets of ONC as at 30 June 2015 of \$4.687 million or \$0.225 per share. We have also considered the cumulative losses from the July and August management accounts for the business (approximately \$0.12m or \$0.006 per share). We have also allowed for realisation costs, notwithstanding the main asset is cash and cash equivalents. For the purposes of this report, we have adopted an underlying value for ONC shares equal to \$0.21 per share.

We note that Option holders have entered into an agreement with the Company such that they, together with that of their associates (if any), can only exercise Options under the ESOP to the extent that their interest does not exceed 20% in ONC. Accordingly, we have valued the Options on a non control basis.

4.3.2 The exercise prices and expiry dates of the Options.

Under the terms of the Proposed Transaction, the Options vest immediately and are exercisable at any time over four years from the date of issue. The two tranches of Options are as follows:

- Tranche 1 - 10m Options exercisable at \$0.21
- Tranche 2 - 8.5m Options exercisable at \$0.42

4.3.3 The risk free interest rate

The risk free rate used to value an option is generally defined to be the interest rate on government bonds of maturity equivalent to the term of the option because a call option holder will not have to pay the exercise price until the call option is exercised. The present value of the exercise price is therefore less than the exercise price due to the time value of money. The reason being, the call option holder can invest the cash, which would otherwise be needed to exercise the option, "risk free" until the expiry or exercise of the option.

For the purpose of our valuation, we have adopted a risk free rate of 1.9% per annum being the yield at the close of business on 3 September 2015 on Australian Government Treasury Bonds whose maturity date provides the closest approximation to the expiry date of the Options being valued.



4.3.4 Volatility

Option pricing models require estimation of the future volatility of the underlying ONC ordinary shares.

Volatility is a measure of the level of fluctuation in the value of the underlying asset. The volatility is measured as the standard deviation of the underlying asset's returns. The more volatile the underlying asset's returns, the higher the value of the option. This is because the more volatile the underlying asset's returns, the greater the value associated with the outcomes where the option price exceeds the exercise price at expiry.

In order to estimate the future volatility of a share, its historical volatility over the term of the option is often used as a guide because it is often not possible to measure future volatility. However, volatility measured on an historical basis will not necessarily reflect future volatility, particularly where the Company is in the process of transitioning from the financial services sector to the food sector in which the Company has no track record. Additionally, market volatility generally may have changed and different investors may have different expectations about future volatility. In the current environment, the most appropriate measure of volatility would be the expected future volatility of ONC shares to potential purchasers of the Options.

ASX Volatility

The S&P/ASX 200 VIX is a widely used measure of volatility conveyed by S&P 500 stock index prices. The annualised standard deviation percentage varied between 9% and 29% over the period August 2012 to August 2015, and peaked in August 2015 at 29%.

Consumer Staples Sector Volatility

The historical volatility rates for ASX listed food companies based over a four year share trading period range between 29% and 68% as follows:

ASX Consumer Staples Sector			
Company Name	ASX Ticker	Mkt Cap \$m	Historic Volatility % per annum
Australian Agricultural Company	AAC	680	44.3
Asaleo Care	AHY	1,078	29.9
Bega Cheese	BGA	674	46.7
Coca Coal Amatil	CCL	6,444	36.3
Graincorp	GNC	1,796	61.8
Metcash	MTS	965	67.9
Select Harvest	SHV	768	67.8
Tassal Corporation	TGR	561	49.2
Treasury Wine Estates	TWE	3,878	64.9
Wesfarmers	WES	44,208	30.7
Woolworths	WOW	31,937	32.3

The above table of historical volatility rates of consumer staple sector companies reflects:

- The volatility experienced in the food sector over the past four years
- The continuing impact of the global financial crisis and its aftermath. In this regard, we note the S&P/ASX 200 Consumer Staples Index, for food manufacturers and distributors, has traded within the range 7,011 to 10,578 over the 5 years September 2015.



ONC Historic Volatility

The volatility of ONC shares over the four year period prior to announcement of the Proposed Transaction ranged between 23% and 66% each year. We note this period includes the substantial capital returns to shareholders through the share buy back and dividend mechanisms.

Volatility Factor Conclusion

The above volatility estimates of the ASX 200, Consumer Staples sector and ONC shares are based on the movement of listed company share prices. Empirical evidence indicates that such share prices are significantly more volatile than changes in the full underlying value of a company. In part, this reflects the fact that the listed market price of a company's shares is impacted by factors like investors perception of risk, liquidity preference, short term buying and selling pressure etc. However, the Option Pricing Model uses expected future volatility.

Based on the above, we have adopted a future volatility rate range of between 15% and 25% per annum based on the underlying asset value of the Company, the Company's share price at the time of the announcement and the Company's VWAP and trading range over the last 12 months.

4.3.5 Dividends

We have assumed that no dividend will be paid by ONC prior to the end of the expiry period of the Options based on discussions with the directors.

4.3.6 Discount for lack of marketability

The Black-Scholes and Binomial Option Pricing Models assume no restrictions on the transferability or negotiability of options.

The Options under the Proposed Transaction are not transferable without director approval. In addition, it would be difficult to sell the Options, as they are not listed on any stock exchange. As a result the Option holder, is likely to either:

- Incur significant costs, delays and potential price discounts in order to sell the Options; or
- Exercise the Options in order to crystallise any value from them. We note that the value of ONC shares would need to increase above \$0.21 before the Options would be worth exercising.

Consequently, in our opinion, it is appropriate to apply a significant discount to reflect the lack of marketability of the Options. We have applied a discount for the lack of marketability of 50% based on the restricted transferability, and the four year term of the Options.

4.3.7 Valuation

The value of each Option under the Black-Scholes Option Valuation Model and the Binomial Option Pricing Model (assuming a volatility factor of 15% and 25%), is as follows:



Option Value Calculation Summary	Tranche 1 15% \$	Tranche 1 25% \$	Tranche 2 15% \$	Tranche 2 25% \$	Total 15% \$	Total 25% \$
Value Before discount (Black Scholes)	0.033	0.048	0.001	0.007	0.033	0.055
Value before discount (Binomial)	0.034	0.049	0.000	0.005	0.034	0.054
Adopted Value	0.033	0.048	0.001	0.007	0.033	0.055
Less discount for marketability	0.016	0.024	0.000	0.004	0.017	0.028
Fair value per Option	0.016	0.024	0.000	0.004	0.017	0.028
Total value of Option (\$)	163,000	240,000	2,550	29,750	165,550	269,750

* All calculations rounded to 3 decimal points

We have considered the net assets of ONC as at 30 June 2015 of \$4.687 million or \$0.2246 per share. We have also considered the cumulative losses from the July and August management accounts for the business, and allowed for realisation costs. For the purposes of this report, we have adopted a value for ONC shares equal to the underlying asset value of \$0.21 per share as at 3 September 2015.

Inherent in the theoretical value of the Options is:

- Time value (have a four year term)
- Each Option holder may exercise their rights to acquire ONC shares up to a maximum of 20%
- Option holders are provided with a financial benefit in the form of an interest free loan

Notwithstanding the above, at a share price above \$0.21 both the Option holders and the Non-Related Party Shareholders benefit, and accordingly Option holders and Non-Related Party Shareholders interests are aligned. In the event the share price falls below \$0.21, this risk is essentially borne by the Non-Related Party Shareholders primarily.

The Options have a theoretical value of between \$166k and \$270k.

4.3.8 Other Considerations

ONC share price

Wilson Hanna has been asked to consider whether the Proposed Transaction is fair and reasonable at the time of the announcement on 4 September 2015. Post announcement (between the 4th and the date of this report) the ONC share price has traded between \$0.21 and \$0.45. However we consider:

- ONC's share price post announcement reflects shareholder expectations of future performance rather than financial results achieved.
- That underlying net assets of the ONC business are approximately \$0.21 per share, being largely unchanged from that reported in ONC's 30 June 2015 half year accounts, together with subsequent trading losses.
- Our opinion is based on the information available prior to the announcement of the Proposed Transaction as at the close of business on 3 September 2015.

Option holder details

The Proposed Transaction grants options to the following directors and senior executives:

Tranche 1 – 10m Options exercisable at \$0.21

Ms Jane Bennett – 1.25m
 Mr Roger McBain – 1.25m
 Mr Tony Robinson – 1.5m
 Mr Rob Woolley – 4.75m
 Mr Tom Woolley – 1.25m



Tranche 2 – 8.5m Options exercisable at \$0.42

Ms Jane Bennett – 1.25m
 Mr Roger McBain – 1.25m
 Mr Rob Woolley – 4.75 m
 Mr Tom Woolley – 1.25m

Both tranche 1 and 2 vest immediately under the Proposed Transaction. We also note that Option holders, or entities associated with Option holders, also hold a relatively small number of ordinary shares in ONC.

Impact of Proposed SPP and Placement

In the Notice of Meeting, ONC is proposing to raise approximately \$7.053m through a Share Purchase Plan ("SPP") of \$5.928m and a placement of \$1.125m. Both the SPP and placement are proposed at \$0.25 per ONC share. The SPP offers each shareholder the opportunity to acquire up to \$6k of additional shares. For the purpose of this report we have assumed there are 988 ONC shareholders, who take up their full entitlement under the SPP in full, which results in approximately 23.7m shares or \$5.928m being raised under the SPP. Additionally ONC is issuing shares as part consideration to the vendors of the branded food products business (Meander Valley Dairy).

The table below sets out the impact of the Proposed Transaction on the Non-Related Party shareholders assuming all of proposed changes to ONC's share capital are successfully implemented. Furthermore, we have illustrated this impact using three different future ONC share price scenarios;

- Scenario 1 – Where the ONC share price remains at \$0.21.
- Scenario 2 – Where the ONC share price increases to \$0.42.
- Scenario 3 – Where the ONC share price increases to \$0.50.

There are a number of key assumptions in the following illustrative table including;

- ONC shareholders participate fully under the SPP, and that the placement is successful;
- The future market price reflects that the market is fully informed, particularly regarding the two tranches of Options and the respective exercise price of the Options; and
- The share price reflects value inherent in ONC shares above the net asset value of the business.

Under the Proposed Transaction, Option holders benefit if the ONC share price increases beyond \$0.21 per share. Thus the Proposed Transaction is similar to rewarding key people with a financial benefit where the business value increases. For example, if the share price doubles key people may be rewarded with a bonus.

In the event the ONC share prices rises above \$0.21 and the Option holders exercise their Options, the Non-Related Party shareholders would be better off, because conversion of the Options raises further capital notwithstanding the ONC share price gain is diluted to the extent of the converting shareholders. We have set out the impact in the table below;



ONC future share price scenarios	Scenario 1 Share Price \$0.21	Scenario 2 Share Price \$0.42	Scenario 3 Share Price \$0.50
No. of shares on issue	20,863,514	20,863,514	20,863,514
No. of shares issued to Meander Valley vendors	1,666,667	1,666,667	1,666,667
Placement	4,500,000	4,500,000	4,500,000
SPP issue	23,712,000	23,712,000	23,712,000
No. of shares post SPP and placement	50,742,181	50,742,181	50,742,181
Shares converted under Proposed Transaction**	-	10,000,000	18,500,000
Total number of issued shares	50,742,181	60,742,181	69,242,181
ONC Market Capitalisation (\$)	10,655,858	25,511,716	34,621,091
Gross Gain to ONC shareholders (\$)	-	14,855,858	23,965,232
OPTIONS			
Gain on conversion Tranche 1 Options (\$)	-	2,100,000	2,900,000
Gain on conversion Tranche 2 Options (\$)	-	-	680,000
Total Gain on conversion of Options (\$)	-	2,100,000	3,580,000
Non-Related Party Shareholders gain post Options (\$)	-	12,755,858	20,385,232

** assumes 20% restriction on each Option holder is not breached and all SPP entitlements taken up.

Scenario 1 - Where the share price remains at \$0.21

Scenario one demonstrates that the Non-Related Party Shareholders should be no worse off under the Proposed Transaction where the future ONC share price remains at \$0.21.

Scenario 2 - Where the share price increases to \$0.42.

Scenario two demonstrates that if the ONC share price increased to \$0.42, an increase of approximately \$14.9m in value would accrue to ONC shareholders compared to Scenario 1. At \$0.42 per share, it is assumed the Option holders would convert all 10m tranche 1 Options and gain \$2.1m in total (\$0.21 per share). We note Option holders would contribute \$2.1m in cash to ONC in order to exercise the tranche 1 Options.

Scenario 3 - Where the share price increases to \$0.50.

Scenario three demonstrates that if the ONC share price increased to \$0.50, an increase of approximately \$24m in value would accrue to ONC Shareholders compared to Scenario 1. At \$0.50 per share, it is assumed the Option holders would convert all 18.5m tranche 1 and tranche 2 Options and gain \$3.58m in total. That is, \$2.9m on tranche 1 (10m at \$0.29) and \$0.68m (8.5m at \$0.08). The Option holders would contribute \$5.57m in cash to ONC in order to exercise both tranche 1 and tranche 2 Options.

We note that under the Proposed Transaction, should the Company share price fall below \$0.21 per share, all other things being equal, there is no downside to the Option holders other than their investment of time.

5 Opinion

5.1 Conclusion

In Wilson Hanna's opinion, the proposed Transaction is **fair and reasonable**. Notwithstanding the Options have a theoretical value of between \$166k and \$270k, as a benefit accrues to the Option holders if the ONC share price increases above \$0.21 per share. Accordingly, we conclude that the Proposed Transaction is fair. Additionally, as the Proposed Transaction is fair it is also reasonable.



5.2 Fairness of the Proposed Transaction

In considering the fairness of the Proposed Transaction we have considered;

- The theoretical value of the Option of between \$166k and \$270k.
- The net assets of ONC as at 30 June 2015 of \$4.687m or \$0.2246 per share and cumulative losses for July and August 2015.
- The ONC market price and share price trading range of ONC since October 2014.
- The impact primarily on the Non-Related Party Shareholders of an increase in the ONC share price above \$0.21

We have concluded that as Option holders benefit if ONC share price increases above \$0.21 per share, that the Proposed Transaction is fair.

5.3 Reasonableness of the Proposed Transaction

We also note that pursuant to RG 111, the Proposed Transaction is reasonable if it is fair. In our assessment of the Proposed Transaction, we have also considered the following factors:

- Whilst the Option holders have the potential to convert options such that they hold a maximum of 20% of the Company, the directors believe this level of incentive is required in order to incentivise the calibre of Mr Rob Woolley and Ms Jane Bennett and other Option holders given their experience and track record.
- The Proposed Transaction provides an incentive for the Option holders to increase value primarily for Non-Related Party Shareholders. The Option holders benefit if the ONC share price increases above \$0.21 per share.
- The Company has explored a number of potential investment opportunities and engaged in discussions with a number of parties. The Proposed Transaction is the most attractive proposal that has progressed sufficiently such that it can be presented to shareholders since the announced closure and sale of the principal former ONC businesses in January 2015.
- The downside risk of the Proposed Transaction failing to increase the ONC share price above \$0.21 per share would primarily be borne by the Non-Related Party Shareholders. The Option holders participate in any upside beyond the exercise price of the Options.
- We understand that the reasons for the Proposed transaction is to attract and incentivise Mr Rob Woolley and Ms Jane Bennett and other senior executives. We have considered the experience, track record of the grantee Option holders. It provides an opportunity for shareholders to participate in a new sector with growth prospects, being led by an experienced team with a successful track record. The Proposed Transaction provides an incentive for the Option holders to increase value primarily for Non-Related Party Shareholders.
- Whilst the number of the Options to be issued under the Proposed Transaction is significant, the value of the Options collectively is up to \$270k. Whilst the value is to be shared between five senior executives, the primary beneficiary of which (9.5m Options) is Mr Rob Woolley. However, when considered together with Mr Woolley's \$50k in directors fees, this total remuneration does not appear unreasonable given his experience. We also note the other ONC directors fees range between \$30k and \$50k per annum.
- Alternate investment opportunities for ONC are potentially limited due its finite cash resources. Accordingly, it is likely that any new proposal to attract new businesses with strong leadership is likely to require equity upside to be offered.



- The Option holders are motivated to perform because they benefit if the value of the business increases beyond \$0.21 per share, being the exercise price of their options.
- It provides an opportunity for shareholders to participate in a new sector with growth prospects, being led by an experienced competent management team with a strong track record.
- Option holder's interests are aligned with Non-Related Party Shareholders.
- The downside risk of the Proposed Transaction failing to increase the share price above \$0.21 per share would primarily be borne by the Non-Related Party Shareholders. Whilst the underlying net assets of the business are currently approximately \$0.21 per share, the Company's ongoing losses are gradually consuming its cash reserves.
- Should the Proposed Transaction not proceed, ONC may have to alter its remuneration package to retain the services of the Option holders that may impact directly on the cash reserves.

Based on the factors identified above, it is our opinion that on balance, the shareholders are better off, or at least no worse off, if the Proposed Transaction proceeds.

Accordingly, Wilson Hanna has concluded that the Proposed Transaction is **reasonable** to the ONC shareholders.

5.4 Shareholder Decision

The decision whether to vote for or against the Proposed Transaction is a matter for individual shareholders based on each shareholder's view as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. If in any doubt as to the action they should take in relation to the Proposed Transaction, shareholders should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in the Company. This is an investment decision independent of a decision on whether to vote for or against the Proposed transaction upon which Wilson Hanna does not offer an opinion. Shareholders should consult their own professional adviser in this regard.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual ONC shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should also read the Notice of Meeting issued by the Company in relation to the Proposed Transaction.

5.5 Other Matters

The Appendices also form part of this report. Additionally, Wilson Hanna has prepared a Financial Services Guide as required by the Corporations Act, 2001 which is set out in Part Two of this report.

WILSON HANNA PTY LTD



Appendix A – Wilson Hanna Disclosures

Qualifications

Wilson Hanna Pty Ltd holds Australian Financial Services Licence number 426848 under the Corporations Act, 2001.

The persons responsible for preparing this report on behalf of Wilson Hanna are Martin Toll B Bus ACA and John Patton BEc ACA F Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Each of the above persons is a representative of Wilson Hanna pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Wilson Hanna's opinion as to whether the Proposed Transaction is fair and reasonable. Wilson Hanna expressly disclaims any liability to any ONC Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Wilson Hanna has prepared this report with care and diligence and the statements and opinions given by Wilson Hanna in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. Neither Wilson Hanna, nor any of its officers or employees, accepts any responsibility for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Wilson Hanna from liability arising from an opinion expressed recklessly or in bad faith.

Wilson Hanna has had no involvement in the preparation of the Notice of Meeting issued by the Company and has not verified or approved any of the contents of the Notice of Meeting. Wilson Hanna does not accept any responsibility for the contents of the Notice of Meeting (except for this report).



Independence

Wilson Hanna is required to be independent of ONC in order to provide this Report. The guidelines for independence in the preparation of independent expert reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities & Investments Commission ("ASIC").

Wilson Hanna and its related entities do not have at the date of this report, and have not had within the previous two (2) years, any shareholding in or other business or professional relationship with ONC that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Wilson Hanna has no involvement with, or interest in the outcome of the transaction, other than the preparation of this Report.

Wilson Hanna will receive a fee of approximately \$22,000 based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Wilson Hanna's out of pocket expenses in relation to the preparation of this Report will be reimbursed. Wilson Hanna will receive no other benefit for the preparation of this Report.

Wilson Hanna considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC.

Consents

Wilson Hanna consents to the issuing of this report in the form and context in which it is to be included in the Notice of Meeting to be sent to Shareholders of the Company. Neither the whole nor any part of this report nor any reference thereto may be included in any other document, resolution, letter or statement without the prior written consent of Wilson Hanna as to the form and context in which it appears.



Appendix B – Sources of Information

In preparing this report, Wilson Hanna has relied upon, without independent verification, various sources of information, including:

- Financial statements for the year ended 31 December 2014
- Financial statements for the six months ended 30 June 2015
- Copy of the Employee Share Scheme
- Audit Interim Report for the six months to 30 June 2015
- Tax Returns for the year ended 31 December 2014
- Copies of Management Accounts for July and August 2015.
- ONC ASX announcements;
- ASX share price and volume information;

Wilson Hanna has also held discussions with, and obtained information from, the Company's senior management, directors and consultants.



Appendix C – Glossary

\$	Australian Dollars
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ONC	Oncard International Limited
ONC Shareholders	Shareholders of Oncard
Company	Oncard International Limited
Directors	The directors of ONC
FSG	Financial Services Guide
FY	Financial Year
IER	Independent Expert's report
K	\$1,000
m	\$1,000,000
MarketSmart	Australian service business
Non-Related Party Shareholder	Shareholders who do not hold Options under the Proposed Transaction
Notice of Meeting	Notice of Meeting and Explanatory Memorandum
Proposed Transaction	Issue of 18.5 million Options
RG 110	ASIC Regulatory Guide 110 "Share Buy Backs"
RG 111	ASIC Regulatory Guide 111 "Content of expert reports"
RG 112	ASIC Regulatory Guide 112 "Independence of experts"
VWAP	Volume Weighted Average Price (based on closing prices)
Wilson Hanna	Wilson Hanna Pty Ltd
YTD	Year to date



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Part Two - Financial Services Guide

1. Wilson Hanna

Wilson Hanna Pty Ltd ("Wilson Hanna") carries on a business and has a registered office at Level 6, 370 St Kilda Road, Melbourne VIC 3004. Wilson Hanna holds Australian Financial Services Licence No. 426848 authorising it to provide general financial product advice on securities to wholesale and retail clients.

Wilson Hanna has been engaged by Oncard International Limited ("ONC" or "the Company") to provide general financial product advice in the form of an independent expert's report ("Report") in relation to the Proposed Transaction whereby an offer is made by the Company to buy back a proportion of the ordinary Shares in ONC ("the Proposed Transaction").

2. Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients to make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

Wilson Hanna provides this FSG in connection with its provision of the Report which is to be included in the Notice of Meeting.

3. General Financial Product Advice

In this Report, we provide general financial product advice. The advice in this Report does not take into account your personal objectives, financial situation or needs.

You have not engaged Wilson Hanna directly but have received a copy of the Report because you have been provided with a copy of the Notice of Meeting. Wilson Hanna is not acting for any person other than the ONC board of directors.

Wilson Hanna does not accept instructions from retail clients. Wilson Hanna provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Wilson Hanna does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

4. Remuneration

When providing the Report, Wilson Hanna's client is the Company. Wilson Hanna receives its remuneration from the Company. In respect of this Report, Wilson Hanna will receive a fee of \$22,000 plus GST, which is based on commercial rates plus reimbursement of out-of-pocket expenses.

No related body corporate of Wilson Hanna, or any of the directors or employees of Wilson Hanna or any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Notice of Meeting.

5. Complaints Process

Wilson Hanna has an internal complaints handling mechanism and is a member of the Financial Ombudsman Service (membership no. 31585). If you have any concerns regarding this Report, please contact the Compliance Officer in writing at Wilson Hanna, Level 6, 370 St Kilda Road, Melbourne VIC 3004. If you have difficulty in putting your complaint in writing, please telephone the Compliance Officer on 03 9686 7000 and they will assist you in documenting your complaint.

If Wilson Hanna cannot resolve the complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service at GPO Box 3, Melbourne VIC 3000 or phone 1300 780 808. This service is provided free of charge.

Wilson Hanna is only responsible for this Report and FSG. Complaints or questions about the Notice of Meeting should not be directed to Wilson Hanna as it is not responsible for that document. Wilson Hanna will not respond in any way that might involve any provision of financial product advice to any retail investor.

7. Compensation Arrangements

Wilson Hanna holds professional indemnity insurance that satisfies the compensation requirements of section 912B of the Corporations Act, 2001.

Schedule 2

Summary of the proposed new constitution of the Company

1. Shares

- (a) Without prejudice to any special right conferred on a holder of a share or class of shares, the directors may issue, grant options for, or otherwise dispose of, shares in the company as the directors think fit.
- (b) The directors may also issue preference shares including preference shares which are liable to be redeemed, as follows:
 - (1) A preference share confers on its holder a right to receive a preferential dividend at the rate and on the basis decided by the directors under the terms of issue.
 - (2) The preferential dividend is cumulative except to the extent the directors decide under the terms of issue.
 - (3) A preference share confers on its holder the right to payment out of the profits of the company (or any other permitted source) of the preferential dividend in priority to the payment of any dividend on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
 - (4) A preference share confers on its holder the right in a winding up to payment in cash of:
 - (A) the amount of any dividend accrued at the date of the winding up but unpaid on the share; and
 - (B) any amount paid on the share;in priority to the payment of any amount on ordinary shares, and any other class of shares that the directors decide under the terms of issue.
 - (5) If and to the extent that the directors decide under the terms of issue, a preference share may confer on its holder:
 - (A) in addition to the preferential dividend, a right to participate with the ordinary shares in any dividends payable on ordinary shares; and
 - (B) a right to a bonus issue or capitalisation of profits or any other amount otherwise available for distribution to members.
 - (6) A preference share does not confer on its holder any right to participate in the profits or property of the company except as set out above.
 - (7) The holder of a preference share has the same right as the holder of an ordinary share to receive notice of, and a copy of any document to be laid before, a general meeting of the company and to attend the general meeting at which a resolution is proposed on which the holder is entitled to vote, and to attend the general meeting, but has no right to receive notice of, or a copy of, any document to be laid before, or to attend, any other general meeting of the company except to the extent the terms of issue of the preference share otherwise provided.
 - (8) A preference share does not entitle its holder to vote at a general meeting of the company except to the extent the terms of issue permit the holder to vote in the following circumstances:

- (A) During a period during which a dividend (or part of a dividend) in respect of the share is in arrears.
 - (B) On a proposal to reduce the company's share capital.
 - (C) On a resolution to approve the terms of a buy-back agreement.
 - (D) On a proposal that affects rights attached to the share.
 - (E) On a proposal to wind up the company.
 - (F) On a proposal for the disposal of the whole of the company's property, business and undertaking.
 - (G) During the winding up of the company.
- (9) Where a preference share does confer on its holder the right to vote at a general meeting, the voting right is the same, and determined in the same way, as the voting right attached to an ordinary share.
- (10) Preference shares may be convertible into ordinary shares on a basis decided by the directors under the terms of issue.
- (11) A redeemable preference share may be redeemable on a basis decided by the directors under the terms of issue.
- (12) Subject to the Corporations Act and the constitution, all rights and restrictions of a preference share issued by the company may be decided by the directors and will be governed by the terms of issue, and provided they have been disclosed to the subscriber for the share before its issue will bind the subscriber and all subsequent holders of the share.

2. Dividends

- (a) Subject to the constitution and to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, all dividends on shares are to be paid in proportion to the number of shares held by members except that:
- (1) a partly paid share will only entitle the holder to a fraction of the dividend payable on a fully paid share equal to the proportion of the total amounts paid and payable on the share which have been paid; and
 - (2) if dividends are determined by the directors to be paid in respect of a specified period and if the directors also determine that the dividends on any shares are to be further apportioned according to when amounts are paid on those shares during the specified period, an amount which is paid on a relevant share during the specified period will only entitle the holder of the share to a fraction of the dividend that would otherwise be payable in respect of that amount equal to the proportion of the specified period remaining as at the date of payment of that amount.
- (b) The directors when determining a dividend is payable may:
- (1) direct payment of the dividend wholly or partly by the distribution of specific assets, including paid-up shares or other securities of the company or of another body corporate, either generally or to particular shareholders or in respect of particular shares; and
 - (2) direct that the dividend be paid:
-

- (A) to particular shareholders or in respect of particular shares, wholly or partly out of any particular fund or reserve or out of profits derived from any particular source; and
 - (B) to the remaining shareholders or in respect of the remaining shares, wholly or partly out of any other particular fund or reserve or out of profits derived from any other particular source or generally.
- (c) To give effect to a resolution of directors or members authorising or approving the payment of a dividend or the making of any other distribution (whether of profits or capital or otherwise) or the capitalisation of any amount, the directors may:
 - (1) settle any difficulty that may arise in making the distribution or capitalisation;
 - (2) fix the value for distribution of a specific asset;
 - (3) pay cash or issue a share or other security to a member to adjust the rights of all parties;
 - (4) vest a specific asset, cash, share or other security in any trustee upon trust for a person entitled to a dividend or capitalised amount; and
 - (5) authorise a person to make, on behalf of all the members entitled to any further share or security following the distribution or capitalisation, an agreement with the company or another body corporate.
- (d) The authorised person may agree to:
 - (1) the issue of further shares or securities credited as fully paid up; or
 - (2) the company paying on behalf of the members an amount remaining unpaid on their existing shares or security by the application of their respective proportions of the sum distributed or capitalised.
- (e) Any agreement made between the directors and an authorised person is effective and binding on all members concerned.
- (f) If the company distributes securities in the company or in another body corporate or trust each member receiving a distribution, appoints the company as that person's agent to do anything needed to give effect to that distribution, including but not limited to becoming a member of that other body corporate.

3. Capitalisation of profits and other amounts

- (a) The directors may resolve that the company capitalise any amount:
 - (1) forming part of the undivided profits of the company;
 - (2) representing profits arising from an ascertained accretion to capital or from a revaluation of the assets of the company;
 - (3) arising from the realisation of any assets of the company; or
 - (4) otherwise available for distribution to members
- and may also resolve that the capitalised amount be paid, applied or otherwise distributed to or for the benefit of members.
-

- (b) Subject to any rights or restrictions attached to a share or class of shares or to the terms of any dividend selection plan established by the directors, a capitalised amount which is to be distributed to or for the benefit of members, must be distributed in the same proportions in which members would be entitled to receive the amount were it a dividend.
- (c) The directors may resolve that all or part of the capitalised amount is to be applied:
 - (1) to pay in full a share or security that the company intends to issue to a member;
 - (2) to pay an amount unpaid on a share or security of the company which a member holds; or
 - (3) a combination of these;and the member must accept this application in full satisfaction of the member's interest in the capitalised amount.

4. Dividend reinvestment and selection plans

The directors may establish one or more plans whereby participating members, subject to the terms of the plan, elect in respect of some or all of their shares:

- (a) to apply the dividends payable on those shares to subscribe for additional shares in the company;
- (b) to receive the dividends payable on those shares wholly or partly by way of a payment out of any particular fund or reserve or out of profits derived from any particular source; or
- (c) not to receive the dividends payable on those shares, and in place of those dividends to receive some other form of distribution from the company or another body corporate or a trust, including paid up shares or other securities of the company, other body corporate or trust.

and the directors may vary, suspend or terminate any such plan.

5. Transfer

- (a) Whilst the Company is admitted to the official list of ASX:
 - (1) the directors may only decline to register a transfer of shares (including by requesting that a holding lock be applied to prevent a transfer of the shares) if permitted to do so by the ASX Listing Rules; and
 - (2) the directors may at any time suspend the registration of a transfer for any period not exceeding 30 days in a year, subject to the Corporations Act and any CS facility operating rules binding on the company.
- (b) Otherwise shares are freely transferable, subject to the Corporations Act, the Listing Rules and the Company's constitution.

6. Small holdings

- (a) If:
 - (1) a member holds less than a marketable parcel of shares;
 - (2) the company notifies the member in writing that it intends to sell the member's shares after a date (**Relevant Date**) which is at least 6 weeks from the date the

notice of intention to sell is sent, unless the member before the Relevant Date tells the company in writing that the member wishes to retain the shares;

- (3) the member does not before the Relevant Date tell the company in writing that the member wishes to retain the shares; and
- (4) on the Relevant Date the member has not acquired more shares or otherwise increased the member's holding to a marketable parcel;

the company may sell the member's shares constituting less than a marketable parcel as soon as reasonably practicable after the Relevant Date at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

(b) In addition, if:

- (1) a member holds shares in a new holding that is less than a marketable parcel of shares; and
- (2) that holding was created by the transfer of a parcel of shares that was less than a marketable parcel at the time the transfer document was initiated or, in the case of a paper based transfer document, was lodged with the company;

the company may sell the shares in that holding at a price which the directors consider to be the best price reasonably obtainable for the shares at the time they are sold.

7. Proportional takeover approval

If offers are made under a proportional takeover bid for shares in the company the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution to approve the bid is passed in accordance with the provisions of rule 5.7 of the constitution.

8. Voting and general meetings

- (a) Subject to the constitution and to any rights or restrictions attached to a share or class of shares, at a general meeting:
 - (1) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has 1 vote; and
 - (2) on a poll, every person present who is a member or a proxy, attorney or representative of a member has 1 vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of 1 vote equal to the proportion of the total amounts paid and payable on the share which have been paid.
 - (b) In the case of an equality of votes upon any proposed resolution the chair of the meeting has a second or casting vote.
 - (c) A resolution put to the vote of a general meeting must be decided on a show of hands, unless either the chair or a member who is present and can vote on the resolution, demands a poll:
 - (1) before the vote is taken; or
 - (2) before or immediately after the declaration of the result of the show of hands.
 - (d) Other than to elect a chair or adjourn a meeting, business may only be transacted at a general meeting if a quorum of members is present when the meeting proceeds to
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business. A quorum consists of 2 members (where the company has more than 1 member).

- (e) If at any time a meeting of a class of members of the company is required or proposed, the rules of the constitution relating to the convening, holding and conduct of a general meeting will apply so far as they are capable of application (and with all necessary changes) to that meeting.

9. Appointment and removal of directors

- (a) No person other than someone who has been nominated for election by the board, a retiring director or a director being removed from office is eligible to be elected as a director at any general meeting unless a notice of the director's candidature is given to the Company at least 30 business days before the meeting.
- (b) Retiring directors are, subject to the Corporations Act and the Listing Rules, eligible for re-election.
- (c) Subject to the Corporations Act, there must be at least 3 directors and not more than 10 directors or such other minimum or maximum number of directors as the members by resolution determine.
- (d) The members may by resolution appoint or remove a director.
- (e) The directors may appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed only holds office until the next annual general meeting and must then retire from office. The managing director (but if there is more than 1 managing director, only 1) is exempted from this requirement to retire.
- (f) The total number of directors must not at any time exceed the maximum number allowed under the constitution.
- (g) At each annual general meeting of the company the following directors must retire from office:
 - (1) Each director who has held office past the third annual general meeting or 3 years since the director's last election, whichever is longer.
 - (2) Each director appointed by the directors to fill a casual vacancy or as an addition to the existing directors since the last annual general meeting.
 - (3) If the ASX Listing Rules requires the company to hold an election of directors each year and there is no director required to retire under (1) or (2) above or standing for election at the annual general meeting, the director who has been longest in office since his or her last election, but, as between persons who were elected as directors on the same day, the director to retire must be determined by lot, unless they otherwise agree between themselves.

Unless re-elected, a director due to retire at an annual general meeting retains office until the conclusion of the meeting. The company must hold an election of directors each year for so long as the ASX Listing Rules require it.

- (h) The managing director is exempted from having to retire by rotation at an annual general meeting as noted above (but if there is more than 1 managing director, only 1 is exempted from having to retire by rotation).
 - (i) A retiring director is eligible for re-election.
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- (j) The company may, at a general meeting at which a director retires, by resolution fill the vacated office by electing a person to that office.
- (k) A person is eligible for election as a director at a general meeting of the company only if:
 - (1) the person is in office as a director immediately before that meeting;
 - (2) the person has been nominated by the directors for election at that meeting; or
 - (3) a nomination for election of the person as a director signed by a member (including the person) and a consent to nomination signed by the person has been lodged at the registered office of the company at least 30 business days before the general meeting.
- (l) Where a majority of all directors consider that the continuance in office of a director would be, or would be likely to be, prejudicial to the interests of the company, the director may be suspended by resolution passed by that majority at a meeting of directors specifically convened for the purpose of considering the suspension. The suspended director may not take part in the business or affairs of the company during the period of suspension. The suspension may be terminated at any time by a resolution passed by a majority of all directors at a meeting of directors specifically convened for the purpose of considering termination of the suspension. The suspension will terminate at the end of 14 days from the date of the suspension unless within that period notice of a general meeting of the company to consider a resolution to remove the director from office is despatched to members and the meeting is convened to be held within 35 days from the date of despatch. In that case, the suspension will terminate at the conclusion of the meeting.

10. Remuneration and expenses of directors

- (a) Each director is entitled to such remuneration out of the funds of the company (accruing from day to day if periodic) as the directors determine provided that:
 - (1) the director's remuneration must not include a commission on, or percentage of, operating revenue; and
 - (2) if the director is a non-executive director, the director's remuneration paid must be a fixed sum.
 - (b) The aggregate remuneration paid to or for the benefit of the directors must not exceed in a financial year of the company \$200,000 or such other sum as the members may by resolution approve. This limitation does not apply to:
 - (1) any amount paid or payable noted in (c) or (d) below;
 - (2) any amount paid or payable under or in respect of any indemnification or insurance provided or procured in accordance with the constitution; or
 - (3) the remuneration to which a director may be entitled as an employee of the company or a related body corporate or in a capacity other than as a director of the company.
 - (c) A director is entitled to be paid all reasonable travel, accommodation and other expenses properly incurred by the director in attending meetings of, or relating to, the company or while engaged on the business or affairs of the company.
 - (d) If a director performs an extra service or makes special exertion for the company, the directors may arrange for a special remuneration.
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- (e) The directors may resolve that the company:
- (1) at any time after a director dies, retires or otherwise ceases to hold office as a director or a director or former director ceases to be gainfully employed, pay to the director or former director or a legal personal representative, spouse, relative or dependant of the director or former director a pension, lump sum, superannuation amount or other benefit;
 - (2) establish, pay contributions or other amounts to, or otherwise support, a fund or other entity providing for any such benefit; and
 - (3) enter into a contract with the director to provide for any of these benefits.
- Any such amount is not subject to the limitation noted above.

11. Indemnity

- (a) The Company indemnifies:
- (1) each person who is or has been an officer of the company against certain liabilities incurred by the person as such an officer; and
 - (2) each person who is or has been an officer of a related body corporate of the company against those liabilities incurred by the person as such an officer which the directors determine to be indemnified.
- (b) These indemnities exclude any liability against which the company is precluded by law from indemnifying the person.

12. Insurance

The Company may purchase and maintain insurance or pay or agree to pay a premium for insurance in respect of any liability incurred by a person who is or has been an officer of the company or a related body corporate except to the extent that the company is precluded by law from doing so.

13. Distribution of surplus on winding up

- (a) Subject to the constitution and any rights or restrictions attached to a share or class of shares, if the company is wound up and the property of the company is more than sufficient to pay all of:
- (1) the debts and liabilities of the company; and
 - (2) the costs, charges and expenses of the winding up;
- the excess must be divided among the members in proportion to the number of shares held by each of them, irrespective of the amounts paid or credited as paid on the shares.
- (b) The amount of the excess that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share at the date of the distribution. If the effect of this reduction would be to reduce the distribution to the holder of a partly paid share to a negative amount, then the holder must contribute that amount to the company.
- (c) If the company is wound up, the liquidator may, with the sanction of a special resolution:
- (1) divide among the members the whole or any part of the property of the company; and

- (2) determine how the division is to be carried out as between the members or different classes of members.

14. Modifying the constitution

The Company's constitution may be modified by special resolution, that is a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution.

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