# INTERCEPT MINERALS LTD (TO BE RENAMED "xTV NETWORKS LIMITED")

ACN 124 251 396

# **NOTICE OF GENERAL MEETING**

TIME: 2pm WST

DATE: 3 December 2014

**PLACE**: Level 1, 33 Ord Street

West Perth Western Australia 6005

The Directors believe the proposed change of activities is in the best interests of Shareholders and recommend that Shareholders vote in favour of all Resolutions set out in this Notice of Meeting.

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

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +618 6380 2799.

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# IMPORTANT INFORMATION

# Time and place of Meeting

Notice is given that the Meeting will be held at 2pm WST on 3 December 2014 at:

Level 1, 33 Ord Street West Perth Western Australia 6005

# Your vote is important

The business of the Meeting affects your shareholding and your vote is important. The Board reserves the right not to implement any resolution although it may be passed by Shareholders.

# Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4pm (WST) on 1 December 2014.

# Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

# Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to

exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

# Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

# Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - the proxy is not recorded as attending the meeting; or
  - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

# INDICATIVE TIMETABLE\*

Event	Date
Despatch Notice of Meeting seeking approval of Acquisition	3 November 2014
Lodgement of the Prospectus with ASIC	12 November 2014
General Meeting to approve Change in Nature and Scale of Activities	3 December 2014
Suspension of IZM's securities from trading on ASX at the opening of trading pre General Meeting	3 December 2014
Completion of Acquisition and issue of Shares under Post Consolidation Capital Raising	19 December 2014
Anticipated date the suspension of trading is lifted and IZM's securities commence trading again on ASX	5 January 2015

<sup>\*</sup>Note: this timetable is indicative only and is subject to change. The Directors of the Company reserve the right to amend the timetable. The timetable for the consolidation is set out in Section 3.6.

#### BUSINESS OF THE MEETING

# 1. RESOLUTION 1 – CHANGE IN NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of the Essential Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

- (a) to make a significant change in the nature and scale of its activities as set out in the Explanatory Statement; and
- (b) to issue Shares upon re-compliance with the ASX Listing Rules at an issue price of not less than \$0.02 per Share post Consolidation."

**Short Explanation:** If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to recomply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

# 2. RESOLUTION 2 – CONSOLIDATION OF CAPITAL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of the Essential Resolutions, for the purposes of Section 254H of the Corporations Act, ASX Listing Rule 7.20 and for all other purposes, approval is given for the issued capital of the Company to be consolidated on the basis that:

- (a) every ten (10) Shares be consolidated into one (1) Share; and
- (b) every ten (10) Options be consolidated into one (1) Option,

where this Consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder, the Directors be authorised to round that fraction up to the nearest whole Share or Option."

**Short Explanation:** The Company must consolidate its capital in order to satisfy Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following completion of the Acquisition.

#### 3. RESOLUTION 3 – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of the Essential Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 300,000,000 Shares (on a post-Consolidation basis) on the terms and conditions set out in the Explanatory Statement."

**Short Explanation**: The Company must issue a Prospectus in order to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules and as a condition of the Company's securities recommencing trading on the ASX following the Acquisition. Please refer to the Explanatory Statement for details.

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### 4. RESOLUTION 4 – TRANSACTION WITH xTV

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of the Essential Resolutions, for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:

- (a) the Company to issue 625,000,000 Shares (on a post-Consolidation basis) on completion of the Acquisition (**Consideration Shares**);
- (b) the Company to issue 250,000,000 Performance Rights (on a post-Consolidation basis) after completion of the Acquisition to management of xTV (**Performance Rights**); and
- the acquisition of a relevant interest in the issued voting shares of the Company by Mr Joseph Ward (or his nominee) and, separately, Lindfield Nominee Services Pty Ltd (as trustee for the xTV Shareholders) and Mr Peter Vickers otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the number of Consideration Shares and the potential issue of Shares on conversion of the Performance Rights to Mr Joseph Ward (or his nominee) as set out in the Explanatory Statement and the issue of the Consideration Shares and Performance Rights to Lindfield Nominee Services Pty Ltd (as trustee for the xTV Shareholders) (Voting Acquisition),

on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: No votes may be cast in favour of this Resolution by:

- (a) the person proposing to make the acquisition and their associates; or
- (b) the persons (if any) from whom the acquisition is to be made and their associates.

Accordingly, the Company will disregard any votes cast on this Resolution by Mr Joseph Ward, Lindfield Nominee Services Pty Ltd and any of their associates.

**Short Explanation**: The Company has entered into an agreement and plan of merger dated October 7, 2014 (**Agreement**) by and among, the Company, xTV, XTV Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company, and Fortis Advisors LLC as the xTV stockholders' representative pursuant to which XTV Acquisition Corporation will be merged with and into xTV resulting in xTV becoming a wholly-owned subsidiary of the Company (**Merger**). As a result of the Merger, all of the outstanding capital stock of xTV will be converted into the right to receive the Consideration Shares. The Company seeks shareholder approval for the issue of the Consideration Shares and, separately, the grant of Performance Rights to the management of xTV in accordance with ASX Listing Rule 7.1.

**Expert's Report**: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of this Resolution to the non-associated Shareholders in the Company. The Independent Expert has determined the ultimate issue of the relevant number of Consideration Shares to Mr Joseph Ward and the conversion of any Performance Rights into Shares by Mr Ward, and the issue of the Consideration Shares to the Trustee and the resulting Voting Acquisition is **not fair but reasonable** to the non-associated Shareholders.

# 5. RESOLUTION 5 – APPOINTMENT OF CHARLES THOMAS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Completion, for the purposes of clause 8.1 of the Constitution and for all other purposes, Mr Charles Thomas is appointed as a Director of the Company."

# 6. RESOLUTION 6 – APPOINTMENT OF ROCCO TASSONE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Completion, for the purposes of clause 8.1 of the Constitution and for all other purposes, Mr Rocco Tassone is appointed as a Director of the Company."

# 7. RESOLUTION 7 – APPOINTMENT OF MARK CANEPA

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Completion, for the purposes of clause 8.1 of the Constitution and for all other purposes, Mr Mark Canepa is appointed as a Director of the Company."

## 8. RESOLUTION 8 – APPOINTMENT OF JOSEPH WARD

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Completion, for the purposes of clause 8.1 of the Constitution and for all other purposes, Mr Joseph Ward is appointed as a Director of the Company."

# 9. RESOLUTION 9 – APPOINTMENT OF THOMAS REYNOLDS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to Completion, for the purposes of clause 8.1 of the Constitution and for all other purposes, Mr Thomas Reynolds is appointed as a Director of the Company."

#### 10. RESOLUTION 10 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purpose of Section 157(1)(a) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed to xTV Networks Limited."

**Short Explanation**: The Company proposes to change its name to more accurately reflect the proposed future activities of the Company, subject to the Acquisition proceeding.

# 11. RESOLUTION 11 – ISSUE OF INTRODUCTION AND ADVISORY SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to and conditional upon the passing of the Essential Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 25,000,000 Shares on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

# 12. RESOLUTION 12 – ADOPTION OF EMPLOYEE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee

incentive scheme titled Employee Option Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion**: The Company will disregard any votes cast on this Resolution by any Director, other than any Directors who are ineligible to participate in any employee incentive scheme in relation to the Company, and any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### **Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

# 13. RESOLUTION 13 – ISSUE OF SHARES TO RELATED PARTY – GARY STEINEPREIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 2,500,000 Shares (on a post Consolidation basis) to Gary Steinepreis (or his nominee) on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Gary Steinepreis (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

# 14. RESOLUTION 14 – ISSUE OF SHARES TO RELATED PARTY – PATRICK BURKE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,250,000 Shares (on a post Consolidation basis) to Patrick Burke

(or his nominee) on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Patrick Burke (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

# 15. RESOLUTION 15 – ISSUE OF SHARES TO RELATED PARTY – SAM RANDAZZO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 195(4) of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue up to 1,000,000 Shares (on a post Consolidation basis) to Sebastiano Randazzo (or his nominee) on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion Statement**: The Company will disregard any votes cast on this Resolution by Sebastiano Randazzo (or his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

# 16. RESOLUTION 16 - CREATION OF A NEW CLASS OF SECURITIES - PERFORMANCE RIGHTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That for the purposes of Section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Rights on the terms and conditions set out in the Explanatory Statement."

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 3 November 2014

By order of the Board

G C STEINEPREIS DIRECTOR

#### **EXPLANATORY STATEMENT**

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Resolutions 1 to 4 and 10 to 11 (inclusive) and 16 are in respect of the Acquisition and are inter-conditional on all of those Resolutions being approved. If any of Resolutions 1 to 4 and 10 to 11 (inclusive) and 16 are not passed, then all of Resolutions 1 to 4 and 10 to 11 (inclusive) and 16 will be taken to have been rejected by Shareholders.

For the avoidance of doubt the Resolutions 1 to 4 and 10 to 11 (inclusive) and 16 are referred to as **Essential Resolutions** throughout this Notice.

#### 1. OVERVIEW OF CHANGE OF ACTIVITIES

# 1.1 Background

Intercept Minerals Ltd (IZM or the Company) is a public company listed on the official list of ASX (ASX code: IZM) with its principal focus being the exploration of gold and minerals. The Company was incorporated in March 2007 and was admitted to the official list of the ASX on 19 June 2007.

In addition to its principal business activities, the Company has been actively seeking to identify and evaluate new opportunities in related or non-related industries that may increase shareholder value.

# 1.2 Background to Change in Nature and Scale of Activities

As announced on 15 July 2014, the Company entered into an exclusivity agreement where it was granted an exclusive option to acquire 100% of the issued share capital of mppAPPs Inc (xTV)(Acquisition). On 7 October 2014, the Company entered into an agreement and plan for merger with xTV Acquisition Corp, MppApps Inc and Fortis Advisors LLC which sets out the full terms and conditions of the Acquisition (Agreement).

xTV is engaged in the business of designing, developing, marketing and servicing software products that combine a user's streaming media into a branded, real-time, interactive television network (the **Business** and such products, the **Products**). As it is not in the same business as the existing business operations of IZM, Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company.

Other information considered material to the Shareholders' decision on whether to pass Resolution 1 (and the other resolutions) is set out in this Explanatory Statement, and Shareholders are advised to read this information carefully.

#### 1.3 About xTV

xTV, based in Silicon Valley, is a Next Generation Media Company delivering a platform that enables organisations to build and control the messaging and content within their own enterprise media networks by organising video, social media & breaking news into a Real-Time TV experience. TV is the next evolution of the internet and xTV is pioneering this evolution.

Founded in 2011 by CEO, Joe Ward, the company's vision is to deliver any organisation the capability to lower the cost of content deployment and

increase the consumption of their media by delivering a true, real time, TV experience, all without the need to install new devices or applications. One of the most compelling capabilities of the xTV platform is the Real-Time data experience. A network can define both video content and associated feeds that display on their network, just like the tickers and side screens on CNBC or CNN, except they are active and clickable. Customers can then use the xTV platform to organise and push combinations of video, social and news into a real-time multi-screen formats where the viewers can lead back and interact with their new enterprise TV network. The result is an entirely new media network which is quick to setup, runs 24/7 without maintenance and is real-time and engaging.

xTV has a highly experienced management team and board of advisors. CEO Joe Ward has over 25 years of experience in Media & Technology and was President at uCirrus, a real-time relational database company backed by SK Telecom, Qualcomm, Intel Capital and ATA Ventures. The board of advisors include Michael Montgomery (Disney & Dreamworks), Brian Clark (CTO Moodys, NYSE) and Michael Jones (Myspace & AOL).

Microsoft provided significant funding for xTV in 2012 through a services, development and co-marketing investment. Microsoft continues to be supportive of the xTV rollout and only recently promoted xTV through the Microsoft Azure ISV Partnership in an ongoing marketing campaign to its enterprise customers.

xTV has executed its first sales contract with Microsoft, Intel and UST global and currently has over 150 networks in various stages of development. The rollout of the xTV platform will be significantly increased over the coming months as marketing, development and sales initiatives are undertaken throughout the United States.

# 1.4 Key Terms of the Agreement

In accordance with the terms of the Agreement, the Company will acquire 100% of the xTV Shares, conditional upon completion occurring in accordance with the Agreement.

The key terms of the Agreement are as follows:

# (a) Conditions Precedent

Completion of the Acquisition is subject to (amongst other things) the satisfaction or waiver by the parties of the following conditions:

- (i) IZM obtaining all regulatory and shareholder approvals as required; and
- (ii) IZM preparing a prospectus for a capital raising of at least \$3,000,000 to enable IZM to be reinstated to quotation on ASX and receiving sufficient applications to meet the minimum subscription under the prospectus.

# (b) Consideration

In exchange for the Company acquiring 100% of the issued capital in xTV, the Company agrees to issue by way of consideration on a post-Consolidation basis, 625,000,000 Shares to the xTV Shareholders or their nominee (**Vendors**) (in proportion to their holdings in xTV immediately

prior to the Merger). As part of the structuring of the transaction, it is proposed that the Vendors and any relevant key management of xTV direct the Company to issue the Consideration Shares and any Performance Rights that are subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules to an independent trustee, Lindfield Nominee Services Pty Ltd as their nominee to hold the legal title to these securities on behalf of each of the xTV Shareholders or key management personnel as beneficiaries. The number of Consideration Shares and Performance Rights that will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules has not yet been determined.

The sole director and secretary of Lindfield Nominee Services Pty Ltd is Mr Peter Vickers. Mr Peter Vickers holds 100% of the issued fully paid ordinary shares in Lindfield Nominee Services Pty Ltd.

Mr Peter Vickers studied at the University of Sydney and is a Fellow of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and is a Chartered Tax Adviser (CTA) of the Tax Institute. Mr Peter Vickers is an authorized representative under the Corporations Act and is licensed to give investment advice. He is a registered tax agent, a registered company auditor, a registered SMSF auditor, an external examiner for the Law Society of NSW and a Justice of the Peace. Mr Peter Vickers has no current relevant interest in the Company and is not a related party of the Company.

For the purposes of this Explanatory Statement Lindfield Nominee Services Pty Ltd will be termed **the Trustee**.

The xTV Shareholders, any relevant key management personnel, the Company and the Trustee will enter into a trust agreement to document the terms of the trust arrangement (**Trust Agreement**). The key terms of the Trust Agreement will be as follows:

- (i) the Consideration Shares that will be held in trust will be all the Consideration Shares of xTV Shareholders with a registered address in the United States and all the Performance Rights of key management personnel that are subject to any ASX restriction;
- (ii) the Trustee will be indemnified for actions made in good faith;
- (iii) the Trust Agreement will describe the holding of legal title by the Trustee for and on behalf of the beneficiaries (being the xTV Shareholders and any key management personnel the subject of the trust);
- (iv) for so long as the Trustee holds the Consideration Shares and Performance Rights, the beneficiaries will not:
  - (A) receive dividends;
  - (B) exercise the right to vote. The voting rights attaching to the Consideration Shares will be exclusively exercised by the Trustee at his sole discretion; or
  - (C) exercise any other rights that flow from ownership of the Consideration Shares and Performance Rights.

- (v) subject to the ASX restrictions that are imposed, the Consideration Shares under the trust will be subject to forfeiture for indemnification claims under the Agreement; and
- (vi) the ASX restriction agreement which will be separately entered into will ensure that the Consideration Shares and Performance Rights the subject of the trust cannot be disposed of or pledged in any way.

The effect of this trust arrangement is that the Trustee will have a relevant interest in all of the Consideration Shares and Performance Rights the subject of the Trust, and accordingly it is necessary to include this in the approval of the Resolution.

The number of Consideration Shares and Performance Rights (refer below) that will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules will be determined by ASX after the prospectus is lodged with ASX for the raising of capital to be approved in accordance with this Notice.

Approval for the issue of the Consideration Shares and the Performance Rights, is the subject of Resolution 4.

(c) As stated above, as part of the transaction, it has been agreed with xTV that a total of 250,000,000 Performance Rights on the terms set out in Schedule 1 (**Performance Rights**) will be issued to key management personnel of xTV.

# (d) Consolidation of Capital

As required by the ASX Listing Rules, the Company will undertake a consolidation of its issued capital on the basis of one (1) Share for every ten (10) Shares held and one (1) Option for every ten (10) Options held (**Consolidation**) in order to raise capital at a 2 cent price.

Approval for the Consolidation is the subject of Resolution 2.

# (e) Capital Raising

The Company proposes to conduct a capital raising in order to fund the Acquisition and to re-comply with Chapters 1 and 2 of the ASX Listing Rules. The Company proposes to raise up to \$6,000,000 at an issue price of not less than \$0.02 (following the Consolidation as defined above). The Capital Raising will be conducted under a full form prospectus to be prepared by IZM (**Prospectus**). The minimum amount that is proposed to be raised under the Prospectus is \$3,000,000 (before costs).

Approval for the issue of Shares pursuant to the Capital Raising is the subject of Resolution 3.

# (f) New Board of Directors

In accordance with the terms of the Agreement, on Completion, each of the existing directors of IZM will resign from their current positions with IZM and the Company will appoint in their place the following xTV directors to the Board of IZM:

Joseph Ward – Managing Director;

Thomas Reynolds – President and Chief Operating Officer;

Mark Canepa – Executive Vice President of Strategy;

Charles Thomas – Non-executive Director; and

Rocco Tassone - Non-executive Director.

# (g) Change of Name

As a result of the Acquisition, the Company proposes to change its name to xTV Networks Limited.

Approval for the change of name is the subject of Resolution 10.

# (h) Other Clauses

The Agreement is termed an "Agreement and Plan of Merger" and is a document that is governed by the laws of the State of California. The effectuation of the plan of merger is subject to the applicable provisions of the Delaware General Corporation Law as mppApps Inc is a Delaware incorporated company. This effectuation requires the Company to incorporate a Delaware incorporated wholly owned subsidiary (being xTV Acquisition Corp.) and the merger is effected through the statutory merger of this subsidiary of the Company with and into the Company, with the securities in mppApps Inc (the owner of the business of xTV) converted into the Consideration Shares.

The Agreement and Plan of Merger contains warranties and representations from mppApps Inc which are of a relatively standard nature for similar type transactions, which are then backed by a several indemnification from the xTV shareholders on the terms set out in the Agreement and Plan of Merger.

# 1.5 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following completion of the Acquisition contemplated by this Notice of Meeting is set out in Schedule 3.

# 1.6 Pro forma capital structure

The pre-Consolidation and post-Consolidation capital structure of the Company following completion of the Acquisition is set out below:

Pre Consolidation		
Securities	IZM Shares	IZM Options
Existing issued securities	921,336,9251	11,750,0002
Post Consolidation		
Securities on issue Post Consolidation *	92,133,6923	1,175,0004
Introduction and Advisory Fee	25,000,000	-
Consideration Securities	625,000,000	-
Post Consolidation Capital Raising	150,000,000	-
TOTAL SECURITIES POST CONSOLIDATION	892,133,692	1,175,000

Performance Rights	
Tranche 1 issued on the terms set out in Schedule 1	50,000,000
Tranche 2 issued on the terms set out in Schedule 1	75,000,000
Tranche 3 issued on the terms set out in Schedule 1	50,000,000
Tranche 4 issued on the terms set out in Schedule 1	75,000,000

#### **Notes**

- 1. Assumes no further securities are issued prior to completion of the Acquisition, other than as set out in the table.
- 2. This figure comprises 800,000 unlisted options each exercisable at \$0.07 on or before 28 September 2015, 3,200,000 unlisted options each exercisable at \$0.125 on or before 15 November 2015, 250,000 unlisted options each exercisable at \$0.125 on or before 14 July 2016 and 7,500,000 unlisted options each exercisable at \$0.007 on or before 30 November 2015.
- 3. The Consolidation will result in the issue price of Shares increasing from approximately \$0.003 to approximately \$0.03.
- 4 This figure comprises 80,000 unlisted options each exercisable at \$0.70 on or before 28 September 2015, 320,000 unlisted options each exercisable at \$1.25 on or before 15 November 2015, 25,000 unlisted options each exercisable at \$1.25 on or before 14 July 2016 and 750,000 unlisted options each exercisable at \$0.07 on or before 30 November 2015.

This is a statement of current intentions as at the date of this Notice. Intervening events may alter how the Company funds the Acquisition which may impact the proposed capital structure.

# 1.7 Risk factors

Shareholders should be aware that if the proposed Acquisition is approved, the Company will be changing the nature and scale of its activities. Based on the information available, a non-exhaustive list of risk factors are as follows:

# Risks relating to the Change in Nature and Scale of Activities

# (a) Re-Quotation of Shares on ASX

The acquisition of xTV constitutes a significant change in the nature and scale of the Company's activities and the Company needs to recomply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Shareholders may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules.

# (b) Dilution Risk

The Company currently has 921,336,925 shares on issue (on a pre-Consolidation basis). On completion of the Acquisition, the Company proposes to issue the relevant number of Shares and Performance Rights under the Acquisition and issue a minimum of Shares to raise up to \$6,000,000 as part of the capital raising. On issue of the consideration under the Acquisition and the minimum subscription of the Shares under the Capital Raising (assuming no exercise of Options, or conversion of Performance Rights), the existing Shareholders will retain approximately 10.33% of the issued capital of the Company, with the Vendors holding 70.06%, introductory and advisory fee holding 2.80% and the investors under the Capital Raising holding 16.81% of the issued capital of the Company respectively.

On issue of the consideration under the Acquisition and the maximum subscription of the Shares under the Capital Raising, (assuming no exercise of Options, or conversion of Performance Rights), the existing Shareholders will retain approximately 8.84% of the issued capital of the Company, with the Vendors holding 59.97%, introductory and advisory fee holding 2.40% and the investors under the Capital Raising holding 28.79% of the issued capital of the Company respectively.

If subsequently the performance milestones are met and all the Performance Rights are converted (and provided no other Shares are issued or Options exercised), the interests of the existing Shareholders in the Company will reduce to 8.07% on a post-offer basis, assuming minimum subscription under the Capital Raising. The interests of the existing Shareholders in the Company will reduce to 7.13% on a post-offer basis, assuming maximum subscription under the Capital Raising.

There is also a risk that the interests of Shareholders will be further diluted as a result of future capital raisings required in order to fund the development of the Business.

# (c) Liquidity Risk

On completion of the Acquisition, the Company proposes to issue 625,000,000 Shares to the Vendors, 250,000,000 Performance Rights to key management of xTV and 25,000,000 Shares for the Introductory and advisory fee (on a post-Consolidation basis). These securities will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules. Based on the post-offer capital structure (on a post-Consolidation basis) (and assuming no further Shares are issued or Options exercised), these Shares will equate to approximately 78.80% of the post-Offer issued Share capital (assuming minimum subscription under the Capital Raising). This could be considered an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.

# (d) Contractual Risk

Pursuant to the Agreement (summarised above) the Company has agreed to acquire 100% of xTV, subject to the fulfilment of certain conditions precedent.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

# Risks relating to the Company's operations

# (a) Sales and marketing success

Following completion of the Proposed Transaction, the Company intends to continue with the commercialisation of the xTV Platform by focusing on brand development and sales and marketing. By its nature, there is no guarantee that the Company's brand development and sales and marketing campaign will be successful. In the event that it is not, the Company may encounter difficulty in bringing the xTV Platform to market and creating market awareness of the "xTV" brand. This would likely have an adverse impact on the Company's sales and profitability.

Even if the Company does successfully commercialise the xTV Platform, there is a risk the Company will not achieve a commercial return. The Company may not be able to sell products and services to customers at a rate which covers its operating and capital costs, or new technology may overtake the Company's technology.

# (b) Protection of intellectual property rights

If the Company fails to protect the intellectual property rights of xTV adequately, competitors may gain access to its technology which would in turn harm its business.

Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. Effective patent, trademark, copyright and trade secret protection may not be available to the Company in every country in which its products are available. Accordingly, despite its efforts, the Company may not be able to prevent third parties from infringing upon or misappropriating its intellectual property.

The Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management. In addition, unauthorised use of the "xTV" brand in counterfeit products or services may not only result in potential revenue loss, but also have an adverse impact on its brand value and perceptions of its product qualities.

# (C) Competition and new technologies

The industry in which xTV is involved is subject to increasing domestic and global competition which is fast-paced and fast-changing. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, whose activities or actions may positively or negatively affect the operating and financial performance of the Company's projects and business. For instance, new technologies could overtake the advancements made by the xTV Platform. In that case, the Company's revenues and profitability could be adversely affected.

# (d) Reliance on key personnel

The emergence and development of xTV's business has been in large part due to the talent, effort, experience and leadership of its management team, including its CEO, Mr Joseph Ward. xTV is also substantially dependent on the continued service of its existing development personnel because of the complexity of its services and technologies. There is no assurance that the Company will be able to retain the services of such persons.

# (e) Faults with products/services

Because xTV's product is complex, it may have errors or defects that users identify after they begin using it, which could harm the Company's reputation and business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. xTV has on occasions found defects in its product and new errors in its existing or future developed products and services may be detected in the future. If that occurs, the Company could lose future sales or customers.

# (f) Regulatory environment

Presently, xTV's operations are based in the US and are subject to US laws and regulations. However, the Company intends to expand xTV's operations into other markets such as Asia and Australia. Users, competitors, members of the general public or regulators could allege breaches of legislation in the relevant jurisdictions (for example, if an advertisement was considered to be misleading or deceptive). This could result in remedial action or litigation, which could potentially lead to the Company being required to pay compensation or a fine.

The Company's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon the Company's profitability. In addition, if regulators took the view that the Company had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant damage to the Company's reputation and consequently impact on its revenue.

If and when the Company operates in other jurisdictions, regulatory changes could see the Company being required to hold a licence in some of these jurisdictions or otherwise comply with local regulations. This could preclude the Company from offering certain services in these jurisdictions until such a licence has been obtained, or may require the Company to comply with a range of regulatory requirements. Any such increase in the costs and resources associated with the regulatory compliance in these jurisdictions could impact upon the Company's profitability.

# (g) Foreign exchange risks

xTV's revenues, costs and expenses in the United States are denominated in US dollars, whereas the Company reports in Australian dollars. As a result of the use of these different currencies, the merged group is subject to foreign currency fluctuations which may materially affect its financial position and operating results. For example, a depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenue, profit and earnings as a result of the translation of the USD earnings into AUD. As such, the combined group is considering changing its functional currency for reporting purposes to US dollar.

# (h) Insurance coverage

xTV faces various risks in connection with its business and may lack adequate insurance coverage or may not currently have the necessary insurance coverage. The Company will need to review its insurance requirements and obtain relevant insurances covering each jurisdiction it operates in as required. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, its profitability may be adversely affected.

# (i) Dependence on the internet

Expanding sales of the xTV platform and other future developed products depends on the continued acceptance of the internet as a communications and commerce platform for individuals and enterprises. The internet could become less viable as a business tool due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service.

The performance of the internet and its acceptance as a business tool have been harmed by "viruses," "worms" and similar malicious programs, and the internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure. If for any reason the internet does not remain a widespread communications medium and commercial platform, the demand for the Company's products would be significantly reduced, which would harm its business.

# (j) Hacker attacks

xTV relies upon the availability of its website to provide services to customers and attract new customers. Hackers could render the website unavailable through a disrupted denial of service or other disruptive attacks.

Although xTV has strategies in place to minimise such attacks, these strategies may not be successful. Unavailability of the website could lead to a loss of revenues for the Company. Further, it could hinder the Company's abilities to retain existing customers or attract new customers, which would have a material adverse impact on the Company's growth.

# (k) Domain name risk

xTV's business depends to some extent on customers being attracted to its website. xTV has registered a domain name for the purposes of its website. However, should the Company not renew or otherwise lose control of the xTV domain name, it would lose all website traffic direct to that domain. This would likely adversely affect the Company's revenue.

# (I) Attracting customers to the website

The Company's revenues, in part, will be affected by its ability to attract customers to the xTV website. Various factors can affect the level of web traffic arriving at the xTV website, including:

- (i) Marketing and promotions: If the Company's marketing and promotion efforts are not effective this may result in less customers visiting the xTV website.
- (ii) Brand damage: If the Company or xTV suffer from reputational damage, web traffic could be affected.
- (iii) Search engine traffic: Search engines such as Google direct significant traffic to the xTV website. Should these search engines make changes to their algorithms and procedures that direct this traffic, the Company could see a substantial drop in customers visiting the xTV website. For example, Google regularly updates the algorithms that determine the ranking of results it returns for any given search term. xTV attempts to follow Google's guidelines and online best practice to maintain the flow of traffic to its website, but such changes could adversely affect the traffic to its website.

A decline in traffic to the xTV website could lead to a decline in the Company's ability to attract customers, which in turn may affect the Company's profitability.

# (m) Future capital requirements

Future funding may be required by the Company to develop the Business and Products or additional projects that the Company may identify. There can be no assurance that such funding will be available on satisfactory terms or at all. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations as the case may be, which may adversely affect the business and financial condition of the Company and its performance.

# **General Risks**

# (a) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Acquisition. The capacity of the new management to properly implement and manage the strategic direction of the Company may affect the Company's financial performance.

# (b) Competition risk

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions

of its competitors, whose activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

# (c) Market risk

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism and other hostilities.

# (d) Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, companies, products, technologies and/or products that are complementary to xTV's business. Any such future transactions are accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, such as integrating cultures and systems of operation, relocation of operations, short term strain on working capital requirements, achieving the sales and margins anticipated and retaining key staff and customer and supplier relationships.

# (e) Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

# 1.8 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's shares;
- (b) the Acquisition provides an opportunity for the Company to diversify its interests to include xTV, which is engaged in the business of designing, developing, marketing and servicing software products that combine a

user's streaming media into a branded, real-time, interactive television network:

- (c) the new Board of Directors will provide a new set of skills to guide the growth of the Company in the activities relevant to the new business;
- (d) the acquisition of xTV provides the Company with the opportunity to increase the value of the Company; and
- (e) the Company may be able to raise further funds at higher prices by way of share equity as a result of the Acquisition.

# 1.9 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Company will be changing the nature and scale of its activities to become a company focused on designing, developing, marketing and servicing software products, as referred to above, which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition and the Capital Raising will result in the issue of Shares to the Vendors and new investors, which will have a dilutionary effect on the holdings of Shareholders; and
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 1.7 above.

#### 1.10 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the acquisition of xTV is not completed, the Company will continue to develop its existing activities and look for potential projects in order to continue to take the Company forward.

# 1.11 Directors' Recommendation

The Directors of the Company unanimously recommend the Acquisition (and change in nature and scale of the Company's activities) and that Shareholders vote in favour of the proposed Resolutions.

# 2. RESOLUTION 1 – APPROVAL FOR CHANGE IN NATURE AND SCALE OF ACTIVITIES

# 2.1 General

Resolution 1 seeks the approval of Shareholders for a change in the nature and scale of the Company's activities via the 100% acquisition of xTV.

A detailed description of the proposed acquisition of xTV is outlined in Section 1 above.

Additionally, Resolution 1 seeks approval to issue shares upon re-compliance at an issue price of not less than \$0.02 (2 cents) per Share.

# 2.2 ASX Listing Rule 11.1

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

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

ASX has confirmed to the Company that given the significant change in the nature and scale of the activities of the Company upon completion of the acquisition of xTV, it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2 and pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are set out throughout this Explanatory Statement.

# 2.3 Guidance Note 12

Recent changes to Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a Company had to re-comply to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents when an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20 cent rule provided the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than two cents each; and
- (b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

For this reason, the Company is seeking Shareholder approval for the Company to issue Shares upon re-compliance at an issue price of not less than \$0.02 per Share, as part of the approvals sought under ASX Listing Rule 11.1.2.

# 3. RESOLUTION 2 - CONSOLIDATION OF CAPITAL

# 3.1 Background

Resolution 2 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a one (1) for ten (10) basis (**Consolidation**).

The Consolidation is a requirement in order for the Company to re-comply with ASX Listing Rules 1 and 2 (which, as set out in Section 2.2 above, is necessary in order for the Acquisition to proceed).

#### 3.2 Legal requirements

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

#### 3.3 Fractional entitlements and taxation

Not all Shareholders and Optionholders will hold that number of Shares and Options which can be evenly consolidated on a one (1) for ten (10) basis. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share and Option.

Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Directors (or the Company's advisors) accept any responsibility for the individual taxation implications arising from the Consolidation.

# 3.4 Holding statements

From the date of the Consolidation all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options on a post-Consolidation basis. After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those Shares and Options.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares and Options held prior to any disposal or exercise (as the case may be).

#### 3.5 Effect on capital structure

The effect which the Consolidation will have on the capital structure of the Company is set out in the table in Section 1.6 of this Explanatory Statement.

The effect the Consolidation will have on the terms of the Options is as set out in the tables below:

# Options – Pre Consolidation

Terms	Number
Options exercisable at \$0.07 by 28 September 2015	800,000
Options exercisable at \$0.125 on or before 15 November 2015	3,200,000
Options exercisable at \$0.125 on or before 14 July 2016	250,000
Options exercisable at \$0.007 on or before 30 November 2015	7,500,000
Total	11,750,000

# **Options – Post Consolidation**

Terms	Number
Options exercisable at \$0.70 by 28 September 2015	80,000
Options exercisable at \$1.25 on or before 15 November 2015	320,000
Options exercisable at \$1.25 on or before 14 July 2016	25,000
Options exercisable at \$0.07 on or before 30 November 2015	750,000
Total	1,175,000

# 3.6 Timetable

The indicative timetable for the Consolidation is as follows:

Event	Date
General Meeting to approve transaction	3 December 2014
Notification to ASX of results of General Meeting	4 December 2014
Last day for trading in pre-reorganised securities	5 December 2014
Trading in reorganised securities on a deferred settlement basis would ordinarily occur	8 December 2014
Last day to register transfers on a pre-reorganisation basis	10 December 2014
First day for Company to send notice to Shareholders and Optionholders of change of holdings as a result of reorganisation	11 December 2014
First day for Company to register securities on a post- reorganisation basis and for issue of holding statements	
Issue date	
Deferred settlement market would ordinarily end	
Last day for securities to be entered into the holders' security holdings and for Company to send notice to each security holder	17 December 2014

## 4. RESOLUTION 3 – CAPITAL RAISING

# 4.1 General

Resolution 3 seeks Shareholder approval for the issue of up to 300,000,000 Shares at an issue price of \$0.02 to raise up to a maximum of \$6,000,000 (before costs) (**Capital Raising**). The minimum subscription of the Capital Raising will be the issue of 150,000,000 Shares to raise up to \$3,000,000.

The Shares will be issued under a prospectus to be issued by the Company pursuant to ASX Listing Rule 11.1.3 in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules (**Prospectus**). The minimum amount that may be raised under the Prospectus is \$3,000,000 (before costs).

The Company intends to issue the Prospectus as soon as possible.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Directors to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

# 4.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the offer of Shares under the Prospectus:

- (a) the maximum number of Shares to be issued is 300,000,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;
- (c) the issue price will be \$0.02 per Share (on a post-Consolidation basis);
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (e) the Directors will determine to whom the Shares will be issued and will ensure that these persons will not be related parties of the Company (other than related parties as a result of the Acquisition and other than the participation of Directors which is the subject of Resolutions 13 to 15); and
- (f) the Company intends to use the funds raised (\$6,000,000, before costs) from the Capital Raising to enable the Company to fund the following:

Item	\$
Estimated costs of the Capital Raising and Proposed Transaction	\$660,000
Marketing programmes	\$1,600,000
Product development	\$400,000
Business development and sales	\$1,650,000
Contract services and enhanced business processes	\$750,000
Working capital and corporate administration	\$940,000
TOTAL	\$6,000,000

The above table is a statement of current intentions as at this date. Intervening events may alter the way funds are ultimately applied by the Company.

Further details on the use of funds will be set out in the Prospectus that will be issued in respect of the Capital Raising.

# 5. RESOLUTION 4 – ISSUE OF CONSIDERATION SHARES TO THE VENDORS AND GRANT OF PERFORMANCE RIGHTS

#### 5.1 General

Resolution 4 seeks Shareholder approval:

- (a) to allow the Company to issue the Consideration Shares to the Vendors in consideration for the Acquisition and grant the Performance Rights to key management; and
- (b) to approve the acquisition of a relevant interest in the issued voting shares of the Company by Mr Joseph Ward, the nominated trustee of the Vendors, the Trustee, and Mr Peter Vickers in accordance with section 611 item 7 of the Corporations Act as their acquisitions are otherwise prohibited by section 606(1) of the Corporations Act by virtue of the issue of the Consideration Securities (Voting Acquisition).

The issue of the Consideration Shares will result in:

- (a) Mr Joseph Ward's voting power in the Company increasing from 0% up to 46.29% based on the minimum capital raising; and
- (b) the Trustee's voting power in the Company increasing from 0% to 70.06% based on the minimum capital raising.

Resolution 4 also seeks Shareholder approval for the issue of 250,000,000 Performance Rights to key management of xTV on the terms outlined in Schedule 1, which includes Mr Joseph Ward. If all of the Performance Rights convert to Shares, it will result in Mr Joseph Ward's voting power in the Company increasing to 50.18% and the Trustee's voting power in the Company being 76.61% on the basis that all the Shares will be subject to Escrow and assuming no other Shares are issued and no other Options are exercised.

If the maximum Capital Raising was completed and the Consideration Shares issued, Joseph Ward's voting power in the Company would increase to approximately 39.62% and the Trustee's voting power in the Company would be 59.97%. If all of the Performance Rights convert to Shares, it will result in Mr Joseph Ward's voting power in the Company increasing to 44.35% and the Trustee's

voting power in the Company being 67.72% on the basis that all the Shares will be subject to Escrow and assuming no other Shares are issued and no other Options are exercised.

Pursuant to ASX Listing Rule 7.2 (Exception 16), shareholder approval pursuant to ASX Listing Rule 7.1 is not required where approval is being obtained pursuant to section 611 (Item 7) of the Corporations Act. Accordingly, if Resolution 4 is passed by the requisite majority, the issue of the Consideration Shares insofar as it relates to Mr Joseph Ward and the Trustee will be made without using the Company's 15% annual placement capacity and the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1.

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. These are summarised below.

# 5.2 Section 611 (Item 7) of the Corporations Act

# (a) Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (i) from 20% or below to more than 20%; or
- (ii) from a starting point that is above 20% and below 90%,

(Prohibition).

# (b) Voting Power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

# (c) Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an "associate" of the other person (**first person**) if:

- (i) (pursuant to Section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:
  - (A) a body corporate the first person controls;
  - (B) a body corporate that controls the first person; or
  - (C) a body corporate that is controlled by an entity that controls the person;

- (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or
- (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

A relevant agreement includes an agreement, arrangement or understanding, whether written or oral, formal or informal and whether or not having legal or equitable force.

There are no persons who are associates of Mr Joseph Ward in accordance with this definition. The associates of the Trustee are all the xTV Shareholders as a result of these parties intending to enter into the trust arrangement set out in section 1.4.

# (d) Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- (i) are the holder of the securities;
- (ii) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (iii) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- (i) a body corporate in which the person's voting power is above 20%;
- (ii) a body corporate that the person controls.

Mr Peter Vickers, who is the sole director and company secretary of the Trustee, is deemed to hold a relevant interest in the securities the Trustee holds in the Company on the basis that his voting power in the Trustee is 100% as at the date of this Notice. Mr Peter Vickers does not have any associates with an existing relevant interest in the Company.

# 5.3 Reason Section 611 Approval is Required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

Following the issue of the Consideration Shares, Mr Joseph Ward will have a relevant interest in a maximum of 412,940,360 Shares in the Company, representing 46.29% voting power in the Company. This assumes that no other Shares are issued or Options are exercised.

Further, following the issue of the Performance Rights, in the event that the Performance Rights convert, Mr Joseph Ward will be issued up to 160,136,808 additional Shares. This would increase Mr Joseph Ward's voting power to 50.18%. This also assumes that no other Shares are issued or Options are exercised.

Following the issue of the Consideration Shares, the Trustee will have a relevant interest in a maximum of 625,000,000 Shares in the Company, representing 70.06% voting power in the Company. This assumes that no other Shares are issued or Options are exercised.

Further, following the issue of the Performance Rights, in the event that the Performance Rights convert, the Trustee's voting power will increase to 76.61% on the basis that all the Shares will be subject to Escrow. This also assumes that no other Shares are issued or Options are exercised.

Accordingly, Resolution 4 seeks Shareholder approval for the purpose of Section 611 Item 7 and all other purposes to enable the Company to issue the Consideration Shares to Mr Joseph Ward and to the Trustee and to enable the conversion of the Performance Rights by Mr Joseph Ward.

# 5.4 Specific information required by section 611 (Item 7) of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd annexed to this Explanatory Statement.

# (a) Identity of the acquirer and its associates

It is proposed that Mr Joseph Ward will acquire a relevant interest in the Consideration Shares and Performance Rights in accordance with the terms of the Acquisition Agreement as set out in Section 1.4 of this Explanatory Memorandum.

There are no associates of Mr Joseph Ward for the purposes of determining his voting power under the Corporations Act.

It is proposed that the Trustee will be issued the Consideration Shares as set out in Section 1.4 of this Explanatory Memorandum for the purposes of the trust arrangement set out in that section. The associates of the Trustee include all xTV Shareholders as these are the parties granting the rights under the trust deed to the Trustee. Further, Mr Peter Vickers is an associate of the Trustee by virtue of being a director and company secretary of the Trustee. There are no associates of Mr Peter Vickers for

the purposes of determining the Trustee's voting power under the Corporations Act.

# (b) Relevant Interest and Voting Power

# (i) Relevant Interest

Mr Joseph Ward and the Trustee do not currently hold any Shares or Options in the Company.

The relevant interests of Mr Joseph Ward and the Trustee in voting shares in the capital of the Company (both current, and following the issue of the Consideration Securities as contemplated by this Notice) are set out in the table below:

Party	Relevant Interest as at the date of this Notice of Meeting	Relevant Interest after the issue of the Consideration Shares	Relevant Interest after exercise of the Performance Rights
Joseph Ward	Nil	412,940,360	573,077,168
Trustee <sup>1</sup>	Nil	625,000,000	875,000,000

#### Note:

1. Mr Peter Vickers is the sole shareholder of the Trustee. Accordingly, pursuant to Section 608(3) of the Corporations Act, he is deemed to have the relevant interests of the Trustee.

# (ii) Voting Power

The voting power of Mr Joseph Ward and the Trustee (both current, and following the issue of the Consideration Securities as contemplated by this Notice and minimum capital raising) is set out in the table below:

Party	Voting Power as at the date of this Notice of Meeting	Voting Power after issue of the Consideration Shares, minimum Capital Raising and Advisory Shares	Voting Power after exercise of the Performance Rights
Mr Joseph Ward	0%	46.29%	50.18%
Trustee <sup>1</sup>	0%	70.06%	76.61%

#### Note:

 Mr Peter Vickers is the sole shareholder of the Trustee. Accordingly, pursuant to Section 608(3) of the Corporations Act, he is deemed to have the relevant interests of the Trustee.

Further details on the voting power of Mr Joseph Ward and the Trustee are set out in the Independent Expert's Report prepared by BDO Corporate Finance (WA) Pty Ltd.

# (iii) Summary of increases

From the above chart it can be seen that the maximum relevant interest that Mr Joseph Ward will hold after completion of the issue (and after the exercise of all of the Performance

Rights) is 573,077,168 Shares, and the maximum voting power that Mr Joseph Ward will hold is 50.18%. This represents a maximum increase in voting power of 50.18% (being the difference between 0% and 50.18%).

From the above chart it can be seen that the maximum relevant interest that the Trustee will hold after completion of the issue is 875,000,000 Shares, and the maximum voting power that the Trustee will hold is 76.61%. This represents a maximum increase in voting power of 76.61% (being the difference between 0% and 76.61%).

# (iv) Assumptions

Note that the following assumptions have been made in calculating the above:

- (A) the Company has 921,336,925 Shares (pre Consolidation) on issue as at the date of this Notice of Meeting;
- (B) the Company does not issue any additional Shares other than pursuant to the Resolutions set out in this Notice;
- (C) all the Consideration Shares are subject to Escrow and held by the Trustee;
- (D) the Performance Rights milestones are met and the resulting Shares are held in Escrow by the Trustee; and
- (E) no existing Options are exercised.

# (a) Reasons for the proposed acquisition

The reason for the issue of the Consideration Securities and the resulting Voting Acquisition is that it is required in order to complete the Acquisition. In the absence of Shareholder approval of Resolution 4, the Acquisition will not proceed.

#### (b) Date of proposed acquisition

The issue of the Consideration Shares which will result in the Voting Acquisition will occur on completion of the Acquisition which is intended to be as set out in the timetable at the beginning of this Notice.

# (c) Material terms of proposed issue of securities

As set out in section 1.4(b) of this Explanatory Statement the Company is proposing to issue:

- (i) 625,000,000 Shares in consideration for the Acquisition; and
- (ii) 250,000,000 Performance Rights to key management of xTV on the terms set out in Schedule 1.

# (d) Acquirer's intentions

Other than as disclosed elsewhere in this Explanatory Statement, as at the date of this Notice and assuming changes by reason of the Acquisition, the Company understands that Mr Joseph Ward and the Trustee each:

- (i) has no present intention of making any significant changes to the business of the Company;
- (ii) intends to participate in further capital raisings of the Company to maintain its shareholding interest;
- (iii) has no present intention of making changes regarding the future employment of the present employees of the Company;
- (iv) does not intend to redeploy any fixed assets of the Company;
- (v) does not intend to transfer any property between the Company and Mr Joseph Ward or the Trust; and
- (vi) has no intention to change the Company's existing policies in relation to financial matters or dividends.

These intentions are based on information concerning the Company, its business and the business environment which is known to Mr Joseph Ward and the Trustee at the date of this Notice.

These present intentions may change as new information becomes available, as circumstances change or in the light of all material information, facts and circumstances necessary to assess the operational, commercial, taxation and financial implications of those decisions at the relevant time.

#### (e) Proposed change of directors of the Company

Subject to Completion, Messrs Thomas, Tassone, Canepa, Reynolds and Ward will be appointed as directors of the Company.

# Mr Joseph Ward – Managing Director

Joe Ward has 26 years of experience in media and technology, primarily in leadership roles as CEO.

A former network engineer turn Entrepreneur, Mr Ward has founded 5 companies that specialize in Cloud/SaaS/Media, with a recent emphasis on Realtime technology as the significant competitive advantage. In addition to xTV, these companies include Argyle Data (formerly uCirrus inc. USA), Workstar Australia, Marketboomer and Axis Media.

Prior to the companies he founded, he was the second employee at Ozemail and Network Engineer at Australian Consolidated Press.

Mr Ward's passion for xTV is a significant driver for the growth of the company, channeling the years of directly relevant experience and expertise into xTV where the vision is to become the most natural evolution of the website - your own online TV network, powered by xTV.

#### Mr Mark Canepa – Executive Vice President of Strategy

Mark Canepa is an experienced and well known executive in the computing and communication industries. Mr. Canepa most recently served as Chairman of the Board of Directors of GreenButton Limited, where he was instrumental in the sale of the company to Microsoft in May of 2014.

Prior to GreenButton, Mr. Canepa served as CEO and President at Extreme Networks Inc., a Nasdaq listed Company, from August 30, 2006 until October 20, 2009. He also served as SVP, Network Storage Products at Sun Microsystems Inc. (now Oracle America, Inc.) and served as EVP of the Data Management Group from April 2001 to May 2006. Mr. Canepa also served as VP and GM, Internet Desktop and Server Products at Oracle from June 2000 to April 2001 and as its VP, Workgroup Server Products from October 1996 to June 2000. He also held several GM positions at Hewlett-Packard Co., including development and marketing of its Workstation Division. Mr. Canepa has been a Director of GreenButton Limited since August 2010 and served as a Director of Extreme Networks Inc. from October 2006 until October 20, 2009.

Mr. Canepa holds a B.S. and an M.S. in Electrical Engineering from Carnegie Mellon University, and has also completed the University of Pennsylvania's Advanced Management Program at the Wharton School.

# Mr Thomas Reynolds – President and Chief Operating Officer;

Tom Reynolds brings nearly 40 years of experience in managerial and executive roles in hi-tech, communications, and networking industries. He has created and grown new businesses within notable multinational companies as well as startups. Mr. Reynolds's focus is on delivering value to customers and shareholders through the creation and delivery of innovative solutions and technologies.

In addition to his recent startup efforts with xTV and others, Mr. Reynolds led the sales and marketing efforts that increased Ericsson's data business ten-fold in two years, and also includes similar successes at Motorola, HP and Harris. Mr. Reynolds also played key roles in the startup community, establishing Actelis Networks in the market and growing PairGain Technologies from \$200M to \$300M in two years.

Mr. Reynolds holds a Bachelor of Design from the University of Colorado in Boulder.

#### Mr Charles Thomas - Non-executive Director

Mr Thomas is a Non-Executive Director of Applabs Technologies Ltd and Liberty Resources Ltd.

Mr Thomas is Executive Director of GTT Ventures Pty Ltd a Corporate Advisory firm based in Western Australia. Mr Thomas worked as an investment advisor from 2009-2014 for Bell Potter Securities Limited focusing on high net-worth clients and corporate advisory services. Previously he worked for State One Stockbroking for a period of 3 years. Previous to that he worked at Sanford Securities for 2 years. During the

past 10 years he has advised and funded numerous ASX listed companies from early stage seed capital through to IPO.

Mr Thomas is a founding director and major shareholder of D-lnkD, a company offering laser tattoo removal in Australia.

Mr Thomas holds a Bachelor of Commerce from UWA majoring in Corporate Finance.

Mr Thomas is also a Director of various private companies which industries span across many industries including finance, technology and medical fields.

#### Mr Rocco Tassone - Non-executive Director

Mr Tassone holds a Bachelor of Business with a Double Major in Finance and Economics from Edith Cowan University, together with a Post Graduate Diploma in Applied Finance and Investment from Kaplan.

Mr Tassone has extensive experience in equities markets most recently with Bell Potter Securities Limited, where for a period of 8 years, he advised across domestic and international Institutional Sales, High Net Worth individuals and Corporate Advisory. During this time he has advised and funded many ASX listed companies from early stage seed capital through to Initial Public Offering as well as through mergers and acquisitions.

Additionally Mr Tassone is currently Non-Executive Director of ASX listed Applabs Technologies Ltd and is also a Founding Director and major shareholder of D-InkD Pty Ltd, as well as Founding Director of online retailer and distributor www. everythingmma.com.au.

# (f) Other information

The Directors are not aware of any information other than as set out in this Notice that is material to the decision on how to vote on Resolution 4.

# 5.5 Advantages of the issue of the Consideration Shares

The Directors are of the view that the non-exhaustive list of advantages set out in Section 1.8 are relevant to a Shareholder's decision on how to vote on Resolution 4 as well as all other Resolutions.

#### 5.6 Disadvantages of the issue of the Consideration Shares

The Directors are of the view that the non-exhaustive list of disadvantages set out in Section 1.9 are relevant to a Shareholder's decision on how to vote on Resolution 4 as well as all other Resolutions.

# 5.7 Recommendations of Directors

The Directors do not have any material personal interests in the outcome of Resolution 4 and unanimously recommend that Shareholders vote in favour of Resolution 4 as they consider the proposed issue of the Consideration Shares to be in the best interests of Shareholders for the following reasons:

- (a) after assessment of the advantages and disadvantages referred to in Sections 1.8 and 1.9 the Directors are of the view that the advantages outweigh the disadvantages; and
- (b) the Independent Expert has determined the issue of the Consideration Shares to be not fair but reasonable to the non-associated Shareholders.

#### 5.8 Independent Expert's Report

The Independent Expert's Report (a copy of which is attached as Annexure 1 to this Explanatory Statement) assesses whether the transactions contemplated by Resolution 4 are fair and reasonable to the non-associated Shareholders of the Company.

The Independent Expert's Report concludes that the transactions contemplated by Resolution 4 are not fair but reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

# 5.9 Technical information required by ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 4.1 above.

The effect of Resolution 4 will be to allow the Directors to issue the Consideration Shares and the Performance Rights during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of the Consideration Securities:

- the maximum number of securities to be issued is 625,000,000 Shares (on a post-Consolidation basis) and 250,000,000 Performance Rights (on a post-Consolidation basis). As at the date of the Meeting (assuming the Shares are issued), the number of Shares on issue will be 921,336,925 Shares. Assuming no other Shares are issued or Options exercised, the number of Shares on issue would increase from 92,133,692 (post-Consolidation) to 717,133,692 Shares and the shareholding of existing Shareholders would be diluted by 91.167% following the completion of all issues under the resolutions and assuming maximum subscription to the capital raising.
- (b) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue will occur on the same date;
- (c) the Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (and will rank equally with the Company's existing Shares);
- (d) the full terms and conditions of the Performance Rights are set out in Schedule 1;

- (e) the Consideration Shares will be issued to the Vendors (none of which are related parties of the Company other than by reason of the Acquisition) on a pro rata basis in accordance with their respective interests in xTV as at Completion or to the Trustee pursuant to the trust arrangement set out in section 1.4 for the benefit of the Vendors and the Performance Rights will be issued to key management of xTV as set out in Schedule 4; and
- (f) the Consideration Shares will be issued for nil cash consideration for the acquisition of xTV, pursuant to the Agreement (a summary of which is set out in Section 1.4 of this Explanatory Statement). Accordingly, no funds will be raised from their issue. The Performance Rights will be issued for nil cash consideration as an incentive to key management of xTV.

#### 5.10 Pro forma balance sheet

A pro forma balance sheet of the Company post the completion of the issue is set out in Schedule 4.

#### 6. RESOLUTIONS 5 TO 9 – APPOINTMENT OF DIRECTORS

In accordance with clause 8.1 of the Company's constitution, the Company may elect a person as a Director by resolution passed at a general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after the end of the general meeting, subject to the successful completion of the Acquisition.

The Company is seeking Shareholder approval for appointment of Messrs Ward, Canepa, Reynolds, Thomas and Tassone as directors of the Company.

Refer to section 5.4 for biographies of the proposed Directors.

The Board recommend shareholders vote in favour of Resolutions 5 to 9.

# 7. RESOLUTION 10 - CHANGE OF COMPANY NAME

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

Resolution 10 seeks the approval of Shareholders for the Company to change its name to xTV Networks Limited.

If Resolution 10 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 10 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the Acquisition in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

#### 8. RESOLUTION 11 – ISSUE OF SHARES

#### 8.1 General

Resolution 11 seeks Shareholder approval for the issue of 25,000,000 Shares in consideration for introduction and advisory services provided to the Company by MV Agusta Investments Pty Ltd (ACN 142816019) (**Placement**).

A summary of ASX Listing Rule 7.1 is set out in section 4.1 above.

The effect of Resolution 11 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### 8.2 Technical information required by ASX Listing Rule 7.1

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

- (a) the maximum number of Shares to be issued is 25,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in satisfaction of advisory services provided by MV Agusta Investments Pty Ltd or nominees;
- (d) the Shares will be issued to MV Agusta Investments Pty Ltd or its nominees, none of who are or will be a related party of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the Placement as the Shares are being issued in consideration for advisory services provided by MV Agusta Investments Pty Ltd or its nominees.

# 9. RESOLUTION 12 – APPROVAL OF EMPLOYEE OPTION PLAN

Resolution 12 seeks Shareholders approval for the adoption of the employee incentive scheme titled Employee Option Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 12 is passed, the Company will be able to issue Options under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Options have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Options under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Options under the Plan to a related party or a person whose relation with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time.

A summary of the key terms and conditions of the Plan is set out in Schedule 2. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary by calling +61 8 6380 2799. Shareholders are invited to contact the Company if they have any queries or concerns.

#### 10. RESOLUTIONS 13 TO 15 – ISSUE OF SHARES TO RELATED PARTIES

#### 10.1 General

Pursuant to Resolution 3 the Company is seeking Shareholder approval for the issue of up to 300,000,000 Shares at an issue price of \$0.02 per Share to raise up to \$6,000,000 (Capital Raising).

Messrs Sebastiano Randazzo, Gary Steinepreis and Patrick Burke (together, the **Related Party Participants**) each wish to participate in the Capital Raising, subject to shareholder approval being obtained.

Resolutions 13 to 15 seek Shareholder approval for the issue of up to 4,750,000 Shares to the Related Party Participants (or their respective nominees) arising from the participation by the Related Party Participants in the Capital Raising (**Participation**).

#### 10.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Participation will result in the issue of Shares which constitutes giving a financial benefit and the Related Party Participants are related parties of the Company by virtue of being Directors.

The Directors (other than Mr Steinepreis in relation to Resolution 13, other than Mr Burke in relation to Resolution 14 and other than Mr Randazzo in relation to Resolution 15 given their material personal interests in these respective Resolutions) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Participation because the Shares will be issued to the Related Party Participants on the same terms as the Shares to be issued to non-related party participants in the Capital Raising and as such the giving of the financial benefit is on arm's length terms.

# 10.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the Capital Raising involves the issue of Shares to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

# 10.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Participation:

- (a) the Shares will be issued to Messrs Randazzo, Steinepreis and Burke (or their respective nominees);
- (b) the maximum number of Shares to be issued is:
  - (i) 1,000,000 Shares to Sebastiano Randazzo (or his nominee);
  - (ii) 2,500,000 Shares to Mr Gary Steinepreis (or his nominee); and
  - (iii) 1,250,000 Shares to Mr Patrick Burke (or his nominee);
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.02 per Share, being the same as all other Shares issued under the Capital Raising;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in section 4.2(f) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Participation as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Party Participants (or their respective nominees) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

# 11. RESOLUTION 16 - CREATION OF A NEW CLASS OF SECURITIES - PERFORMANCE RIGHTS

Resolution 16 seeks Shareholder approval for the Company to be authorised to issue Performance Rights.

A company with a single class of shares on issue that proposes to issue new shares not having the same rights as its existing shares, is taken to vary the rights of existing shareholders unless the Constitution already provides for such an issue.

Section 246B of the Corporations Act provides that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the holders of the issued shares of the affected class; or
- (b) the written consent of the holders of 75% of the votes of the affected class.

The Company proposes issuing a total of 250,000,000 Performance Rights. Each Performance Right will, if certain milestones are achieved, convert into one (1) fully paid ordinary share. The full terms and conditions of the Performance Rights are set out in Schedule 1 of this Notice.

The Company currently has only one class of shares on issue being the Shares (fully paid ordinary shares). The terms of the Performance Rights will operate as a new class of share, and are not the same terms as the Shares. Accordingly, the Company seeks approval from Shareholders for creation of the class, and subsequent issue of, the Performance Rights.

The purpose of the issue of the Performance Rights is to provide equity based incentive and reward to key management of xTV, and to link that incentive and reward to certain key performance criteria, being the achievement of the Milestones.

The terms of the Performance Rights have been approved by ASX.

#### **GLOSSARY**

\$ means Australian dollars.

**Acquisition** means the acquisition of xTV by the Company in accordance with the terms and conditions set out in the Agreement.

**Agreement** means the agreement and plan for merger between the Company, xTV Acquisition Corp, MppApps Inc and Fortis Advisors LLC entered into 7 October 2014.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Capital Raising** means the capital raising required as a condition precedent to the Acquisition being the subject of Resolution 3.

**Chair** means the chair of the Meeting.

Company or IZM means Intercept Minerals Ltd (ACN 124 251 396).

**Completion** means the date of settlement of the Acquisition.

**Consideration Shares** means the 625,000,000 Shares to be issued to the Vendors in consideration for the xTV Shares, as set out in section 1.4 of this Notice.

**Consolidation** means the consolidation of the Company's issued capital being the subject of Resolution 2.

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**IZM** or the **Company** means Intercept Minerals Ltd (ACN 124 251 396).

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**General Meeting** or **Meeting** means the meeting convened by the Notice.

**Notice** or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

**Option** means an option to acquire a Share..

Optionholder means a holder of an Option.

**Performance Right** means a right issued in the capital of IZM on the terms set out in Schedule 1.

**Proposed Directors** means Messrs Thomas, Tassone, Canepa, Ward and Reynolds whose appointments are the subject of Resolutions 5 to 9.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

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

**Shareholder** means a registered holder of a Share.

**Vendors** has the meaning set out in section 1.4 of this Notice.

**xTV** means mppAPPs Inc.

**xTV Shares** means all of the issued and outstanding shares including but not limited to common shares and series 1A preferred shares, options, warrants and other equity interests of xTV.

**xTV Shareholders** means all holders of xTV Shares

WST means Western Standard Time as observed in Perth, Western Australia.

#### SCHEDULE 1 - TERMS AND CONDITIONS OF PERFORMANCE RIGHTS

The terms of the Performance Rights are set out as follows:

#### 1. General

- (a) (**Performance Rights**) Each Performance Right is a share in the capital of IZM.
- (b) (General Meetings) The Performance Rights shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of IZM that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of IZM.
- (c) (**No Voting Rights**) The Performance Rights do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of IZM.
- (d) (**No Dividend Rights**) The Performance Rights do not entitle the Holder to any dividends.
- (e) (**Rights on Winding Up**) The Performance Rights participate in the surplus profits or assets of IZM upon winding up of IZM only to the extent of \$0.00001 per Performance Right.
- (f) (**Not Transferable**) The Performance Rights are not transferable.
- (g) (Reorganisation of Capital) If at any time the issued capital of IZM is reconstructed, all rights of the Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) (Application to ASX) The Performance Rights will not be quoted on ASX. However, upon conversion of the Performance Rights into fully paid ordinary shares (Ordinary Shares) ZM must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on ASX.
- (i) (No Other Rights) The Performance Rights give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) (Participation in Entitlements and Bonus Issues) Holders of Performance Rights will not be entitled to participate in new issues of capital offered to holders of the Ordinary Shares such as bonus issues and entitlement issues.

# (k) (Reconstruction)

(i) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of IZM, the basis for adjustment of the conversion of Performance Rights into Ordinary Shares will be reconstructed in the same proportion as the issued capital of IZM is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders of IZM, (subject to the same provisions with

respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Performance Rights will remain unchanged.

(ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by IZM.

#### 2. Conversion and Redemption of the Performance Rights

- (a) (**Performance Milestones**) If the following performance hurdles are satisfied, the Performance Rights will convert into Ordinary Shares as follows:
  - (i) if IZM (post-Closing) achieves US\$500,000 in gross revenue for each month for a continuous period of 3 months within a period of 2 years from the date of issue of the Performance Rights (Milestone 1) then 50,000,000 Performance Rights will convert into 50,000,000 Ordinary Shares;
  - (ii) if IZM (post-Closing) achieves US\$1,000,000 in gross revenue for each month for a continuous period of 3 months within a period of 2 years from the date of issue of the Performance Rights (Milestone 2) then 75,000,000 Performance Rights will convert into 75,000,000 Ordinary Shares;
  - (iii) if IZM (post-Closing) share price is \$0.05 or above over a 20 day VWAP period within a period of 2 years from the date of issue of the Performance Rights (**Milestone 3**) then 50,000,000 Performance Rights will convert into 50,000,000 Ordinary Shares;
  - (iv) if IZM (post-Closing) share price is \$0.075 or above over a 20 day VWAP period within a period of 2 years from the date of issue of the Performance Rights (**Milestone 4**) then 75,000,000 Performance Rights will convert into 75,000,000 Ordinary Shares; and

#### (b) (Redemption if Milestones not achieved) If:

- (i) Milestone 1 is not achieved within a 2 year period commencing on the date of issue of the Performance Rights (**Milestone 1 Determination Date**), then 50,000,000 Performance Rights held by the Holders will be automatically redeemed by IZM for the sum of \$0.000001 per Performance Right within 10 business days of the Milestone 1 Determination Date;
- (ii) Milestone 2 is not achieved within a 2 year period commencing on the date of issue of the Performance Rights (Milestone 2 Determination Date), then 75,000,000 Performance Rights held by the Holders will be automatically redeemed by IZM for the sum of \$0.000001 per Performance Right within 10 business days of the Milestone 1 Determination Date;
- Milestone 3 is not achieved within a 2 year period commencing on the date of issue of the Performance Rights (Milestone 3 Determination Date), then 50,000,000 Performance Rights held by the Holders will be automatically redeemed by IZM for the

- sum of \$0.000001 per Performance Right within 10 business days of the Milestone 2 Determination Date; or
- (iv) Milestone 4 is not achieved within a 2 year period commencing on the date of issue of the Performance Rights (**Milestone 4 Determination Date**), then 75,000,000 Performance Rights held by the Holders will be automatically redeemed by IZM for the sum of \$0.000001 per Performance Right within 10 business days of the Milestone 3 Determination Date.
- (Conversion Procedure) IZM will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Rights into Ordinary Shares in accordance with condition 2(a).
- (d) (Ranking of Shares) The Ordinary Shares into which the Performance Rights will convert will rank pari passu in all respects with existing Ordinary Shares.

#### SCHEDULE 2 - SUMMARY OF EMPLOYEE OPTION PLAN

The Board has adopted an Employee Option Plan to allow Eligible Participants to be granted Options to acquire Shares in the Company, the principle terms of which are summarised below.

- (a) **Eligibility and Grant of Incentive Options**: The Board may grant Options to any employee, Director of or consultant to the Company or an Associated Body Corporate (**Eligible Participant**). Options may be granted by the Board under the Employee Option Plan at any time.
- (b) **Consideration**: Each Option issued under the Employee Option Plan will be issued for nil cash consideration.
- (c) **Conversion:** Each Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.
- (d) **Exercise Price and Expiry Date**: The exercise price and expiry date for Options granted under the Employee Option Plan will be determined by the Board prior to the grant of the Options.
- (e) **Exercise Restrictions**: The Incentive Options granted under the Employee Option Plan may be subject to conditions on exercise as may be fixed by the Directors prior to grant of the Options (**Exercise Conditions**). Any restrictions imposed by the Directors must be set out in the offer for the Options.
- (f) **Lapsing of Options**: Subject to the terms of the Offer made to a Participant, an unexercised Option will lapse:
  - (i) on its Expiry Date;
  - (ii) if any Exercise Condition is unable to be met;
  - (iii) if the Eligible Participant is an employee or director of the Company, then if that person ceases to be an employee or director of the Company, in the event that Exercise Conditions have not been met by the date the Eligible Participant ceases to be an employee or Director (Ceasing Date); or
  - (iv) within a period of three (3) months after the Ceasing Date, in the event that Exercise Conditions have been met by the Ceasing Date.
- (g) **Unquoted:** The Company will not apply for quotation of the Options on ASX.
- (h) **Trigger Events**: The Company may permit Options to be exercised in certain circumstances where there is a change in control of the Company (including by takeover) or entry into a scheme of arrangement.
- (i) Participation in Rights Issues and Bonus Issues:
  - (i) There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.
  - (ii) The Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least seven (7) Business Days after the issue is announced. This will give Option holders

- the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.
- (iii) A holder of Options under the Plan shall only be permitted to participate in a pro rata issue to the holders of Shares on the prior exercise of the Option (and provided the Exercise Conditions are satisfied). The Company must notify the holder of an Option of the proposed issue at least 7 Business Days before the record date to determine entitlements to the pro rata issue. If the Company makes a bonus issue, the number of Shares over which an Option is exercisable will not be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.
- (j) **Reorganisation**: The terms upon which Options will be granted will not prevent the Options being re-organised as required by the Listing Rules on the reorganisation of the capital of the Company.
- (k) **Restrictions on issue and exercise:** No Option may be offered, granted or exercised and no Share may be issued under the Employee Option Plan if to do so:
  - (i) would contravene the Corporations Act, the Listing Rules or any other applicable law; or
  - (ii) would contravene the local laws or customs of an Eligible Participant's country of residence or in the opinion of the board would require actions to comply with those local laws or customs which are impractical.

#### SCHEDULE 3 - PRO FORMA BALANCE SHEET

#### 1. Introduction

This Section sets out the Historical Financial Information and Proforma Financial Information. The basis for preparation and presentation is set out below.

The Financial Information has been prepared by management and adopted by the Directors of the Company. The Financial Information is considered to be the consolidated group of Intercept and xTV on the basis as set out below.

#### 2. Basis of Preparation

The Historical Financial Information and Proforma Financial Information has been prepared in accordance with the measurement and recognition criteria of Australian Accounting Standards and the significant accounting policies on the assumption that the proposed acquisition occurred on 30 June 2014.

The accounting policies comply with Australian Equivalents to International Financial Reporting Standards (AIFRS) which ensures compliance with International Financial Reporting Standards (IFRS). The Historical and Proforma Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

The Company's financial statements for the year ended 30 June 2014 have been audited by Crowe Horwath. Crowe Horwath also audited the financial information of xTV as at 30 June 2014.

The Historical Financial Information of the consolidated group provided in this Prospectus comprises a Proforma consolidated statement of financial position as at 30 June 2014, which is based upon:

- (a) the Company's audited statement of financial position as at 30 June 2014:
- (b) xTV's audited statement of financial position as at 30 June 2014,
- (c) (together, the **Historical Financial Information**); and
- (d) relevant Proforma adjustments required to present the consolidated group, (together with the Historical Financial Information, the **Proforma Financial Information**).

The information in this Section is presented on a Proforma basis only, and as a result it is likely that this information will differ from the actual financial information for the consolidated group as at completion of the proposed acquisition.

# 3. Accounting under AASB 3 'Business Combinations' to determine the acquirer

Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a combination, one of the entities must be deemed to be the accounting acquirer (accounting parent).

The Company is the legal acquirer (legal parent) in respect of the proposed acquisition (xTV is the legal subsidiary) and it will issue Shares in the Company to effect the business combination. However, in accordance with Australian Accounting Standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and is therefore deemed to be the accounting acquirer (accounting parent).

The proposed acquisition is a merger of a listed and non-listed entity and the Directors have considered the guidance set out in Australian Accounting Standard AASB 3 'Business Combinations' and xTV was deemed to be the accounting acquirer (accounting parent). This accounting method is referred to as a 'reverse acquisition'. The factors considered included the relative voting rights after the business combination, Board and management composition of the consolidated group and other factors.

The net assets of the Company reflect the assets and liabilities deemed to be acquired by xTV and are stated at their acquisition date fair values. The assets and liabilities of xTV as the accounting acquirer are maintained at their historical book values.

Any difference between the fair value of the value of the consideration paid, and the fair value of the assets of the Company acquired is recognised as goodwill on consolidation

The Company is the legal acquirer and will be the reporting entity of the consolidated group. The accounting policies of the consolidated group used in the compilation of the Proforma Financial Information are based on those of the Company. A summary of the significant accounting policies of the Company is disclosed in the audited financial statements of the Company for the year ended 30 June 2014, available on ASX's website at <a href="https://www.asx.com.au">www.asx.com.au</a>.

Upon completion of the proposed acquisition, the business of the Company will have changed to that of the consolidated group resulting in the need to consider and/or adopt new accounting policies.

No adjustments have been made in the Proforma financial information for any expected synergies or integration costs following the completion of the proposed acquisition. Nor have any adjustments been made in the Proforma financial information for any one-off or non-recurring costs, other than those set out in the Proforma adjustments.

The functional and presentation currency of the Company (the reporting entity) is Australian dollars. If the proposed acquisition completes, the merged group will consider if the transaction will change the primary economic environment in which the Company operates and trigger the need to change the functional currency to US dollars. The Proforma financial information is presented in Australian dollars and US dollars at the exchange rate at 30 June 2014.

#### 4. Proforma Financial Information

This Section contains the Proforma Financial Information for the merged group, reflecting the combined business of the Company and xTV. The Proforma Financial Information is presented to provide shareholders with an indication of the consolidated group's consolidated financial position as if the proposed acquisition had been implemented as at 30 June 2014.

As the proposed acquisition, if implemented, will be effected at a future date, the actual financial position of the consolidated group post completion will differ from that presented below.

References to notes in the table presented below refer to the notes to Proforma adjustments set out below.

The xTV financial information as at 30 June 2014 has been translated using an US\$ to A\$ exchange rate of 1.0594. The same exchange rate has been used to translate the Proforma Financial Information of the consolidated Group into US dollars.

#### INTERCEPT MINERALS LTD

# Proforma Statement of Financial Position 30 June 2014

30 June 2014									Ī	
				Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Proforma
	xTV	xTV	Intercept	1	2	3	4	5	6	Intercept/xTV
								xTV convertible		
	ام مانام ما		Audited	Placement-	Frankrik ik.	Public	Fair value	notes -	Ai-ili	
ASSETS	Audited US\$	A\$	Audiled A\$	pre settlement	Exclusivity fee	Capital Raising	Intercept Exploration	subsequent event	Acquisition of xTV	A\$
Current Assets										
Cash and cash equivalents	302,868	320,858	242,444	318,000	(52,970)	2,650,000		529,700		4,008,032
Other assets	500	530	3,298							3,828
Total current assets	303,368	321,388	245,742							4,011,860
Non-current assets										
Goodwill on consolidation	-	-	-				2,833,037			2,833,037
Property, plant & equipment	-	-	30,537				(30,537)			-
Financial assets	-	-	34,000				(34,000)			-
Exploration expenditure	_	-	10				(10)			-
Total non-current assets	-	-	64,547							2,833,037
TOTAL ASSETS	303,368	321,388	310,289							6,844,897
LIABILITIES										
Current Liabilities										
Trade and other payables	681,669	722,160	93,431							815,591
Financial liabilities	4,127,100	4,372,250	-					(529,700)	4,901,950	-
Total current liabilities	4,808,769	5,094,410	93,431							815,591
Non-current Liabilities										
Deferred compensation	278,906	295,473	-							295,473
Total non-current liabilities	278,906	295,473	-							295,473
TOTAL LIABILITIES	5,087,675	5,389,883	93,431							1,111,064
NET ASSETS	(4,784,307)	(5,068,495)	216,858							5,733,833
EQUITY				ī					-	
TOTAL EQUITY	(4,784,307)	(5,068,495)	216,858	(318,000)	52,970	(2,650,000)	(2,768,490)		(4,901,950)	5,733,833
									•	

#### 5. Notes to the Proforma adjustments

The following Proforma adjustments to the Historical Financial Information have been made in the compilation of the Proforma Financial Information, including the adjustments to reflect the impact of acquisition accounting and certain transactions and/or events post 30 June 2014.

**Note 1:** The Company completed a capital raising in 2 tranches in July and September 2014 (\$350,000 less raising costs of \$32,000).

**Note 2:** On 15 July 2014, the Company executed an exclusivity agreement to acquire xTV. The exclusivity fee of US\$50,000 has been expensed (reflected in equity).

**Note 3:** The Proforma Financial Information assumes that the minimum amount of the offer will be fully subscribed. This adjustment reflects the net impact of the proposed \$3 million capital raising and associated Performance Rights issued as part of the proposed acquisition and the issue of the corporate and advisory fee. These transactions include:

- (a) A capital raising of 150,000,000 Shares at \$0.02 to raise \$3,000,000, less transaction costs of \$350,000.
- (b) 250,000,000 Performance Rights to be issued as part of the transaction. These have been valued but not included in the Proforma as the expense will be incurred in subsequent periods (refer note below for valuation).
- (c) An corporate and advisory fee of 25,000,000 Shares have also been issued at \$0.02 (reflected in equity).

The expense or cost to be offset against equity to be raised under item (b) and (c) will be determined by reference to the market price per Share at the issue date. For the purposes of the Proforma Financial Information, this is assumed to be \$0.02 per Share (being the capital raising price post-consolidation).

**Note 4:** If the proposed acquisition completes, the Company will sell or relinquish its mining tenements, plant and equipment and tenement bonds should be returned. Due to the change in the business and 'reverse acquisition' a fair value needs to be undertaken on Intercept. This is calculated by an assessment of the market capitalisation of Intercept at 30 June 2014 and deducting the exploration assets written-off and the net assets of Intercept. The result is reflected as goodwill on consolidation.

**Note 5:** xTV received a further investment of US\$500,000 from the issue of 2 convertible notes subsequent to 30 June 2014. This increase in cash and the issue of the convertible notes and subsequent conversion into equity is recorded in the Proforma.

**Note 6:** The issue of 625,000,000 Shares to acquire 100% of the issued capital of xTV includes the conversion of all convertible notes and other financial instruments into common shares in xTV as part of the transaction thereby eliminating all financial liability debt.

#### Performance rights valuation:

Item		1	2	3	4
Underlying Security spot price	Note a	\$0.02	\$0.02	\$0.02	\$0.02
Exercise price		Nil	Nil	Nil	Nil
Implied share price barrier		N/A	N/A	\$ 0.050	\$ 0.075
Valuation date		15 October 2014	15 October 2014	15 October 2014	15 October 2014
Expiration date		15 October 2016	15 October 2016	15 October 2016	15 October 2016
Life of the Rights (years)		2	2	2	2
Volatility	b	115%	115%	115%	115%
Risk free rate	С	2.57%	2.57%	2.57%	2.57%
Number of Rights		50,000,000	75,000,000	50,000,000	75,000,000
Valuation per Right		\$0.02	\$0.02	\$0.0163	\$0.0141
Valuation per Tranche		\$1,000,000	\$1,500,000	\$815,000	\$1,057,500

**Note a- Underlying Share Price:** The valuation has assumed the underlying spot price to be \$0.02 – the Capital Raising Price post-consolidation.

**Note b- Expected Volatility of Share Price:** Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen;
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future; and
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

Intercept will be changing its focus and company operations. Therefore, it was more relevant to review the volatility of comparable technology companies with xTV than to review the historical trading patterns of Intercept as a mining exploration company.

Reserved on a review of the one and two year volatility of comparable companies and

Based on a review of the one and two year volatility of comparable companies, an estimated volatility level of 115% was adopted in the pricing model

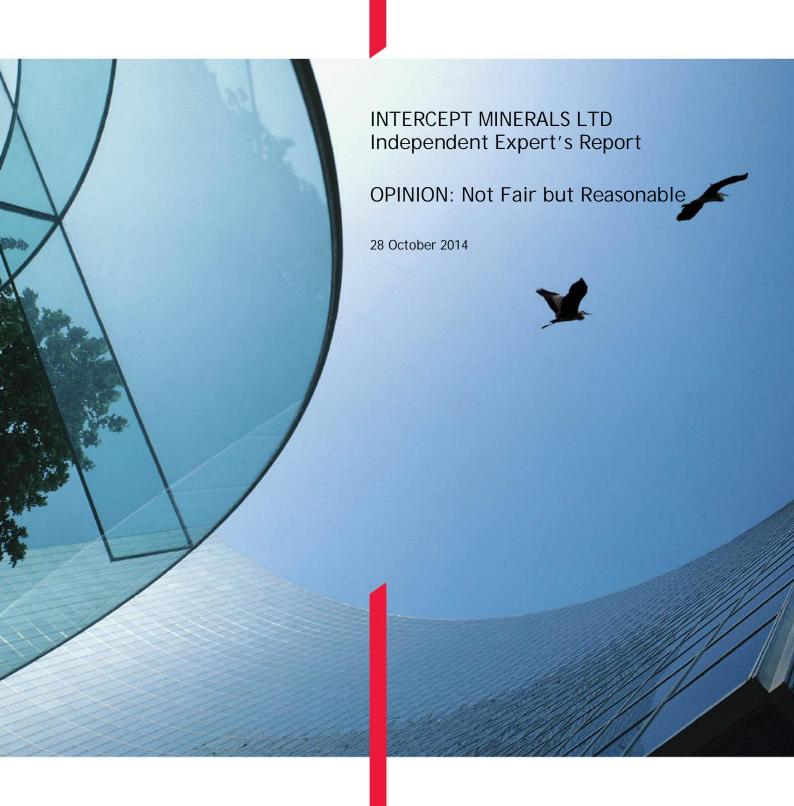
**Note c- Risk-free Rate of Interest:** The Australian Government 2-year bond rate of 2.57% as at the valuation date as input to the pricing model.

# SCHEDULE 4 - KEY MANAGEMENT OF XTV - NUMBER OF PERFORMANCE RIGHTS

Performance Rights	
Tranche 1 issued on the terms set out in Schedule 1	50,000,000
Tranche 2 issued on the terms set out in Schedule 1	75,000,000
Tranche 3 issued on the terms set out in Schedule 1	50,000,000
Tranche 4 issued on the terms set out in Schedule 1	75,000,000

# Allocation of Performance Rights Tranches to Key Management

	1	2	3	4
Name	50,000,000	75,000,000	50,000,000	75,000,000
Ward, Joseph	32,027,362	48,041,042	32,027,362	48,041,042
Reynolds, Thomas	3,683,863	5,525,795	3,683,863	5,525,795
Canepa, Mark	4,288,775	6,433,162	4,288,775	6,433,162
Bay Area Investments	3,708,498	5,562,746	3,708,498	5,562,746
Montgomery, Michael	1,567,178	2,350,766	1,567,178	2,350,766
Anderson, drew	761,988	1,142,982	761,988	1,142,982
Schroeder, John	609,590	914,385	609,590	914,385
Hogan, Jim	914,385	1,371,578	914,385	1,371,578
Guerrero, Frank	304,795	457,193	304,795	457,193
Peri, Christopher	609,590	914,385	609,590	914,385
xTV Team	1,523,976	2,285,964	1,523,976	2,285,964







#### Financial Services Guide

#### 28 October 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Intercept Minerals Ltd ('Intercept') to provide an independent expert's report on the proposal to acquire 100% of the issued capital of mppAPPs Inc ('xTV'). You will be provided with a copy of our report as a retail client because you are a shareholder of Intercept.

#### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

#### This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158:
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

#### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

#### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

#### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.



# Financial Services Guide

Page 2

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$28,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

#### Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Intercept for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

#### Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website <a href="www.fos.org.au">www.fos.org.au</a> or by contacting them directly via the details set out below.

Financial Ombudsman Service GPO Box 3 Melbourne VIC 3001 Toll free: 1300 78 08 0

Toll free: 1300 78 08 08 Facsimile: (03) 9613 6399

Email: info@fos.org.au

#### Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary

Appendix 2 - Valuation Methodologies



38 Station Street Subiaco, WA 6008 PO Box 700 West Perth WA 6872 Australia

28 October 2014

The Directors Intercept Minerals Limited 64 Thomas Street WEST PERTH WA 6005

**Dear Directors** 

# INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 15 July 2014 Intercept Minerals Ltd ('Intercept' or 'the Company') announced that it had entered into an exclusivity agreement to acquire 100% of the issued capital of ('xTV'), the wholly owned subsidiary of mppAPPs Inc for 625 million Intercept shares, on a post consolidation basis ('Consideration Shares'), collectively referred to as the ('the Proposal'). In addition the following key conditions precedent must be satisfied:

- Intercept is to raise \$350,000, through the issue of 175 million shares over two tranches, at \$0.002 per share (which has been satisfied); and
- Intercept preparing a prospectus for a capital raising sufficient to enable Intercept to be reinstated to quotation on the ASX and receiving appropriate subscriptions and other approvals.

The number of shares issued to the vendors of xTV under the Proposal is greater than 20% of the issued capital of Intercept. One of the vendors, Mr Joseph Ward, will hold an individual interest in Intercept following the Proposal that will be greater than 20%. The Proposal is subject to shareholders' approval which is to be sought under item 7 of section 611 of the Corporations Act 2001 (Cth) ('the Act'). Unless otherwise stated, figures quoted in our Report are in Australian Dollars ('\$AUD').

# 2. Summary and Opinion

# Purpose of the report

The directors of Intercept have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Proposal is fair and reasonable to the non associated shareholders of Intercept ('Shareholders').

Our Report is prepared pursuant to section 611 of the Act and is to be included in the Explanatory Memorandum for Intercept in order to assist the Shareholders in their decision whether to approve the Proposal.

#### 2.2 **Approach**

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 74 'Acquisitions Approved by Members' ('RG 74'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').



In arriving at our opinion, we have assessed the terms of the Proposal as outlined in the body of this report. We have considered:

- How the value of an Intercept share prior to the Proposal on a controlling basis compares to the value of an Intercept share following the Proposal on a minority basis;
- The likelihood of a superior alternative offer being available to Intercept;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Proposal; and
- The position of Shareholders should the Proposal not proceed.

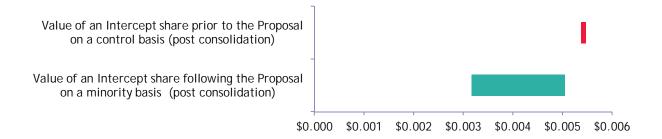
### 2.3 Opinion

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is not fair but reasonable as the advantages of approving the Proposal outweigh the disadvantages to Shareholders.

In our opinion, the Proposal is not fair because the value of an Intercept share prior to the Proposal on a controlling basis is greater than the value of an Intercept share following the Proposal on a minority basis. However, we consider the Proposal to be reasonable because the advantages of the Proposal to Shareholders are greater than the disadvantages. In particular, we consider the Proposal represents a means by which Intercept can improve its financial capacity through the associated capital raisings. In its 2014 year-end financial statements, Intercept had a net asset position of \$216,858. The current net asset position is not sufficient to develop the business of xTV. The Proposal provides Shareholders with an opportunity to benefit from the exposure of xTV and the diversified industry in which it operates. We have placed a value on xTV based on its current level of activity and profitability. If these increase then the value of xTV may also increase in the future.

The value of an Intercept share prior to the Proposal on a controlling interest basis is compared to the value of an Intercept share following the Proposal on a minority basis below:

	Ref	Low \$	Preferred \$	High \$
Value of an Intercept share prior to the Proposal on a controlling basis post consolidation	10.3	0.0053	0.0053	0.0053
Value of an Intercept share following the Proposal on a minority basis post consolidation	11.2	0.0032	0.0033	0.0050





The table above shows that the value range of an Intercept share following the Proposal on a minority interest basis is less than the value of an Intercept share prior to the Proposal on a controlling basis. Therefore, we consider that the Proposal is not fair to Shareholders.

#### 2.4 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposal; and
- other considerations, including the position of Shareholders if the Proposal does not proceed and the consequences of not approving the Proposal.

In our opinion, the position of Shareholders if the Proposal is approved is more advantageous than the position if the Proposal is not approved. Accordingly, in the absence of any other relevant information we believe that the Proposal is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES						
Section	Advantages	Section	Disadvantages			
13.4	The Proposal provides the Company with a cash injection	13.5	Dilution of Shareholders' interests			
13.4	Exposure to the potential upside of xTV	13.5	Exposure to the risks associated with xTV			
13.4	Additional sources of financing could potentially become available to the Company					

Other key matters we have considered include:

Section	Description
13.1	Alternative proposals
13.2	Practical level of control
13.3	Consequences of not approving the Proposal
13.6	Other Considerations



# 3. Scope of the Report

# 3.1 Purpose of the Report

Section 606 of the Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Following the Proposal, Joseph Ward will be issued a maximum of 412,940,360 Consideration Shares in Intercept, representing an interest of greater than 20%.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Intercept, by either:

- undertaking a detailed examination of the Proposal themselves, if they consider that they have sufficient expertise; or
- by commissioning an Independent Expert's Report.

The directors of Intercept have commissioned this Independent Expert's Report to satisfy this obligation.

# 3.2 Regulatory guidance

Neither the Listing Rules nor the Act defines the meaning of 'fair and reasonable'. In determining whether the Proposal is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposal is a control transaction as defined by RG 111 and we have therefore assessed the Proposal as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

# 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.



Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of an Intercept share prior to the Proposal on a controlling basis and the value of an Intercept share following the Proposal on a minority interest basis (fairness see Section 12 'Is the Proposal Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness see Section 13 'Is the Proposal Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.



# 4. Outline of the Proposal

On 15 July 2014 Intercept announced that it had entered into an exclusivity agreement with the intention to acquire 100% of the issued capital in the digital technology company xTV. Intercept paid a US\$50,000 exclusivity fee to secure a two month period in which it could acquire xTV. On 7 October 2014, the Company entered into an agreement and plan for merger with xTV and Fortis Advisors LLC ('Stockholder Representative') which sets out the full terms and conditions of the Proposal ('Agreement').

The key terms associated with Proposal are noted below:

- Intercept is to raise \$350,000, through the issue of 175 million shares over two tranches, at \$0.002 per share, on a pre consolidation basis ('Private Placement') (which has been completed);
- Subject to approval, Intercept is to undertake a post consolidation capital raising of between \$3 million to \$6 million. The Proposal is contingent upon a minimum capital raising of \$3 million ('Capital Raising'); and
- As part of the Proposal Intercept will be consolidating its issued capital at a ratio of 10:1 ('Share Consolidation').

#### Consideration

- the Proposal will result in Intercept offering 625 million, post consolidation shares to the vendors of xTV as Consideration Shares; and
- Intercept to issue 250 million performance rights, post consolidation ('Performance Rights').
  - The Performance Rights and Share Consideration are collectively referred to as ('Total Consideration').

Joseph Ward is to receive up to a maximum of 412.9 million Consideration Shares and up to 177.8 million Performance Rights.

As part of the structuring of the Proposal, it is proposed that the xTV vendors direct the Company to issue the Consideration Shares that are subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules to an independent trustee, Lindfield Nominee Services Pty Ltd as their nominee to hold the legal title to these securities on behalf of each of the xTV shareholders as beneficiaries ('the Trustee'). The number of Consideration Shares that will be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules has not yet been determined.

The xTV shareholders, the Company and the Trustee will enter into a trust agreement to document the terms of the trust arrangement ('Trust Agreement'). Further detail around the terms of the Trust Agreement can be found in the Notice of Meeting ('NOM').

The effect of this trust arrangement is that the Trustee will have a relevant interest in all of the Consideration Shares, and accordingly it is necessary to include this in the approval of Resolution 4 in the NOM.



#### Performance Rights

Subject to Shareholder approval, board members and key incoming management will be offered Performance Rights, on a post consolidation basis, which will automatically convert into shares in Intercept subject to the following ('Performance Milestones'):

- 50 million performance rights will convert to shares on achievement of sales revenue of US\$500,000 per month over a continuous three month period, within two years from implementation of the plan;
- 75 million performance rights will convert to shares on achievement of sales revenue of US\$1,000,000 per month over a continuous three month reporting period, within two years from implementation of the plan;
- 50 million performance rights will convert to shares on achievement of Intercept shares trading on the ASX at more than A\$0.050 per share, based on a 20 day VWAP, within two years from implementing the plan; and
- 75 million performance rights will convert to shares on achievement of Intercept shares trading on the ASX at more than A\$0.075 per share, based on a 20 day VWAP, within two years from implementing the plan.

Conditions precedent for the completion of the Proposal will include Intercept obtaining all regulatory and shareholder approvals required:

- to issue the Share Consideration and Performance Rights;
- to undertake a consolidation on a ratio to be determined by Intercept but consistent with the ASX listing rules;
- to approve a change to its business from a mineral exploration company to a technology company;
- to change the name for Intercept to xTV Limited;
- to issue shares in Intercept under a capital raising in an amount sufficient for Intercept to recomply with Chapters 1 and 2 of the ASX listing rules. The Capital Raising is to be a minimum of \$3 million and up to \$6 million; and
- for Intercept to prepare a prospectus for a capital raising sufficient to enable Intercept to be reinstated to quotation on ASX, lodging the prospectus with ASIC and receiving sufficient applications to meet the minimum subscription under the prospectus.
- Advisors to the Proposal are to receive 25 million Intercept shares as consideration for services provided ('Advisory Shares').



#### **Current dilution**

The following scenario shows the dilution of existing Shareholders' interest prior to the Share Consolidation and following the Proposal. The Shareholders will be diluted by the Consideration Shares and Advisory Shares to be issued as well as shares issued under the Capital Raising, assuming a \$3 million minimum capital raising. This scenario does not include any dilution for Performance Rights, due to the uncertain nature of meeting Performance Milestones.

Scenario 1	
Shares on issue post-Proposal	
Current number of shares on issue pre Proposal	921,336,925
% held by xTV vendors	0%
% held by existing Shareholders	100%
Share Consolidation ratio (10:1)	(10:1)
Post Consolidation number of shares, pre Proposal	92,133,692
Adjustments post Proposed Consolidated Shares	
Consideration Shares issued to xTV vendor Joseph Ward	412,940,360
Consideration Shares issued to other vendors in xTV	212,059,640
Consideration Shares issued	625,000,000
Introduction and Advisory fee	25,000,000
Post consolidation capital raising as part of prospectus	150,000,000
Total Shares on issue post-Proposal	892,133,692
-	
% held by xTV post-Proposal	70.1%
% held by xTV - Joseph Ward	46.3%
% held by xTV - Other vendors	23.8%
% held by existing Shareholders post-Proposal	10.3%
% held by Prospectus shareholders and Advisors post- Proposal	19.6%
Total	100.0%

In the above scenario Joseph Ward will increase his holding from 0% to 46.3% following the Proposal, while existing Shareholders will fall from 100% to 10.3%. The Trustee's voting power in the Company will increase from 0% to 70.1% on the basis that all shares will be subject to escrow.



#### Maximum dilution scenario

The following scenario shows the dilutionary impact on existing Shareholders post Proposal. The equity adjustments are consistent with the above scenario; the difference is that in this instance Performance Rights Milestones are assumed to have been met and that \$6 million is raised under the Capital Raising.

Scenario 2	
Shares on issue post-Proposal	
Current number of shares on issue pre Proposal	921,336,925
% held by xTV	0%
% held by existing Shareholders	100%
Share Consolidation ratio (10:1)	(10:1)
Post Consolidation number of shares, pre Proposal	92,133,692
Adjustments post Proposed Consolidated Shares	
Consideration Shares issued to xTV vendor Joseph Ward	412,940,360
Consideration Shares issued to other xTV vendors	212,059,640
Consideration Shares issued	625,000,000
Introduction and Advisory fee	25,000,000
Post consolidation capital raising as part of prospectus	300,000,000
Performance Rights issued to Joseph Ward	160,136,808
Performance Rights issued to other xTV vendors	89,863,192
Total Performance Rights	250,000,000
Total Shares on issue post-Proposal	1,292,133,692
% held by xTV vendors post-Proposal	67.7%
% held by xTV - Joseph Ward	44.4%
% held by xTV - Other xTV vendors	23.3%
% held by existing Shareholders post-Proposal	7.1%
% held by Prospectus shareholders and Advisors post-	25.2%
Proposal	
Total	100.0%

In the above scenario Joseph Ward will increase his holding from 0% to 44.4% following the Proposal and Performance Milestones being met, while existing Shareholders will fall from 100% to 7.1%. The Trustee's voting power in the Company will increase from 0% to 67.7% on the basis that all shares will be subject to escrow.



# 5. Profile of Intercept Minerals Ltd

# 5.1 History

Intercept formerly known as Uramet Minerals Limited, was incorporated on 5 March 2007 and listed on the ASX on 19 June 2007. The Company previously focused on the exploration for base metals, tungsten, bauxite and uranium in the Northern Territory, Australia. The Company's current board members and senior management comprise of:

- Mr Sam Randazzo, Executive Chairman and Company Secretary;
- · Mr Patrick Burke, Non executive director; and
- Mr Gary Steinepreis, Non executive director.

During July 2014, the Company relinquished its Millionaires Well project which was prospective for tungsten.

The Company's most recent capital raising occurred on 1 September 2014, which saw a total of \$0.254 million raised through the issue of approximately 127 million shares at \$0.002 per share. Proceeds from the issue provided working capital and funding for the due diligence and transaction work in relation to the 100% acquisition of xTV.

Set out below is a brief description of the Company's current projects.

#### Tiwi Islands

The Tiwi Islands project is prospective for bauxite and covers an area of 1,431 square kilometres in the north east region of Melville Island located within the Tiwi Islands.

On 25 November 2011, the Company announced that it had agreed the principal terms for a farm-in agreement with Rio Tinto Exploration Pty Ltd ('RTX'). Under the farm in agreement, RTX is to spend \$5 million over 4 years to earn a 75% interest in the Tiwi Island tenement and RTX is to pay a fee of \$0.05 million to Intercept upon the signing of the formal farm in agreement.

The farm in agreement is also subject to a number of pre-conditions including, the negotiation of an access agreement with the Tiwi Land Council and the formal grant of the exploration license in which RTX are managing the negotiation with the Tiwi Land Council.

#### Adnera Project

The Adnera project is prospective for uranium and consists of four tenements covering an area of 137 square kilometres. The project area is located within the Arunta Province of Northern Territory and during 2009; the Company undertook a drilling program which involved a total of 166 auger holes drilled. The Company noted that further auger drilling was required to better define the uranium anomaly.

On 29 July 2014, the Company released its June Quarterly Activities report which outlined that the Company had reduced the exploration licencse area of two of its tenements.



### 5.2 Historical Balance Sheet

Audited as at	Audit reviewed as at	Audited as at
30-Jun-14	31-Dec-13	30-Jun-13
\$	\$	\$
242,444	36,194	313,558
3,298	3,664	4,668
245,742	39,858	318,226
30,537	37,413	79,439
34,000	34,000	34,000
10	99,781	82,386
64,547	171,194	195,825
310,289	211,052	514,051
93,431	100,152	131,842
-	20,000	-
-	79,565	67,988
93,431	199,717	199,830
93,431	199,717	199,830
216,858	11,335	314,221
14,965,333	14,540,540	14,540,540
611,443	611,443	611,443
(15,359,918)	(15,140,648)	(14,837,762)
216,858	11,335	314,221
	30-Jun-14 \$  242,444 3,298  245,742  30,537 34,000 10  64,547 310,289  93,431 93,431 93,431  216,858  14,965,333 611,443 (15,359,918)	30-Jun-14 31-Dec-13 \$ \$  242,444 36,194 3,298 3,664 245,742 39,858  30,537 37,413 34,000 34,000 10 99,781 64,547 171,194 310,289 211,052  93,431 100,152 - 20,000 - 79,565 93,431 199,717 93,431 199,717 216,858 11,335  14,965,333 14,540,540 611,443 611,443 (15,359,918) (15,140,648)

Source: Audited financial statements of Intercept for the years ended 30 June 2013 and 30 June 2014 and audit reviewed financial statements at 31 December 2013.

The Company's auditor issued an unmodified opinion in the audited report in the financial statements for the year ended 30 June 2014.

We note the following in relation to Intercept's Statement of Financial Position:

- Cash and cash equivalents increased from \$36,194 at 31 December 2013 to \$242,444 at 30 June 2014. During the six months to 30 June 2014, a share placement to sophisticated and professional investors and a non-renounceable entitlement offer were completed raising \$490,450 before costs.
- The placement to sophisticated and professional investors resulted in the issue of 85,295,686 fully paid ordinary shares at \$0.002 per share and raised \$170,591. The non-renounceable pro rata offer



- of 2 new shares for every 3 ordinary shares held, at an issue price of \$0.001 per share, resulted in the issue of an additional 319,858,682 new shares and raised \$319,859.
- Exploration expenditure decreased from \$99,781 at 31 December 2013 to \$10 at 30 June 2014. The
  decrease is due to the Company writing off and impairing previously capitalised exploration costs..
  Previously, capitalised exploration expenditure related to the Millionaires Well Project and the
  Adnera Project. In July 2014, the Company relinquished its exploration license (EL26543) at its
  Millionaires Well Project and exploration license (EL26719) at its Adnera Project in September
  2014.
- Provisions relate to employee provisions and fell to nil at 30 June 2014 as a result of redundancies and Mr Sam Randazzo agreeing to waive his accrued entitlements.
- Borrowings of \$20,000 at 31 December 2013 relates to an unsecured non-interest bearing loan from an associated party of Mr Sam Randazzo.
- Share capital increased from \$14,540,540 at 30 June 2013 to \$14,965,333 at 30 June 2014 as a result of the Company issuing 85,295,686 shares at \$0.002 per share on 5 February 2014 and the issue of 319,858,682 shares at \$0.001 per share on 25 March 2014.

# 5.3 Historical Statement of Profit or Loss and Other Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-14	Audited for the year ended 30-Jun-13	Audited for the year ended 30-Jun-12
	\$	\$	\$
Revenue	1,738	9,784	63,526
Other income	31,368	77,450	-
Expenses			
Depreciation	(15,022)	(29,333)	(39,815)
Employee benefits expense	(191,992)	(266,809)	(519,619)
Exploration costs expensed	-	(48,457)	(16,050)
Capitalised exploration expenditure written off	(64,519)	(173,618)	(136,816)
Capitalised exploration expenditure- impaired	(68,025)	-	(6,344,432)
Administration expenses	(187,508)	(322,194)	(438,278)
Share based payments expense	-	(50,868)	(137,686)
Loss on disposal and write off of plant and equipment	(27,859)	-	-
Foreign exchange gains/(losses)	(337)	(267)	126,965
Loss from continuing operations before income tax	(522,156)	(804,312)	(7,442,205)
Income tax expense	-	-	-
Loss from continuing operations after income tax	(522,156)	(804,312)	(7,442,205)
Foreign currency translation differences	-	-	-
Total comprehensive loss for the year	(522,156)	(804,312)	(7,442,205)

Source: Audited financial statements of Intercept for the years ended 30 June 2013 and 30 June 2014 and audit reviewed financial statements at 31 December 2013.

We note the following in relation to Intercept's historical statement of profit or loss and other comprehensive income:



- Revenue mainly comprise of interest income, with the decrease in revenue over the three reporting periods arising from a reduction in cash held.
- Other income decreased from \$77,450 for the year ended 30 June 2013 to \$31,368 for the year ended 30 June 2014. The decrease is primarily due to the Company receiving sign on fee income of \$50,000 for the year ended 30 June 2013. The sign on fee income relates to the Tiwi Project farm in agreement with RTX.
- Share based payments were nil for the year ended 30 June 2014 as there were no share based payment arrangements granted, forfeited, exercised or expired during the year.
- Exploration costs of \$50,168 incurred during the year ended 30 June 2014 was all capitalised and subsequently written off or impaired as at 30 June 2014.
- Loss on disposal and write off of plant and equipment of \$27,859 for the year ended 30 June 2014
  relates to the scrapping of obsolete exploration plant and equipment, office furniture and
  equipment.
- Employee expenses fell in the current period, primarily due to the reduction in the number of full time employees.
- Exploration expenditure written off fell in the current period as the Company reduced its expenditure as it searched for alternative investment opportunities. As part of this search it was deemed appropriate to impair the existing capitalised exploration due to its intention to relinquish existing assets going forward.



## 5.4 Capital Structure

The share structure of Intercept as at 18 September 2014 is outlined below:

	Number
Total ordinary shares on issue	921,336,925
Top 20 shareholders	517,392,738
Top 20 shareholders - % of shares on issue	56.16%

Source: Audited financial statements of Intercept for the year ended 30 June 2014.

The range of shares held in Intercept as at 18 September 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	73	27,905	0.00%
1,001 - 5,000	70	204,319	0.02%
5,001 - 10,000	91	832,926	0.09%
10,001 - 100,000	348	13,576,244	1.47%
100,001 - and over	312	906,695,531	98.41%
TOTAL	894	921,336,925	100.00%

Source: Audited financial statements of Intercept for the year ended 30 June 2014.

The ordinary shares held by the most significant shareholders as at 18 September 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
N & J Mitchell Holdings Pty Ltd	72,382,568	7.86%
Samcor Investments Pty Ltd	57,860,401	6.28%
BT Portfolio Service Pty Ltd	53,598,315	5.82%
Oakhurst Enterprises Pty Ltd	42,666,647	4.63%
Subtotal	226,507,931	24.58%
Others	694,828,994	75.42%
Total ordinary shares on Issue	921,336,925	100.00%

Source: Audited financial statements of Intercept for the year ended 30 June 2014.

The most significant option holders of Intercept as at 29 August 2014 are outlined below:

Current Options on Issue	Exercise Price (\$)	Expiry	Number
Director Options	0.125	15-Nov-15	3,200,000
Employee incentive options	0.07	28-Sep-15	800,000
Employee incentive options	0.007	30-Nov-15	7,500,000

Source: Audited financial statements of Intercept for the year ended 30 June 2014.



## 6. Profile of xTV

#### 6.1 History

xTV is based in Redwood City, California and is focused on digital technology. xTV aims to deliver organisations the capability to lower the cost of content deployment and increase consumption of their media by delivering a real-time TV experience without having to install new devices or applications.

In 2012, xTV received significant funding from Microsoft through services, development and co-marketing investment. xTV continues to receive support from Microsoft, with Microsoft recently promoting xTV through the Microsoft Azure ISV Partnership in an ongoing marketing campaign to its enterprise customers.

xTV executed its first sales contracts with Microsoft, Intel and UST Global ('UST') and currently has over 150 networks in various stages of development.

The current board members and senior management post-closing of xTV will be:

- Mr Joseph Ward, Chief Executive Officer ('CEO')
- Thomas Reynolds, President and Chief Operating Officer;
- Mark Canepa, Executive Vice President of Strategy;
- Andrew Anderson, Chief Technology Officer;
- James Hogan, Executive Vice President of Sales; and
- Christopher Peri, Vice President of Network Operations.

On 15 July 2014, UST Global, an information technology solutions and services company announced a US\$2 million strategic investment into xTV. The announcement also outlined UST Global's partnership with xTV to bring Media as a Service ('MaaS') to Fortune 1000 companies across the United States.

Set out below is a brief description of xTV's products and technology.

#### xTV Guide

The xTV platform enables organisations to build and control the messaging and content within their own enterprise media networks by organising video, social media and breaking news into a real-time TV experience. This enables companies to personalise their own television experience by combining multiple streams from television and web sources. The personalised network can display both video content and associated feeds which are active and clickable, resulting in an entirely new media network that runs constantly in real-time with very little maintenance.

#### Video Inbox

The Video Inbox enables users to extend their enterprise media to their iPhone mobile. Once the user has set up its personalised enterprise media network, the Video Inbox allows the user to automatically upload new videos to their iPhone. The Video Inbox also includes the following features:

- List of videos by channel, including latest and trending;
- Push notifications for breaking news;
- Tags for content discovery;
- Sharing of media content via Twitter, Facebook and email; and



• E-commerce shopping tags for in-app purchasing.

#### **News Reader**

The xTV News Reader is a high quality low cost service that allows users to expand their enterprise media network. The service is a monthly subscription and enables users to upload video content to a targeted audience through their xTV Guide, Screen Saver and xTv Video Inbox.

#### Joseph Ward

Joseph Ward has 25 years experience in media and technology, 15 years as founder, Chairman and CEO of xTV. Prior to xTV, Joseph worked with News Corp through a Realtime database company he co-founded uCirrus. At News Corp, Joseph worked with the digital team in New York who reported to Rupert Murdoch on special projects centred on Realtime data in media. Joseph's specialties include: Business incubation, M&A (U.S. Australia), strategic market entry, business growth strategies, SaaS, Cloud, Multi-core Technologies and Finance modelling.

#### 6.2 Historical Balance Sheet

Statement of Financial Position	Audited 30-Jun-14
	\$USD
CURRENT ASSETS	
Cash and cash equivalents	302,868
Other	500
TOTAL CURRENT ASSETS	303,368
TOTAL ASSETS	303,368
CURRENT LIABILITIES	
Trade and other payables	681,669
Financial Liabilities	4,127,100
TOTAL CURRENT LIABILITIES	4,808,769
NON-CURRENT LIABILITIES	
Deferred Compensation	278,906
TOTAL NON-CURRENT	278,906
TOTAL LIABILITIES	5,087,675
	<u> </u>
NET ASSETS	(4,784,307)
EOUITY	
Issued capital	674,800
Retained profits	(5,459,107)
TOTAL UNIT HOLDERS EQUITY	(4,784,307)

Source: Audited financials of xTV for the six months ended 30 June 2014



We note the following in relation to xTV's statement of financial position:

- Financial liabilities represent the fair value of convertible loans owed by xTV to various vendors. The settlement of these convertible loans will occur upon the completion of the Proposal. A portion of the 625 million Consideration Shares offered under the Proposal relates to Intercept shares to be issued to the vendors to settle this liability.
- Deferred compensation is a non-current liability and relates to unpaid compensation to Joseph Ward due for services provided in the fiscal years 2011 through 2014. Under the agreement Joseph Ward will receive deferred compensation in cash.

## 6.3 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the 6 months ended 30- Jun-14 \$USD
Continuing operations	
Revenue	73,850
Expenses	
Finance costs	(11,622)
Employee benefit expense	(190,189)
Administration and other expense	(312,478)
Change in the fair value of financial liabilities	(3,415,501)
Loss from continuing operations before income tax	(3,855,940)
Income tax expense	-
Loss from continuing operations after income tax	(3,855,940)
Foreign currency translation differences	-
Total comprehensive loss for the period	(3,855,940)

Source: Audited financials for the six months ended 30 June 2014

We note the following in relation to xTV's statement of Comprehensive Income:

Revenues relates to subscriptions fees received from UST-Global.

- The largest expense in the administration and other expenses relates to professional fees of US\$107,800 in legal fees and US\$63,000 in engineering costs.
- The financial liability in relation to convertible loans was revalued in the period 30 June 2014, following confirmation that this liability will be settled through the receipt of Intercept shares per the Proposal.



## 7. Economic analysis

#### 7.1. Australia

Growth in the global economy is continuing at a moderate pace. China's growth has generally been in line with policymakers' objectives, though some data suggest a slowing in recent months. Weakening property markets is the present challenge in the near term. Commodity prices in historical terms remain high, but some of those important to Australia have declined further in recent months.

Volatility in some financial markets has picked up in recent weeks. Overall, however, financial conditions remain very accommodative. Long-term interest rates and risk spreads remain very low. Markets still appear to be attaching a low probability to any rise in global interest rates or other adverse event over the period ahead.

In Australia, most data are consistent with moderate growth in the economy. Resources sector investment spending is starting to decline significantly, while some other areas of private demand are seeing expansion, at varying rates. Public spending is scheduled to be subdued. Overall, the Bank still expects growth to be a little below trend for the next several quarters.

Labour market data have been unusually volatile of late. The Bank's assessment remains that although some forward indicators of employment have been firming this year, the labour market has a degree of spare capacity and it will probably be some time yet before unemployment declines consistently. Growth in wages has declined noticeably and is expected to remain relatively modest over the period ahead, which should keep inflation consistent with the target even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and have continued to edge lower over recent months as competition to lend has increased. Investors continue to look for higher returns in response to low rates on safe instruments. Credit growth is moderate overall, but with a further pick-up in recent months in lending to investors in housing assets. Dwelling prices have continued to rise over recent months.

The exchange rate has declined recently, in large part reflecting the strengthening US dollar, but remains high by historical standards, particularly given the further declines in key commodity prices in recent months. It is offering less assistance than would normally be expected in achieving balanced growth in the economy.

Looking ahead, continued accommodative monetary policy should provide support to demand and help growth to strengthen over time. Inflation is expected to be consistent with the 2-3 per cent target over the next two years.

The RBA Board's judgement, monetary policy is appropriately configured to foster sustainable growth in demand and inflation outcomes consistent with the target. On present indications, the most prudent course is likely to be a period of stability in interest rates.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 October 2014.



#### 7.2. United States of America

Information received since the Federal Open Market Committee ("the Committee") met in July suggests that economic activity is expanding at a moderate pace. On balance, labour market conditions improved somewhat further; however, the unemployment rate is little changed and a range of labour market indicators suggests that there remains significant underutilization of labour resources. Household spending appears to be rising moderately and business fixed investment is advancing, while the recovery in the housing sector remains slow. Fiscal policy is restraining economic growth, although the extent of restraint is diminishing. Inflation has been running below the Committee's longer-run objective. Longer-term inflation expectations have remained stable.

Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee expects that, with appropriate policy accommodation, economic activity will expand at a moderate pace, with labour market indicators and inflation moving toward levels the Committee judges consistent with its dual mandate. The Committee sees the risks to the outlook for economic activity and the labour market as nearly balanced and judges that the likelihood of inflation running persistently below 2 percent has diminished somewhat since early this year.

The Committee currently judges that there is sufficient underlying strength in the broader economy to support ongoing improvement in labour market conditions. In light of the cumulative progress toward maximum employment and the improvement in the outlook for labour market conditions since the inception of the current asset purchase program, the Committee decided to make a further measured reduction in the pace of its asset purchases. Beginning in October, the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$5 billion per month rather than \$10 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$10 billion per month rather than \$15 billion per month. The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction. The Committee's sizable and still-increasing holdings of longer-term securities should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative, which in turn should promote a stronger economic recovery and help to ensure that inflation, over time, is at the rate most consistent with the Committee's dual mandate.

The Committee will closely monitor incoming information on economic and financial developments in coming months and will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate, until the outlook for the labour market has improved substantially in a context of price stability. If incoming information broadly supports the Committee's expectation of ongoing improvement in labour market conditions and inflation moving back toward its longer-run objective, the Committee will end its current program of asset purchases at its next meeting. However, asset purchases are not on a preset course, and the Committee's decisions about their pace will remain contingent on the Committee's outlook for the labour market and inflation as well as its assessment of the likely efficacy and costs of such purchases.

To support continued progress toward maximum employment and price stability, the Committee reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate. In determining how long to maintain the current 0 to 1/4 percent target range for the federal funds rate, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labour market conditions, indicators of inflation pressures and inflation



expectations, and readings on financial developments. The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.

When the Committee decides to begin to remove policy accommodation, it will take a balanced approach consistent with its longer-run goals of maximum employment and inflation of 2 percent. The Committee currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run.

Source: United States Federal Reserve, Statement of Monetary Policy dated 17 September 2014.



## 8. Industry analysis

#### 8.1. Overview of the online media industry in America

Firms within the online media industry are primarily engaged in publishing and broadcasting content on the internet. Businesses provide textual, audio and/or video content of general or specific interest on the internet. The rapid improvement in information technology networks over the past five years has created several growth opportunities for industry participants, which has limited the industry's downturn.

As more people gain access to the internet, opportunities to access the industry's services will increase, which has been occurring over the past five years. This, coupled with the advent of smart phones has meant that access to online media has improved drastically in the past five years.

Advancements in online data transfer capabilities has been the most significant change to the industry since its origin, as it has enabled easy and instantaneous transfer of information anywhere in the connected world. Capacity advancements in data storage have occurred concurrently with the infrastructure advances, which has allowed firms to hold in one room the information that previously required an entire library. This has fostered dramatic growth among smaller players, who can now offer services of equal quality to the larger market participants. This is leading to a change in the industry's competitive landscape.

The industry, while being capital intensive in the areas of information technology and telecommunications, has a high reliance on other telecommunications service providers (via phone lines, satellite or cable, particularly for broadband access) for the actual delivery of the service. Technological change in that sector has been equally rapid, and feeds into the growth of this industry. Software has an extremely short life cycle relative to most other goods. Most application programs require an upgrade or update after five years. This means that software developers must constantly innovate to remain competitive, which includes increasing the sophistication of existing products. This requires an on-going commitment by operators in research and development and in state-of-the-art hardware and software as well as investment in staff and knowledge.

#### 8.2. Outlook

The online media industry is projected to grow rapidly over the five years to 2019 as operators within the industry shift resources towards mobile platforms. The projected growth is largely driven by greater internet accessibility expected to come into existence in the United States. In 2015, revenue is forecast to grow at an annualised rate of 7.4% as operators aggressively target internet users via social media and other content sites. Operators that will most benefit from the projected growth are the industry's well-established major players and small players that develop specialised web and mobile applications that pertains to a niche market. Over the five years to 2019, industry revenue is forecast to increase at an annualised rate of 11.4% to \$46.9 billion.

#### 8.3. Cloud Computing

Cloud Computing allows access of data and programs through external services rather than the traditional method where hardware and software is purchased installed and managed within a computer or server.

With Cloud Computing, consumers are essentially "renting" capacity from a cloud service provider via connecting over the internet.

There are four deployment models for Cloud Computing:



#### Private Cloud

A private cloud provides exclusive use by a single party and is typically controlled, managed, and hosted in private data centres. Currently, Private Cloud is the most common deployment model used in Australia.

#### Public Cloud

A public Cloud is where the services are hosted and managed by a third party service provider and accessed over the internet.

## Community Cloud

Community Cloud exists where a group of related organisations share access to a private cloud.

#### Hybrid Cloud

A Hybrid Cloud adopts both private and public cloud services, allowing the consumer to gain benefits of each model.

Cloud Computing can also be further categorised into three service models:

#### • Software as a Service ('SaaS')

SaaS provides access to internet hosted software applications through a browser. As the user is essentially renting access to software, it has limited control over the application and configuration settings.

#### • Infrastructure as a Service ('laaS')

laaS allows users to access computer processing power and storage through a private network or over the internet.

#### • Platform as a Service ('PaaS')

PaaS is a bespoke combination of both SaaS and IaaS, allowing the user to customise the software applications while renting the hardware operating systems, storage and network capacity from an external service provider.



## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

#### 9.1 Value of an Intercept share prior to the Proposal

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Intercept shares we have chosen to consider the following methodologies:

- NAV; and
- QMP.

We have chosen these methodologies for the following reasons:

- We do not have reasonable grounds for the use of forward looking financial information to enable the use of DCF or FME methodology;
- A market based assessment is not appropriate for either Intercept or xTV due to the nature of their businesses; and
- The QMP methodology is relevant to consider as Intercept's shares are listed on the ASX. This means there is a regulated and observable market where Intercept's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to Intercept's activities. We have considered these factors in section 10.2 of our Report.



#### 9.2 Value of an Intercept share following the Proposal

In our assessment of the value of an Intercept share following the Proposal we have chosen to employ the following methodology:

NAV

The following steps were taken in the valuation of Intercept following the Proposal:

- The value of Intercept prior to the Proposal;
- The NAV value of xTV;
  - In our valuation of xTV we have disregarded the FME and QMP methodologies as a result of the following:
    - 1. The FME and DCF approaches are not considered appropriate as xTV is currently loss making, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure; and
    - 2. xTV is a not a publicly listed company which means there is no regulated and observable market where xTV's shares can be traded.
- The number of shares on issue following the Proposal will include the issue of shares to xTV as Consideration Shares, the issue of shares pursuant to the placement and the shares that are to be issued to the advisors following the completion of the Proposal;
- A minority discount is applied to the net asset value to arrive at the value of an Intercept share following the Proposal on a minority interest basis; and
- We have assessed the value of an Intercept share following the Proposal on an undiluted basis. The undiluted basis assumes that the options on issue are not exercised as they are currently out of the money and Performance Rights are not issued.



## 10. Valuation of Intercept prior to the Proposal

## 10.1 Net Asset Valuation of Intercept

The value of Intercept assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Notes	30-Jun-14 \$	Valuation \$
CURRENT ASSETS			
Cash and cash equivalents	1	242,444	517,794
Trade and other receivables		3,298	3,298
TOTAL CURRENT ASSETS	_	245,742	521,092
NON-CURRENT ASSETS Property, plant and equipment Financial assets Exploration expenditure TOTAL NON-CURRENT ASSETS	2 _	30,537 34,000 10 64,547	30,537 34,000 10 64,547
	-		
TOTAL ASSETS  CURRENT LIABILITIES	-	310,289	585,639
Payables	_	93,431	93,431
TOTAL CURRENT LIABILITIES	· <del>-</del>	93,431	93,431
TOTAL LIABILITIES	_	93,431	93,431
NET ASSETS			492,208
Shares on issue (number)	1		921,336,925
Value per share (\$)			\$0.00053
Value per share post consolidation (\$)	3		\$0.0053

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Intercept since 30 June 2014. The table above indicates the net asset value of an Intercept share is \$0.00053.

The following adjustments were made to the net assets of Intercept as at 30 June 2014 in arriving at our valuation.



#### Note 1- Capital raising pre Proposal

Subsequent to 30 June 2014 and prior to the Proposal, Intercept had a capital raising via a private placement. An adjustment to cash and shares on issue has been made per the following workings:

Placement Amount	Number	Per Share (\$)	Amount (\$)
Tranche 1- Placement	47,975,000	0.002	95,950
Tranche 2- Placement	127,025,000	0.002	254,050
Total raised per the Placement	175,000,000		350,000
Costs associated with Placement			17,500
Total amount raised net of costs			332,500

Share on Issue	Number
Prior to Placement	746,336,925
Tranche 1- Placement	47,975,000
Tranche 2- Placement	127,025,000
Total shares on issue post placement and Pre Proposal	921,336,925

Subsequent to 30 June 2014 and prior to the Proposal, Intercept paid a US\$50,000 exclusivity fee that has been deducted from the above 30 June 2014 cash balance.

Cash and cash equivalents	(\$)
As at 30 June 2014	242,444
Net proceeds from Placement	332,500
Exclusivity Fee	(57,150)
Total adjusted cash and cash equivalents	517,794

#### Note 2 - Exploration expenditure

We have discussed the exploration assets of the Company with the Directors and we have been advised that it is their intention to potentially relinquish the tenements as it searches for alternative investment opportunities. By relinquishing the tenements no value will be received for them, however minimum exploration expenditure will be avoided. Due to this decision we believe that we are not required to appoint an independent specialist to value the mineral exploration assets.

#### Note 3 - Post Consolidation value

To ensure comparability in the valuation of an Intercept share prior to the Proposal to the valuation following the Proposal, an adjustment needs to be made for the consolidation ratio. As noted in section 4 the consolidation ratio is 10:1, which equates to a valuation of 0.0053 (0.00053\*10 = 0.0053) when comparing it with the value derived following the Proposal in section 0.0053\*10 = 0.0053

The carrying value of all assets and liabilities noted as at 30 June 2014 are consistent with their fair market value.



## 10.2 Quoted Market Prices for Intercept Securities

To provide a comparison to the valuation of Intercept in Section 10.1, we have also assessed the quoted market price for an Intercept share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

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

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst xTV will not be obtaining 100% of Intercept RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

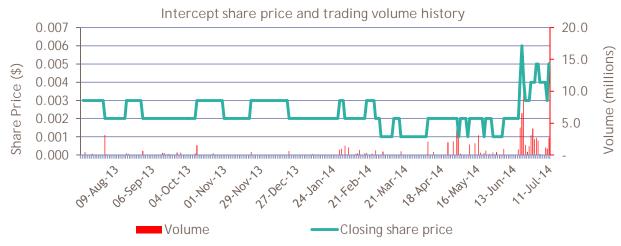
Therefore, our calculation of the quoted market price of an Intercept share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

#### Minority interest value

Our analysis of the quoted market price of an Intercept share is based on the pricing prior to the announcement of the Proposal. This is because the value of an Intercept share after the announcement may include the affects of any change in value as a result of the Proposal. However, we have considered the value of an Intercept share following the announcement when we have considered reasonableness in Section 13.

Information on the Proposal was announced to the market on 15 July 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 11 July 2014 which was the last trading day prior to the announcement.





Source: Bloomberg

The daily price of Intercept shares from 12 July 2013 to 11 July 2014 has ranged from a low of \$0.001 on 5 June 2014 to a high of \$0.01 on 23 June 2014. During the review period between July 2013 and February 2014 there was low amount of trading activity, with frequent nil trading days and a share price that only moved between \$0.002 and \$0.003. The share price was at its lowest trading price at the start of June 2014 before increasing substantially to its highest trading point by the end of June. June and July 2014 saw an increase in the trading volume, with the two months accounting for 55% of the trading volume for the period.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement		Closing Share Price Following Announcement \$ (movement)		Price '	After unce	e Days ment
25/06/2014	Company Update	0.003	<b>•</b>	0.0%	0.004	•	33.3%
23/06/2014	Response to ASX Price Query	0.004	•	33.3%	0.003	•	25.0%
30/04/2014	Quarterly Activities and Cashflow Report - Mar 2014	0.002	•	0.0%	0.002	•	0.0%
17/02/2014	Prospectus	0.002	•	0.0%	0.003	•	50.0%
13/02/2014	Entitlement issue - update	0.002	•	0.0%	0.002	•	0.0%
31/01/2014	Quarterly Activities and Cashflow Report - Dec 2013	0.003	•	0.0%	0.002	•	33.3%
30/01/2014	Capital Raising	0.003	•	50.0%	0.002	•	33.3%
30/10/2013	Quarterly Activities and Cashflow Report - Sept 2013	0.003	•	0.0%	0.002	•	33.3%
30/07/2013	Quarterly Activities & Cashflow Report	0.003	•	0.0%	0.002	•	33.3%

The Company had few price sensitive announcements in the period that lead to disenable market reactions. Notable movements are included below:

On the release of both the September 2013 and December 2013 quarterly reports the share price fell by 33% in the three days following the announcements.



On 30 January 2014 Intercept announced its intention to undertake a private placement and non-renounceable entitlement offer to shareholders. The share price increased 50% on the day of the announcement before falling in the three days following the announcement.

On 17 February 2014 the Company announced the details of its prospectus to raise additional needed working capital. In the three days following the announcement the share price increased by 50%

To provide further analysis of the market prices for an Intercept share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 11 July 2014.

Chara Balan ann ait		10 Davis	20 D	/ O D	00 5
Share Price per unit	11-Jul-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.005				
Volume weighted average price					
(VWAP)		\$0.005	\$0.005	\$0.004	\$0.004

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposal, to avoid the influence of any increase in price of Intercept shares that has occurred since the Proposal was announced.

An analysis of the volume of trading in Intercept shares for the twelve months to 11 July 2014 is set out below:

Trading days	Share price	Share price	Cumulative volume	As a % of
	low	high	traded	Issued capital
1 Day	\$0.004	\$0.006	2,700,000	0.29%
10 Days	\$0.003	\$0.006	16,716,636	1.81%
30 Days	\$0.001	\$0.010	52,050,596	5.65%
60 Days	\$0.001	\$0.010	72,394,941	7.86%
90 Days	\$0.001	\$0.010	75,705,242	8.22%
180 Days	\$0.001	\$0.010	85,362,763	9.27%
1 Year	\$0.001	\$0.010	94,525,707	10.26%

Source: Bloomberg, BDO analysis

This table indicates that Intercept's shares display a low level of liquidity, with 9.27% of the Company's current issued capital being traded in the six month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.



A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Intercept, the market is not a liquid one, with only 9.27% of the issued capital being trading in the six month period. Intercept also had sporadic trading volumes with many days of nil trades. Additionally there were several instances where share price movements could not be explained by company announcements.

Our assessment is that a range of values for Intercept shares based on market pricing, after disregarding post announcement pricing, is between \$0.003 and \$0.005.

#### **Control Premium**

We have reviewed the control premiums paid by acquirers of companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	16	632.80	20.04
2013	39	194.10	47.97
2012	49	357.36	40.41
2011	66	777.45	45.82
2010	67	756.42	37.33
2009	65	317.39	44.63
2008	43	753.31	39.47
2007	84	1008.24	21.79
2006	96	647.74	22.95
	Mean	604.98	35.60
	Median	647.74	39.47

Source: Bloomberg and BDO Analysis

In arriving at an appropriate control premium to apply, we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average control premium paid for ASX-listed companies is in the order of 20% to 40%. However, given that for the year ended 30 June 2014, Intercept recorded a loss after tax of \$522,156 and its main asset was cash after impairing its exploration asset, we consider an appropriate control premium to be lower than the premium typically observed in control transactions. Therefore, our assessed control premium is in the range of 20% to 30%.



## Quoted market price including control premium

Applying a control premium to Intercept's quoted market share price results in the following quoted market price value including a premium for control:

	Low \$	Midpoint \$	High \$
Quoted market price value	0.003	0.004	0.005
Control premium	20%	25%	30%
Quoted market price valuation including a premium for control	0.0036	0.0050	0.0065

Source: BDO analysis

Therefore, our valuation of an Intercept share based on the quoted market price method and including a premium for control is between \$0.0036 and \$0.0065, with a midpoint value of \$0.0050.

## 10.3 Assessment of Intercept Value

The results of the valuations performed are summarised in the table below:

	Low \$	Preferred \$	High \$
Net assets value (Section 10.1)	0.00053	0.00053	0.00053
ASX market prices (Section 10.2)	0.0036	0.0050	0.0065

Source: BDO analysis

We note that the value obtained under the NAV methodology is lower than the values obtained under the QMP methodology in our low, preferred and high scenarios. The difference between the valuations obtained under the NAV and QMP approaches can be explained by the following:

- The NAV value is lower than the QMP value range, which is not uncommon for exploration companies, which often trade at a premium to their net asset value. This is because investors anticipate some potential upside or 'bluesky' prospects for the company which are factored into the share price in advance of any such value being warranted. We note that Intercept relinquished a tenement in the period with a reduced area in two of its remaining tenements.
- In our share price analysis above it was noted that there is not a deep market for the Company's shares due to a high level of volatility and unexplained price movements.

For the reasons described above, together with the net asset value being supported by the Company's cash we conclude that the value obtained under the NAV approach is more reflective of the value of an Intercept share prior to the Proposal. Therefore, we consider the value of an Intercept share to be \$0.0053 per share, equating to \$0.0053 per share following the share consolidation.

We note that the capital raisings on 24 July 2014 and 27 August 2014 are post announcement of the Proposal and as such the Proposal contributes some value to the amount at which funds were raised. If



this was excluded from the valuation, we consider the value of an Intercept share post consolidation to be \$0.0021. However, if the Proposal is now approved the Company will retain the cash raised and so the inclusion of this cash is relevant for our pre-Proposal valuation analysis.

## 11. Valuation of Intercept following the Proposal

## Assessing non-cash consideration in control transactions

When assessing non-cash consideration in control transactions, RG 111.31 suggests that a comparison should be made between the value of the securities being offered (allowing for a minority discount) and the value of the target entity's securities, assuming 100% of the securities are available for sale. This comparison reflects the fact that:

- (a) the acquirer is obtaining or increasing control of the target; and
- (b) the security holders in the target will be receiving scrip constituting minority interests in the combined entity.

## 11.1 Value of xTV prior to the Proposal

	•	•		
Net Asset Value- xTV		Audited as at		(1USD= 1.143AUD)
	Note	30-Jun-14	Valuation	Valuation
		\$USD	\$USD	\$AUD
CURRENT ASSETS				
Cash and cash equivalents	1	302,868	1,413,744	1,615,909
Other assets		500	500	572
TOTAL CURRENT ASSETS		303,368	1,414,244	1,616,481
TOTAL ASSETS		303,368	1,414,244	1,616,481
CURRENT LIABILITIES				
Trade and other payables		681,669	681,669	779,148
Financial Liabilities	2	4,127,100	-	-
TOTAL CURRENT LIABILITIES		4,808,769	681,669	779,148
NON-CURRENT LIABILITIES				
Deferred Compensation		278,906	278,906	318,790
TOTAL NON-CURRENT LIABILITIES		278,906	278,906	318,790
TOTAL LIABILITIES		5,087,675	960,575	1,097,937
NET ASSETS		(4,784,307)	453,669	518,544

Subsequent to 30 June 2014 and prior to the Proposal the following adjustments were made:



Note 1- Cash and cash equivalents

Cash	Ref	\$USD
Cash as at 30 June 2014		302,868
Cash from promissory note	а	500,000
Cash from UST Loan Note	b	610,876
Total	=	1,413,744

#### Note 1a

We note that xTV entered into two convertible promissory note arrangements with lenders amounting to US\$500,000 on 9 September and 17 September 2014. Both arrangements have maturity dates of any time after the first anniversary of the date of the note.

Per the terms of the Proposal the US\$500,000 liability attributable to the convertible promissory notes is to be settled via the issue of Intercept shares. The Intercept shares to be issue are included in the 625 million Consideration Shares noted in section 11.2.

#### Note 1b

On 5 June 2014 UST entered into an agreement with xTV for a gross investment of US\$2,000,000 in xTV ('UST Agreement'). The agreement was split into three parts as follows:

- UST will order US\$185,500 (the 'Licence Fee') of services from xTV pursuant to the terms of the license agreement. The Licence Fee is repayable through conversion of shares;
- UST will lend xTV US\$814,500 as a promissory convertible note ('UST Loan Note'). The UST Loan Note will be loaned to xTV in eight instalments, commencing June 2014 to December 2014; and
- UST will extend to xTV a credit of US\$1,000,000 (the 'Credit Amount') towards engineering services upon customary terms and conditions. xTV will have 18 months to use the Credit Amount which will be repayable through conversion of shares.

As at 30 June 2014 there were two instalments drawn down on the UST Loan Note totalling US\$203,624. Therefore, the 30 June 2014 valuation has been adjusted for the additional six instalments totalling US\$610,876.

Per the terms of the Proposal the US\$610,876 liability attributable to the UST Loan Note is to be settled via the issue of Intercept shares. The Intercept shares to be issue are included in the 625 million Consideration Shares noted in section 11.2.

There is no reasonable basis to believe that the receipt of future engineering services under the Credit Amount or benefits associated with the Licence Fee will lead to an increase in the market value of xTV following the Proposal. Therefore, we have not adjusted the assets of xTV to include the Credit Amount or Licence Fee.

#### Note 2- Settlement of the financial liabilities

xTV has entered into several convertible note funding arrangements with various vendors. Prior to the proposal, xTV agree to settle this liability through the issue of Intercept shares following approval of the Proposal. The additional shares issued as consideration for settlement of the financial liabilities can be found in section 11.2 note 3.



## 11.2 Valuation of Intercept following the Proposal

Value of Intercept following the Proposal	Ref	Low \$	Preferred \$	High \$
Net assets of Intercept prior to the Proposal	10.3	492,208	492,208	492,208
Value of xTV shares	11.1	518,544	518,544	518,544
Cash raised from Capital Raising	1	2,650,000	2,650,000	5,300,000
Value of Intercept following the Proposal	_	3,660,752	3,660,752	6,310,752
Discount for minority interest	2	23%	20%	17%
Value of Intercept following the Proposal (minority interest basis)	_	2,818,779	2,928,601	5,237,924
Number of shares on issue post Proposal and Consolidation	3	892,133,692	892,133,692	1,042,133,692
Value per share post consolidation (\$)		0.0032	0.0033	0.0050

The table above indicates the net asset value of an Intercept share following the Proposal on a minority basis is between \$0.0032 and \$0.0050 with a preferred value of \$0.0033. In arriving at this value, the following adjustments were made to the net assets of Intercept following the Proposal.

#### Note 1- Capital Raising

As part of the regulatory requirements of a prospectus, Intercept must raise a minimum of \$3 million (before costs) at a share price of at least \$0.02. The capital raising is a condition precedent of the Proposal and as such we have adjusted the net assets of Intercept following the placement.

Proposed Capital Raising for Prospectus	Ref	Low	Preferred	High
Number of shares to be issued	3	150,000,000	150,000,000	300,000,000
Issue price of shares (\$)		0.02	0.02	0.02
Minimum amount to be raised per Prospectus (\$)		3,000,000	3,000,000	6,000,000
Estimated costs associated with raising (\$)		(350,000)	(350,000)	(700,000)
Net cash proceeds from raising (\$)	•	2,650,000	2,650,000	5,300,000

Intercept is seeking to raise between \$3 million to \$6 million, before costs. Given the capital raising is currently not underwritten we have taken the minimum required as our preferred basis.

#### Note 2- Minority Discount

The net asset value of an Intercept share following the Proposal is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of that company. Therefore, if the Proposal is approved, Shareholders may become minority interest shareholders in Intercept as xTV could hold a controlling interest, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.



Therefore, we have adjusted our valuation of an Intercept share following the Proposal, to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 10.2, we consider an appropriate control premium for Intercept to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of 17% to 23%.

Note 3- Shares on issue following the Proposal

Scenario 1		Low	Preferred	High
Shares on issue post-Proposal	Ref			
Current number of shares on issue pre Proposal	10.1	921,336,925	921,336,925	921,336,925
% held by xTV vendors		0%	0%	0%
% held by existing Shareholders		100%	100%	100%
Share consolidation ratio (10:1)		(10:1)	(10:1)	(10:1)
Post Consolidation number of shares, pre Proposal		92,133,692	92,133,692	92,133,692
Adjustments post Proposed Consolidated Shares Consideration Shares issued to Joseph Ward		412,940,360	412,940,360	412,940,360
Consideration Shares issued to other vendors in xTV		212,059,640	212,059,640	212,059,640
Consideration Shares issued	•	625,000,000	625,000,000	625,000,000
Introduction and Advisory fee		25,000,000	25,000,000	25,000,000
Post consolidation capital raising as part of prospectus	Note 1	150,000,000	150,000,000	300,000,000
Total Shares on issue post-Proposal	11.2	892,133,692	892,133,692	1,042,133,692

We have not included the impact of Performance Rights in the above dilution scenario. At current there is limited available information and certainty around the future performance and ability of Intercept to reach the Performance Milestones defined in section 4. Therefore, we have not considered the dilutionary impact of Performance Rights.

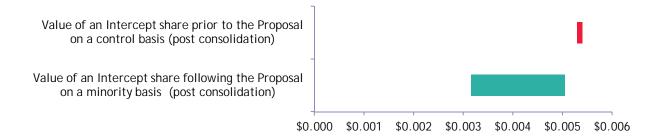
The potential dilutionary effects associated with Performance Rights being issued as shares is likely to be outweighed by the benefits that would flow to Intercept Shareholders, once the Performance Milestones are achieved.



## 12. Is the Proposal fair?

The value of an Intercept share prior to the Proposal on a controlling interest basis is compared to the value of an Intercept share following the Proposal on a minority basis below:

	Ref	Low \$	Preferred \$	High \$
Value of an Intercept share prior to the Proposal on a controlling basis post consolidation	10.3	0.0053	0.0053	0.0053
Value of an Intercept share following the Proposal on a minority basis post consolidation	11.2	0.0032	0.0033	0.0050



The table above shows that the value range of an Intercept share following the Proposal on a minority interest basis is less than the value of an Intercept share prior to the Proposal on a controlling basis. Therefore, we consider that the Proposal is not fair to Shareholders.



## 13. Is the Proposal reasonable?

#### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Intercept a premium over the value resulting from the Proposal.

#### 13.2 Practical Level of Control

If the Proposal is approved then majority xTV shareholder Joseph Ward will hold a maximum interest of approximately 46.3% of the issued capital of Intercept.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposal is approved then xTV vendor Joseph Ward will be able to block special resolutions.

Joseph Ward's control of Intercept following the Proposal will be significant when compared to all other shareholders. Therefore, in our opinion, Joseph Ward will be able to significantly influence the activities of Intercept.

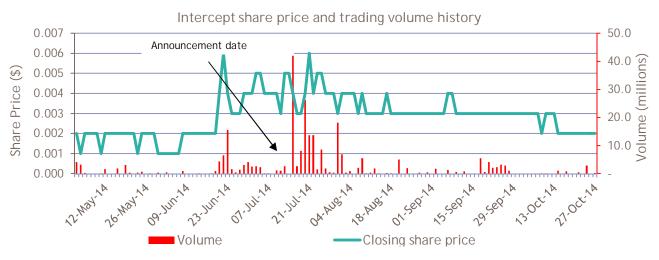
## 13.3 Consequences of not Approving the Proposal

## Consequences

If the Proposal is not approved the Directors of Intercept would need to identify alternate opportunities to pursue. Given the decision to impair existing exploration expenditure and potentially relinquish the tenements currently held by the Company it is likely that the Company would no longer satisfy ASX listing rule requirements and would need to re-comply to maintain a listed status.

#### Potential decline in share price

We have analysed movements in Intercept's share price since the Proposal was announced. A graph of Intercept's share price since the announcement is set out below.



Source: Bloomberg



On the day of the announcement the share price volume spiked to its highest point over the last year, with over 40 million shares being traded. In the two weeks following the announcement, trading volumes increased with the share price peaking at \$0.006. Since this time the share price has reverted to near pre announcement levels and trading volumes have reduced substantially.

Given the above analysis it is possible that if the Proposal is not approved then Intercept's share price may decline back to pre-announcement levels.

## 13.4 Advantages of Approving the Proposal

We have considered the following advantages when assessing whether the Proposal is reasonable.

Advantage	Description
The Proposal provides the Company with a cash injection	Under the terms of the Proposal a capital raising is required, the vending of xTV into Intercept has provided the opportunity under which the capital raising will be undertaken.
Exposure to the potential upside of xTV	xTV's operations are based on a growing sector and if the xTV Business Plan is achieved Shareholders will be exposed to the resulting increase in value.  On the same date the Proposal was announced, UST, an information technology solutions and services company for global 1000 enterprises announced a US\$2 million strategic investment in xTV. This investment is predominantly represented by future engineering services to be provided by UST. These services may increase the future profitability of xTV. In addition to the investment, UST and xTV will partner together with the aim of delivering MaaS to Fortune 1000 companies across the US. Intercept Shareholders could potentially benefit from the synergy benefits between UST and xTV, given Intercept will hold 100% of the issued capital of xTV.  Shareholders may also benefit from existing patents and intellectual property held by xTV in relation to source code and portal website technologies.  Intercept currently has key contracts with industry leaders such as Microsoft. If Intercept is able to develop a marketable and desirable product, then it already has some advantages in existing networks.
Additional sources of financing could potentially become available to the Company	The change in nature of activities could potentially enable Intercept to attract new investors and raise additional working capital (if necessary) to enable the Company to acquire further projects.



## 13.5 Disadvantages of Approving the Proposal

If the Proposal is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
Dilution of Shareholders	Shareholders will have their collective shareholding diluted to 10.3% (excluding Performance Rights and options) if the Proposal is approved and the Consideration Shares are issued.
Exposure to the risks associated with xTV	If the Proposal is approved the Company will acquire xTV and its existing operations and therefore change the nature of the Company's activities. xTV operates in different sector to that which Intercept has previously operated. This means that Shareholders will be exposed to the market sector and business risk profile that xTV operates in.
	The change in Shareholders' investment profile may include differences in business profile, operational profile, capital structure, size, share liquidity and geographic exposure between Intercept's previous business and the proposed technology activities.

#### 13.6 Other Considerations

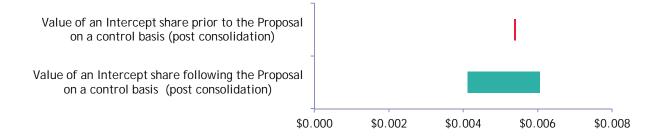
#### 13.6.1 Performance Rights

A Performance Rights Plan will be implemented, subject to shareholder approval and Performance Milestones being met, up to 250 million shares to future board members and key incoming management.

These additional shares to be issued may be a disadvantage to existing Shareholders whose holding will be diluted. However, any potential dilutionary disadvantage is offset by the benefits that Shareholders will receive in the achievement of revenue and share price target milestones.

#### 13.6.2

In section 10.3 we assessed the value of an Intercept share prior to the Proposal using the NAV method on a controlling basis and in section 11.1 the value of an Intercept share following the Proposal has been assessed on a minority interest basis. Whilst the Proposal comes under the technical definition of a control transaction, for illustrative purposes we have considered the value of an Intercept share on a controlling basis following the Proposal. This comparison is shown below:





## 14. Conclusion

We have considered the terms of the Proposal as outlined in the body of this report and have concluded that the Proposal is not fair but reasonable as the advantages of approving the Proposal outweigh the disadvantages to Shareholders.

In our opinion, the Proposal is not fair because the value of an Intercept share prior to the Proposal on a controlling basis is greater than the value of an Intercept share following the Proposal on a minority basis. However, we consider the Proposal to be reasonable because the advantages of the Proposal to Shareholders are greater than the disadvantages. In particular, we consider the Proposal represents a means by which Intercept can improve its financial capacity through the associated capital raisings. In its 2014 year-end financial statements, Intercept had a net asset position of \$216,858. The current net asset position is not sufficient to develop the business of xTV. The Proposal provides Shareholders with an opportunity to benefit from the exposure of xTV and the diversified industry in which it operates. We have placed a value on xTV based on its current level of activity and profitability. If these increase then the value of xTV may also increase in the future.

#### 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Intercept for the years ended 30 June 2013 and 30 June 2014;
- Audit reviewed financial statements of Intercept for the period ended 31 December 2013;
- Audited accounts of xTV for the six month period ended 30 June 2014;
- Share registry information;
- Agreement and plan of merger between xTV and Intercept, dated 7 October 2014;
- Information in the public domain; and
- Discussions with Directors and Management of Intercept.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$28,000 excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Intercept in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Intercept, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Intercept and xTV and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Intercept and xTV and their respective associates.



Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Intercept or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Intercept and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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#### Oualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert's reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 16 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert's reports and valuations in general for companies in a wide number of industry sectors.

#### 18. Disclaimers and consents

This report has been prepared at the request of Intercept for inclusion in the Explanatory Memorandum which will be sent to all Intercept Shareholders. Intercept engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the issue of Shares to the vendors of xTV is fair and reasonable.



BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to xTV. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposal, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Intercept, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

**Sherif Andrawes** 

Director

Adam Myers

Adam Myley

Director



# Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Advisory Shares	Advisors to the Proposal are to receive 25 million Intercept shares as consideration for services provided
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
The Committee	Federal Open Market Committee
The Company	Intercept Minerals Limited
Capital Raising	Intercept is to undertake a post consolidation capital raising of between \$3 million to \$6 million (before costs). The Proposal is contingent upon a minimum capital raising of \$3 million
Consideration Shares	625 million post consolidation shares to be issued to xTV
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
laaS	Infrastructure as a Service
Intercept	Intercept Minerals Limited or ('the Company')
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
MaaS	Media as a service
NAV	Net Asset Value



Our Report	This Independent Expert's Report prepared by BDO
PaaS	Platform as a Service
Performance Rights	Intercept to issue 250 million performance rights, post consolidation to key incoming management and board members.
The Proposal	The proposal to issue 625 million post consolidation shares in Intercept to the vendors of xTV for 100% of its issued capital
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
RTX	Rio Tinto Exploration Pty Ltd
SaaS	Software as a Service
Shareholders	Shareholders of Intercept not associated with the Proposal
Share Consolidation	Prior to the Proposal, Intercept will be consolidating its issued capital at a ratio of 10:1
Stockholder Representative	Fortis Advisors LLC are the stockholder representative under the plan of merger agreement with xTV and Intercept
Total Consideration	The combination of the Performance Rights and Share Consideration
Trustee	Lindfield Nominee Services Pty Ltd is the nominated trustee to hold the legal title to Consideration Shares on behalf of each of the xTV Shareholders
UST Agreement	Agreement with UST for a total investment in xTV of US\$2 million. The UST Agreement is split into the Licence Fee, UST Loan Note and Credit Note, which are to be settled via conversion of shares under the Proposal.
UST	UST Global
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
xTV	mppAPPs Inc



## Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

#### 1 Net asset value ('NAV')

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

#### 2 Quoted Market Price Basis ('QMP')

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

#### 3 Capitalisation of future maintainable earnings ('FME')

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.



The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### 4 Discounted future cash flows ('DCF')

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### 5 Market Based Assessment

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

#### APPOINTMENT OF PROXY FORM

#### INTERCEPT MINERALS LTD ACN 124 251 396

#### **GENERAL MEETING**

						-	
I/We							
of:							
being a Sharel	holder entitled to atten	d and vote at the Me	eting, hereby appo	oint:			
Name:			<u> </u>				
OR:	the Chair of the Meeting as my/our proxy.						
with the followir it, at the Meetir any adjournmen CHAIR'S VOTIN The Chair inte	erson so named or, if no day directions, or, if no day to be held at 2.00pm at thereof.  NG INTENTION IN RELAY  ands to vote undirectly change his/her vo	lirections have been on, on 3 December 201  ATION TO UNDIRECTION  To provies in favour	given, and subject 14 at Level 1, 33 Or ED PROXIES Ir of all Resolution	to the relevant d Street, West I	t laws as the pro Perth, WA, 6005, tional circums	oxy sees , and at stances	
	nt will be made imm				inis occurs (	ali Asy	
Voting on busi	ness of the Meeting			FOR	AGAINST	ABSTAIN	
Resolution 1	Change in nature an	d scale of activities					
Resolution 2	Consolidation of cap	oital					
Resolution 3	Capital Raising						
Resolution 4	Issue of Consideration						
Resolution 5	Appointment of Cha						
Resolution 6	Appointment of Roco						
Resolution 7	Appointment of Mark						
Resolution 8	Appointment of Jose						
Resolution 9	Appointment of Thor						
Resolution 10	Change of Company name						
Resolution 11	Issue of Shares						
Resolution 12	Adoption of Employe	e Option Plan					
Resolution 13	Issue of Shares to Rel	nepreis					
Resolution 14	Issue of Shares to Related Party – Patrick Burke						
Resolution 15	Issue of Shares to Rel	no Randazzo					
Resolution 16	Creation of a new cl	ass of securities – Perfo	ormance Rights				
	rou mark the abstain b show of hands or on a						
f two proxies ar	e being appointed, the	proportion of voting ri	ights this proxy rep	resents is:		%	
Signature of Sha			<b>3</b>	_			
ndividual or Shareholder 1 Shareholder 2				Shareholder 3			
Sole Director/Co	ompany Secretary	Director		Director/Co	mpany Secreto	ary	
Date:							
Contact name:			Contact ph (dayt	ime):			
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#### Instructions for Completing 'Appointment of Proxy' Form

- 1. (Appointing a proxy): A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
- 2. (**Direction to vote**): A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

#### 3. (Signing instructions):

- (Individual): Where the holding is in one name, the Shareholder must sign.
- (**Joint holding**): Where the holding is in more than one name, all of the Shareholders should sign.
- (**Power of attorney**): If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- (Companies): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
- 4. (Attending the Meeting): Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
- 5. **(Return of Proxy Form)**: To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
  - (a) post to Intercept Minerals Ltd, 64 Thomas Street, West Perth, 6005; or
  - (b) facsimile to the Company on facsimile number +61 8 6380 1644; or
  - (c) email to the Company at intercept@intercept.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.