

# Plus Connect Limited

ABN 55 164 388 783

22 November 2016

Dear Sir or Madam,

## **Plus Connect Limited (PCL)**

### **Takeover Bid by Activistic Limited (ASX:ACU)**

#### **Target's Statement**

We attach, by way of service pursuant to item 13 of section 633(1) of the *Corporations Act 2001 (Cth)* a copy of the Target's Statement of Plus Connect Limited ("PCL") in response to the off market takeover bid by Activistic Limited ("ACU") for all the ordinary shares in PCL.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Paul Crossin', is written over a horizontal dotted line.

Paul Crossin  
Managing Director



## TARGET'S STATEMENT

TARGET'S STATEMENT ISSUED BY PLUS CONNECT LIMITED (ACN 164 388 783)

This Target's Statement is issued in relation to the off-market takeover bid by Activistic Limited for all the ordinary fully paid shares in Plus Connect Limited.

# ACCEPT

Your Directors unanimously recommend that you **ACCEPT** the takeover offer from Activistic Limited unless a Superior Proposal emerges.

**!** **THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

**Key dates\***

<b>Announcement of Takeover Offer</b>	<b>22 September 2016</b>
<b>Date this Target's Statement is lodged with ASIC</b>	<b>22 November 2016</b>
<b>Date of Takeover Offer</b>	<b>22 November 2016</b>
<b>Takeover Offer Closes (unless otherwise extended)</b>	<b>23 December 2016</b>

\* All dates and times are subject to change and obtaining certain regulatory approvals

**Important notices****Nature of this document**

This document is a Target's Statement issued by Plus Connect Limited ACN 164 388 783 (PCL) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement. Neither ASIC nor its officers take any responsibility for the content of this Target's Statement.

**Defined terms**

A number of defined terms are used in this Target's Statement, the meaning of which is explained in section 8 of this Target's Statement. Where defined terms are not set out in section 8, unless the contrary intention appears or the context requires otherwise, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

**No account of personal circumstances**

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer made to you.

**Disclaimer as to forward looking statements**

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Except to the extent required by law, none of PCL's, PCL's officers and employees, any persons named in this Target's Statement with their consent or any other person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

**Maps and diagrams**

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

**Privacy**

PCL has collected your information from the PCL register of Shareholders (including name, contact details and holding details) for the purpose of providing you with this Target's Statement. Your information may be disclosed on a confidential basis to external service providers (such as PCL's share registry and print and mail service providers) and may be required to be disclosed to regulators (such as ASIC). If you would like to obtain details of the information held about you by PCL, please contact Board Room at 150 Stirling Highway, Nedlands, Western Australia 6009 or by telephone on (08) 9389 8033.

**Further information**

Further information relating to the Offer can be obtained from PCL's website at [www.plusconnect.com.au](http://www.plusconnect.com.au) and from the Activistic Limited Bidder's Statement or by contacting the PCL 1300 780 782 between 9.00am and 5.00pm (Perth time).

**Disclaimer as to ACU information**

The information contained in this Target's Statement concerning Activistic Limited, its assets and liabilities, financial position and performance, profits and losses and prospects has not been independently verified by PCL or any person involved on PCL's behalf in the preparation of this Target's Statement. Accordingly, PCL does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

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## Chairman's Letter

22 November 2016

Dear Security holder

### Takeover offer by Activistic Limited

On 22 September 2016, Plus Connect Limited (**PCL**) announced that it had entered into a bid implementation agreement relating to proposed off-market takeover offer by Activistic Limited (**ACU**) to acquire all of the fully paid ordinary shares (**Shares**) in PCL (the **Offer**).

Under the Offer, PCL Shareholders are being offered 3.126231 ACU Shares for each PCL Share they hold.

The announcement of the Offer follows an extensive investigation of a range of potential transactions to provide a funding solution to PCL's upcoming work programs with the ultimate aim of providing a stable working capital position so that PCL Shareholders are not exposed to an unreasonable level of funding risk going forward.

In the opinion of all of PCL's Directors, the Offer currently represent the best solution to PCL's funding issues in the short and medium term and provide a number of benefits, including:

- the creation of a financially stronger Australian and globally-focused combined entity to fund the continued development of PCL's Charitable and Not for Profit Partners and Gaming Licence portfolio as well as to fund future growth opportunities;
- the combined entity will have a more diversified portfolio of assets, and provide PCL Shareholders with exposure to ACU's Micro-donations platform;
- the expected benefits of being a shareholder in a larger combined entity, including greater ability to access financing and increased liquidity in the combined entity's shares; and
- access to additional board and management experience and expertise.

After careful consideration, the Directors of PCL unanimously recommend that you ACCEPT the Offer made to you unless a Superior Proposal emerges. Whilst under the terms of the Bid Implementation Agreement PCL remains free to respond to Superior Proposals should they emerge, the Directors of PCL note that as of the date of this Target's Statement, no such Superior Proposal has been received.

Further discussion of the reasons for your Directors' recommendation, as well as other matters that may be relevant to your decision whether to accept the Offer made to you, are set out in this Target's Statement.

I urge you to read both this Target's Statement and the ACU Bidder's Statement in their entirety and, if required, obtain advice from your broker, financial adviser or other professional adviser.

The Offer is scheduled to close at 5.00pm (Perth time) on 23 December 2016 (unless extended). To accept the Offer made to you, follow the instructions outlined in **Annexure A** of the Bidder's Statement and printed on the acceptance form that accompanies the Bidder's Statement.

If you have any queries in relation to the Offer, please contact the PCL on 1300 780 782 between 9.00am and 5.00pm (Perth time).

Yours sincerely,

**Alan Joseph Phillips**  
Executive Chairman

## **1. Reasons you should ACCEPT the Offer**

The Board has considered the advantages and disadvantages of the Offer and the Directors unanimously recommend that you ACCEPT the Offer made to you unless a Superior Proposal emerges.

The reasons for this recommendation are set out below.

The Directors acknowledge that there are risks associated with accepting the Offer, which are highlighted in **section 5.4** of this Target's Statement.

The Directors believe that you should accept the Offer for the following reasons:

### **1.1. Strengthened financial position to fund future growth**

The combined entity will be in a stronger financial position than PCL on a standalone basis to fund the growth of PCL's Charity and Not of Profit product portfolio and expand the application of this unique business model into Global Markets.

If Activistic is successful in acquiring 100% of PCL, the combined entity will have pro-forma cash of approximately A\$3m with a further ability to raise funds as and when required to meet its business objectives.

This improved financial position is expected to greatly assist the combined entity to progress the exploitation, development and rollout of its combined projects.

Before recommending the Offer, the Directors considered a range of other options (including funding and asset transaction opportunities) to provide a funding solution to PCL's upcoming work programs and to maximise value for PCL Shareholders.

After careful consideration of these other alternatives, the Directors formed the view that the Offer currently represents the best solution to PCL's funding requirements in the short and medium term and represent the best proposal currently available to PCL Shareholders to maximise the value of their shareholding.

### **1.2. The Share Offer represents an ideal opportunity for PCL shareholders to gain growth and liquidity in their PCL Shares**

The consideration offered under the Share Offer is 3.126231 ACU ordinary fully paid shares for every existing PCL Share held.

The Share Offer implied a value of \$0.1219 per PCL Share based upon the closing price of ACU shares on 16 November 2016 (being the last trading day for ACU shares prior to the announcement of the Offer).

Upon successful completion of the Offer, existing PCL Shareholders will own approximately 32.6% of the issued ordinary shares of the combined entity.

### **1.3. Establishes a more diverse asset base**

The Directors consider that the acquisition of Plus Connect is consistent with our long-term business objectives and offer a significant opportunity for PCL to expand its range of complementary charity products in the digital space and importantly, penetrate the International market for the first time. In addition, PCL will further benefit by being able

to integrate ACU'S micro donation technology with Plus Connect to create recurring donations for the charities. The Offer allows the Charity or Not for Profits Partners and Gaming, Systems, Licence and Product Partners that PCL has assembled to be retained, rather than the likely alternative scenario in the absence of the Offer which may require the divestment of certain assets in order to fund PCL's ongoing activities.

If ACU is successful in acquiring 100% of PCL, PCL Shareholders will retain a 32.6% interest in the combined entity on an undiluted basis and are expected to retain exposure to all (or a majority) of PCL's existing assets.

If the Offer succeeds, PCL Shareholders (through their shareholding in the combined entity) will gain exposure to a larger and more diversified pool of assets and opportunities. Plus Connect will benefit from additional marketing resources, finance and administration provided by Activistic which will make this a very economic acquisition."

See **section 7.1(c)** of this Target's Statement for further details regarding the implications of a change of control of PCL on its material contracts and assets.

The section below shows the combined asset scenario for ACU and PCL.

#### **1.4. Benefits of a larger combined entity**

The combined pro forma market capitalisation of ACU and PCL, assuming the successful acquisition of 100% of PCL under the Offer, will be approximately \$21.559 million (based on Activistic's closing share price as 16 November 2016).

In addition to the more diversified asset base, the prospective increase in the scale of the combined entity is anticipated to provide a number of benefits to PCL Securityholders, including:

- **enhanced ability to access financing:** the combined entity is likely to benefit from an enhanced ability to source debt and equity (and on more favourable terms) as a result of the increased scale and diversified asset base of the combined entity;
- **increased liquidity:** shares in the combined entity are expected to be more liquid, due to the increase in capitalisation of the combined entity and Australian Securities Exchange (ASX) listing status.
- **increased coverage and institutional reach:** PCL Securityholders may benefit from greater equity analyst coverage which the combined entity is expect to attract, which the Directors view as critical in attracting and retaining institutional shareholders.

Further information regarding the combined entity is set out in section 5 of the Bidder's Statement.

#### **1.5. Access to additional Board and management experience and expertise**

The combined entity is expected to benefit from the combined board and management talent of both organisations.

The board of the combined entity will initially comprise the following directors:

**Peter Wall**

Mr. Wall is a partner at Steinepreis Paganin, specialising in mergers and acquisitions, corporate reconstruction and recapitalisations of listed entities. Mr. Wall has advised on numerous successful IPOs and back door ASX listings.

Mr. Wall graduated from the University of Western Australia in 1998 with a Bachelor of Laws and Bachelor of Commerce (Finance). He has also completed a Masters of Applied Finance and Investment with FINSIA.

**Nigel Lee**

Based in Singapore, Mr. Lee began working with American Express in January 2012. He was responsible for strategy, management and growth of new and emerging payment activities for Asia, (including China, India and Japan), plus Latin America. This comprised the development, expansion and operation of payment methods such as pre-paid cards, travel card products, mobile payments, online e-Gift and virtual cards across both consumer and business-to-business channels.

In addition to American Express, Mr. Lee has also had significant experience in mobile payment, credit card and e-commerce experience with companies including MoneyGram, First Data Resources Asia-Pacific Limited and Electronic Data Systems Corp.

**Evan Cross**

Mr. Cross has been a member of the Chartered Accountants Australia and New Zealand for over 30 years, and is a Fellow of the Australian Institute of Company Directors. Mr. Cross has extensive corporate finance experience in investment banking both in Australia and the US and has held key finance or executive director roles in a number of private and ASX-listed companies in a wide range of industries including technology, healthcare, mining and the food and beverage industries.

**Michael Hughes**

Mr. Hughes has been Commercial Director at SeaLink Travel Group Limited since September 2014 and is responsible for identifying and securing new business and acquisition opportunities. Mr. Hughes served as Head of Corporate Finance at Ord Minnett from 2010 to May 2014.

Prior to joining Ord Minnett, Mr. Hughes was a Senior Portfolio Manager at a number of AMP funds from 2006 to 2010, an analyst at 452 Capital from 2002 to 2006, and held a number of senior financial roles at Westpac Banking Corporation from 1999 to 2002. He was also company secretary of OzEmail Limited, an internet service provider which was listed on the ASX and NASDAQ.

Michael is a highly regarded corporate advisor, with significant experience in both equity capital and debt markets.

**Paul Crossin**

Paul Crossin has over 20 years in the gaming and lotteries industry with proven success in the design and delivery of major gaming business in Australia including the Tasmanian Network gaming business and Max Gaming in New South Wales.



## **1.6. No Superior Proposal has emerged**

Prior to recommending the Offer, the Directors of PCL assessed a range of other options (including funding and asset transaction opportunities) and engaged with a number of potential acquirers regarding alternative corporate proposals for the company.

After careful consideration of these potential alternative transactions, and in view of the fact that the Offer comprised the only corporate proposal capable of being put to PCL Securityholders at that time, the Directors formed the view that the Offer represented the best way to maximise shareholder value.

To date, no Superior Proposal has emerged that would cause the Directors to reconsider their current recommendation.

## **1.7. CGT rollover relief**

If ACU acquires more than 80% of the PCL Shares on issue under the Share Offer, accepting PCL Shareholders may be entitled to CGT rollover relief. In summary, rollover relief means that the effective sale of your PCL Shares will not crystallise a taxation event, and any potential tax liability will be deferred until such time as you sell the ACU Shares issued to you under the Share Offer.

PCL Securityholders should refer to **Section 7 and Annexure A** of the Bidder's Statement and consult their professional advisers in relation to how accepting the Offer will affect their individual circumstances.

## **1.8. PCL's share value may fall if the Share Offer is unsuccessful or in the absence of a Superior Proposal emerging**

If the offer is not successful, PCL will need to seek to secure alternative financing in order to fund its ongoing activities and also to repay any amounts drawn under the \$500,000 funding facility provided by ACU, which will become repayable (details of which are summarised in **Annexure 1** to this Target's Statement). If the PCL Share value falls, this is likely to impact the price at which PCL could seek to raise equity and cause further dilution for existing PCL Shareholders.

## **1.9. There are risks in not accepting the Offer**

The Offer are subject to a number of conditions, including minimum acceptance conditions that ACU acquires a relevant interest in at least of 90% of the PCL Shares.

If ACU were to waive the minimum acceptance condition relating to the acquisition of the PCL Shares, then it is possible that control of PCL could pass to ACU without ACU having the ability to compulsorily acquire the remaining PCL Shares. This would mean that Shareholders who did not accept the Share Offer would remain as minority shareholders of PCL.

The possible implications of being a minority shareholder include that:

- it is unlikely the Share price would include any takeover premium; and
- the liquidity of Shares may be lower than at present

For further information on the risks associated with not accepting the Offer, refer to **section 5.8** of this Target's Statement and **section 8** of the Bidder's Statement.

## 2. Frequently asked questions

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Security holders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
<p><b>1. Who is ACU?</b></p>	<p>Activistic offers a revolutionary micro-donation technology that seamlessly connects and engages the world's smart phone users, which totals about two billion people, with charities and causes. In the US alone the total giving to charitable organisations was estimated to be US\$373.25 billion in 2015, and Activistic is providing these organisations with the opportunity to bank a much larger share of every dollar donated to put toward the intended cause.</p>
<p><b>2. What is ACU's offer for my Shares?</b></p>	<p>ACU has made an off-market takeover offer to acquire all of your PCL Shares (if applicable to you) in exchange for issuing you with 3.126231 ACU Shares for each PCL Share you hold.</p> <p>If you are a PCL Shareholder whose address in PCL's register of members is outside of Australia and its external territories or New Zealand, unless otherwise determined by ACU, the ACU Shares to which you would be entitled to be issued as a result of accepting the Share Offer will be sold on your behalf and the proceeds remitted to you in cash. Further information regarding foreign shareholders is set out in <b>Annexure A</b> of the Bidder's Statement.</p> <p>Further details of the terms of the Share Offer (including the nominee sale process for foreign shareholders) are set out in <b>section 5</b> of this Target's Statement.</p>
<p><b>3. What is the Bidder's Statement I have been sent by ACU?</b></p>	<p>The Bidder's Statement was prepared by ACU and describes the terms of the Offer for your PCL Shares and other information that ACU considers relevant to your decision as to whether or not to accept the Offer made to you.</p> <p>You should read the ACU Bidder's Statement together with this Target's Statement in their entirety and, if required, obtain advice from your broker, financial adviser or another professional adviser.</p>
<p><b>4. What choices do I have as a Shareholder?</b></p>	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"> <li>• accept the Offer in respect of your PCL Shares;</li> <li>• sell your PCL Shares (unless you have previously accepted the Offer made to you and you have not validly withdrawn your acceptance); or</li> <li>• reject the Offer made to you or do nothing in relation to the Offer.</li> </ul>

<p><b>5. What are the Directors recommending?</b></p>	<p>The Directors unanimously recommend that you accept the Offer unless a Superior Proposal emerges. See section 1 of this Target's Statement for more details regarding the reasons for this recommendation.</p> <p>If there is a change to this recommendation or any material development in relation to the Offer, your Directors will inform you.</p>
<p><b>6. What do the Directors intend to do with their PCL Shares?</b></p>	<p>Each Director intends to accept the Offer in respect of the PCL Shares they own or control unless a Superior Proposal emerges.</p>
<p><b>7. What are the Conditions to the Offer?</b></p>	<p>The Offer are subject to a range of Conditions, including:</p> <ul style="list-style-type: none"> <li>• The Offer and any contract which results from its acceptance will be subject to the Conditions.</li> <li>• Each party must use all reasonable endeavours to satisfy the Conditions as soon as practicable after the date of this agreement.</li> <li>• Plus Connect must use all reasonable endeavours to ensure that the Conditions in paragraphs (d) (No material acquisitions, disposals or new commitments) and (f) (No Plus Connect Prescribed Occurrence) of Schedule 2 are not breached prior to the end of the Offer Period, provided that nothing in this clause requires the directors of Plus Connect to take any action which would result in a breach of a fiduciary duty.</li> <li>• ACU may waive the satisfaction of the Conditions in its sole discretion, other than the Condition in paragraph (a) (90% minimum acceptance condition) of Schedule 2, which cannot be waived by ACU, where ACU has a Relevant Interest of less than 80% of the issued shares in Plus Connect, without the prior written consent of Plus Connect.</li> </ul> <p>Details of the Conditions are set out in full in <b>Annexure A</b> of the Bidder's Statement and summarized in <b>section 6.2</b> of this Target's Statement.</p>
<p><b>8. What happens if the Conditions are not satisfied or waived?</b></p>	<p>If the Conditions are not satisfied or waived before the Offer close, the Offer will lapse and any acceptances will be cancelled. You would then be free to deal with your PCL Shares even if you had accepted the Offer made to you in respect to any of these securities.</p> <p>In the case of the no prescribed occurrences condition, by the end of three Business Days after the Offer Period.</p>
<p><b>9. Did PCL engage an independent expert to opine on the Offer?</b></p>	<p>PCL is not required under section 640 of the <i>Corporations Act</i> to commission an independent expert's report in connection with the Offer. In deciding not to engage an independent expert to assess the merits of the Offer, the Directors considered a range of factors, including:</p> <ul style="list-style-type: none"> <li>• the current alternatives available to PCL to provide an acceptable funding solution to PCL's upcoming work programs;</li> </ul>

	<ul style="list-style-type: none"> <li>the Directors' understanding of the value of PCL's prospects and the fact that the Offer provide PCL Securityholders with the ability to continue to retain exposure to all (or a majority of) PCL's existing assets; and</li> <li>that ACU is listed on ASX with a fully informed and liquid market for its shares.</li> </ul> <p>Given these factors, the Directors of PCL decided not to engage an independent expert to assist them in assessing the Offer, and has recommended that PCL Securityholders accept the Offer for the reasons set out in <b>section 1</b> of this Target's Statement.</p>
<b>10. How do I accept the Offer?</b>	To accept the Offer, you should follow the instructions set out in <b>Annexure A</b> of the Bidder's Statement and printed on the acceptance form that accompanies the Bidder's Statement.
<b>11. Can I accept the Offer for part of my shareholding?</b>	No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer made to you for all of the PCL Shares held by you.
<b>12. What are the consequences of accepting the Offer now?</b>	<p>By accepting the Offer whilst they remain conditional, you will:</p> <ul style="list-style-type: none"> <li>give up your right to otherwise deal with any PCL Shares you hold whilst the Offer remain open, unless withdrawal rights are available (see below).</li> </ul> <p>If you accept the Offer made to you and they become unconditional, you will receive 3.126231 ACU Shares for each PCL Share you hold.</p>
<b>13. If I accept the Offer, when will I be issued ACU Shares?</b>	<p>If you accept the Offer and the Offer becomes unconditional, ACU will issue the ACU Shares to which you are entitled under the Offer made to you by the earlier of:</p> <ul style="list-style-type: none"> <li>21 days after the end of the Offer Period; or</li> <li>one month after the later of receipt of your valid acceptance and the date on which the relevant Offer becomes unconditional.</li> </ul> <p>See <b>section 6.11</b> of the Target's Statement for further details on when you will be sent your consideration.</p>
<b>14. If I accept the Offer now, can I withdraw my acceptance?</b>	You may only withdraw your acceptance of the Offer in certain prescribed circumstances, such as where ACU varies the Offer in a way that postpones the time when ACU is required to satisfy its obligations by more than one month. See <b>section 6.10</b> of this Target's Statement for further details.
<b>15. What are the tax implications of accepting the Offer?</b>	See <b>section 7</b> of the Bidder's Statement for a general outline of the Australian tax implications of accepting the Offer made to you. As this is a general outline only, PCL Securityholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

<b>16. When does the Offer close?</b>	<p>The Offer is presently scheduled to close at 5.00pm (Perth time) on 23 December 2016 (unless extended or withdrawn).</p> <p><b>Section 6.6</b> of this Target's Statement provides further details regarding the circumstances in which the Offer Period can be extended.</p>
<b>17. Do I pay brokerage if I accept?</b>	<p>If your Securities are registered in an Issuer Sponsored Holding in your name and you deliver them directly to ACU, you will not incur any brokerage in connection with your acceptance of the Offer.</p>
<b>18. What happens if I do nothing?</b>	<p>You will remain a PCL Security holder.</p> <p>However, ACU has stated that if it acquires 90% or more of Shares and becomes entitled to compulsorily acquire all Shares, it intends to do so. See <b>section 6.13</b> of this Target's Statement for more details.</p> <p>If ACU acquires more than 50% but less than 90% of Shares and the Share Offer becomes unconditional, you will be a minority Securityholder in PCL. The implications of this are described in <b>section 5.8</b> of this Target's Statement.</p>

### 3. Directors' recommendation and intentions

#### 3.1. Directors of PCL

As at the date of this Target's Statement, the Directors of PCL are:

Name	Position
Alan Joseph Phillips	Executive Chairman
Paul Crossin	Managing Director
Glenn Ferguson	Non-Executive Director
Otbert De Jong	Non-Executive Director

#### 3.2. Directors' recommendation

Having considered in detail the advantages, disadvantages and merits of the Offer detailed in the ACU Bidder's Statement and this Target's Statement, the Directors of PCL unanimously recommend that you ACCEPT the Offer made to you unless a Superior Proposal emerges.

The reasons for this recommendation are set out in detail in **section 1** of this Target's Statement.

In considering whether to accept the Offer made to you, your Directors encourage you to:

- read the whole of this Target's Statement and the ACU Bidder's Statement;
- consider the choices available to you noted in **section 4** of this Target's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Offer made to you and taxation advice on the effect of accepting those Offer.

### **3.3 Directors' intentions in respect of their own PCL Shares**

All the Directors currently intend to accept the Offer made to them in relation to all of the PCL Shares which they own or control, unless a Superior Proposal emerges. Details of the Relevant Interests of the Directors are set out in **section 7.2** of this Target's Statement.

## **4. Your choices as a Securityholder**

You have three choices currently available to you in relation to the Offer:

### **4.1 Accept the Offer**

This is what the Directors unanimously recommend you do unless a Superior Proposal emerges.

**Annexure A** of the Bidder's Statement contains details of how to accept the Offer made to you.

If you decide to accept the Offer made to you, your acceptance must be received before the close of the Offer Period which is currently scheduled to occur at 5.00pm (Perth time) on 23 December 2016 unless the Offer Period is extended in accordance with the Corporations Act.

### **4.2 Do nothing**

If you do not wish to accept the Offer made to you, you can choose to do nothing. By doing nothing you will continue to remain a Securityholder.

Shareholders should note that if ACU acquires 90% of Shares during or at the end of the Offer Period, ACU will be entitled to compulsorily acquire the Shares it does not already own. See **section 6** of this Target's Statement for more details.

## **5. Important information for PCL Securityholders to consider**

### **5.1 The value of the Offer**

The consideration being offered by ACU under the Share Offer is 3.126231 ACU Shares for every PCL Share held.

If you accept the Offer made to you, the value of the consideration you will receive will depend upon the price of ACU Shares at the time those shares are issued to you under the Offer.

As at the last available trading day prior to finalising this Target's Statement, the implied value of the Share Offer consideration was equivalent to A\$0.1219 per PCL Share, based on the closing price of ACU Shares on ASX of A\$0.039 on 16 November 2016.

You should be aware that the implied value of the Offer will fluctuate with changes in the market price of ACU Shares.

## 5.2 Information about ACU

The principal activity of the Activistic group during the year has been the further development and implementation of its micro-donation technology that enables regular payments or contributions utilizing a mobile phone network, as well as the expansion of user and beneficiary charities base. The company is also actively considering opportunities to introduce its current technology to additional verticals.

## 5.3 Status of PCL's current operational activities

### 5.3.1 Introduction and Overview

Plus Connect is an unlisted Australian public company and was registered on 26 June 2013 in Victoria.

Plus Connect was established to commercialise a new generation of online and app based betting and social gaming products. Plus Connect aims to deliver a socially responsible wagering model providing significant benefits to partner charities and sporting organisations.

It was assessed that the only Australian Licence capable of delivering a charity lottery-style product nationally and efficiently was a Northern Territory Licence to Conduct the Business of a Sports Bookmaker granted by the Northern Territory Racing Commission under the Racing and Betting Act 1983 (Northern Territory) (**NT Licence**). The Northern Territory regulator granted the NT Licence in 2012 on the proviso that a minimum of 20% of charity product sales only be remitted to charity.

The charity product was launched in 2014 and Plus Connect has since focused on business and cost consolidation and implementing systems and partnerships to deliver the broader business strategies.

The Plus Connect business model is to operate a strategy targeting the traditional lottery market in Australia and Asia/Pacific. Lottery is a mature industry constrained by state lottery taxes and a dependence on a high cost retail distribution network. By focusing on Internet distribution, Plus Connect offers lottery-style products that are substitutes for traditional lotteries.

Combining Internet and mobile technologies with online betting and lottery licences, and supported by strong partnerships with quality charity and sports brands, Plus Connect is seeking to create a competitive business with a price advantage over traditional lottery operators.

The Plus Connect business model was developed with the knowledge that the privatisation of state lotteries has resulted in the removal of a major, efficient source of charity funding. Plus Connect is committed to replacing some of that funding through its charitable and sporting product offerings. This commitment reflects part of the purpose of Plus Connect and also delivers value to the business through improved community acceptance of its brand and low-cost and efficient customer acquisition. Support for charities and sporting bodies will remain a key feature of the business as a responsible corporate citizen.

Plus Connect is implementing strategies designed to have a low betting risk profile. This is achieved with its charity and sports lottery products by insuring major wins through a

leading International insurance company. International lottery products will be offered via a strategic partnership with Mylotto24 in the UK. Through this partnership, all bets on international lotteries through Plus Connect will be hedged by laying-off those bets into the Mylotto24 betting pool.

Plus Connect also intends to explore strategic partnerships and joint ventures to deliver other products available under our licences.

Plus Connect has successfully built the foundations for an online lottery business and is now ready for commercialisation.

### **5.3.2 Technology Platforms**

The business launched with a low-cost, interim technology platform, which significantly restricted the ability of the business to acquire customers and conduct promotions. That system operates Weather Lottery and enabled a range of market, product and competitor testing campaigns to be conducted and supported low-level customer engagement strategies.

In preparation for the business entering its growth phase, the Company entered into a software license agreement with Total Betting Solutions("TBS") for the supply of a more sophisticated platform capable of delivering the business strategy.

The TBS software platform is the latest generation technology offering full mobile functionality and marketing functions. It is suitable for both the ongoing operation of Weather Lottery and lottery wagering products. The system is approved by the NT Gaming Commission and the Norfolk Island Gaming Authority.

### **5.3.3 Product Partners – Mylotto 24**

Plus Connect has partnered with the UK licensed bookmaker, Mylotto24, for the supply of hedging services for our lottery wagering products. Founded in 2007, Mylotto24 operates under stringent UK Gambling Commission licence conditions and has a record of honouring winnings by players including individual prizes in excess of 50 million Euro.

Through our engagement with Mylotto24 Plus Connect is able to offer fixed-odds bets on international lotteries with the cost effectiveness and risk management capabilities only available to established, high volume businesses.

### **5.3.4 Insurance Partners - Lloyds**

Plus Connect has preferred customer status for the Australian lottery wagering market with one of the leading and largest insurance firms globally. We insure all major win contingencies on our charity and not-for-profit products under an insurance contract with this leading insurance firm.

Our insurance relationship enables us to manage betting volatility risk and offer fixed-odds bets with confidence that major wins are covered.







### 5.3.5 Charity Partners

Plus Connect has partnered with several quality charities for Weather Lottery. These partnerships are a key component of the strategy to build the Company's brand values and to cost-effectively acquire customers initially for Weather Lottery and later for other Plus Connect products. Under our NT Licence it is a requirement that a minimum of 20% of Weather Lottery sales is paid to charity.

Plus Connect's charity strategy is to align with quality charities that cover the full range of charitable causes. However initially the Company is limiting its partners on the basis of:

- Not spreading its charity payments too thinly across too many charities;
- The payments being large enough to be highly valued by the charity encouraging their engagement;
- The charity having a large national reach; and
- The charity understanding and being committed to our business goals.

The Charity Partners are:

Charity Partner	Description
	Variety - the Children's Charity is a national charity committed to empowering Australian children who are sick, disadvantaged or have special needs to live, laugh and learn. By giving practical equipment, programs and experiences, Variety helps children in need to overcome whatever obstacles they face and live life to the fullest. We are partnered with Variety Queensland initially.
	Mater Foundation challenges, inspires and engages people, organisations and businesses to partner with the Mater hospitals and Mater Research, to extend the boundaries of health care and medical research.
	A defence force charity based on the UK Help for Heroes model. Focusing on supporting currently serving defence personnel and their families, particularly those deployed overseas.
	The Cowboys Community Foundation is building on the North Queensland Cowboys impressive 20 years of community leadership and achievements in delivering true change where it counts – creating opportunities and positive futures for North Queensland's young people through education, programs and partnerships focused on those most disadvantaged or at-risk in our communities.

#### Charity Business Engagement

Plus Connect manages the distribution of funds to the charity partners with the objective of driving maximum promotional and marketing value from the monies paid.

#### 1. Charity Marketing Support

Plus Connect has entered into partnership agreements with charities that have strong brand recognition and substantial supporter bases. Our partners are exclusive to their charity cause and, while not the largest charities in their sector, our funding effort is designed to assist them achieve a leading position in their sector.

In return for Plus Connect operating Weather Lottery to support a charity, we secure access to a substantial supporter base some of whom we expect to participate in other, commercial lottery offerings that are compatible with the charity values. Each charity commits to support Plus Connect's marketing campaigns and to drive awareness and support for our business model.

## **2. Business Steering Committee**

Each charity participates in the development of business strategies for the charity products. This ensures we always support the brand values of our charity partners and that specialist charity knowledge underpins the development of our charity products and our marketing strategies.

### **5.3.6 Sports Industry Partners – Collingwood Football Club**

Plus Connect has partnered with one of Australia's largest sporting clubs for the initial development of its Sports Lottery product. This partnership is a key component of the strategy to build the Company's brand values and to cost-effectively acquire customers, and build future relationships within all walks of Australian sport.



Plus Connect Limited and Collingwood Football Club Limited have contracted to develop and operate a secondary lottery product based on Plus Connect's proprietary Sports Lottery product. The product is designed as a community secondary lottery offering strongly aligned to charity and community values. A social entertainment product that promotes community engagement with the club and generates funding to support the club's social programs and community development aims

In collaboration, the parties will market the product to the Collingwood Football Club community with a vision for the product becoming a key revenue source for Collingwood. The parties intend offering customised versions of the product through the broader AFL community in collaboration with other clubs.

### **5.3.7 Products & Services**

An overview of Plus Connect's material products is set out below.

#### **a) Charity and Not-for Profit Product**

Plus Connect's first charity product is the Weather Lottery, an online lottery-wagering product marketed in collaboration with select Australian charities and offered under the NT Licence. This product's features are:

- i. a Pick 7 event (ie. based on 7 numbers) conducted each weekday;
- ii. numbers are determined by the results of the weather in 7 Australian cities as reported by the Bureau of Meteorology;

- iii. major payouts are insured under contract with a major international insurance company;
- iv. for every \$1 bet, \$0.20 is paid to charity; and
- v. each charity partner has exclusive rights to a draw and uses that draw as a dedicated fund raising channel to their existing and potential supporters.

Weather Lottery events are conducted each weekday. Friday is marketed as a general charity product and other days are exclusive, and branded, to one of Plus Connect's charity partners.

Plus Connect operates a suite of products compliant with Association of Charitable Lotteries (EU) guidelines, in support of Australian charities. The Postcode Lottery in Europe is evidence of the incredible value of this business model, being the third largest private donor to charities globally.

#### **b) Sporting Groups Product**

Plus Connect is developing an online lottery-wagering product to be marketed in collaboration with sporting clubs and associations in Australia. This product will offer bets on the results of a Sports Lottery product. The products features are:

- i. a fixed-odds bet on the outcome of Sports Lottery;
- ii. product branded to individual sporting clubs;
- iii. for every \$1 bet a minimum of \$0.25c is paid to the sporting club; and
- iv. a high-engagement product offering driving customer engagement with the club and Plus Connect.

The official launch of the Sporting Group product is scheduled for late 2016.

### **5.4 Risks associated with accepting the Offer**

#### **a) Conditions of the Offer**

The Offer are subject to a number of Conditions, which have not yet been satisfied as at the date of this Target's Statement. The full terms of these Conditions are set out in **Annexure A** of the Bidder's Statement. The Conditions of the Offer must either be satisfied or waived by ACU before accepting PCL Securityholders can receive the consideration under the Offer.

If you accept the Offer whilst they remain subject to Conditions, then subject to any statutory withdrawal rights that may be available to you (see **section 6.10** of this Target's Statement for more detail) you will no longer be able to trade your PCL Shares or withdraw your acceptance of that Offer. You should be aware that the PCL Share price may exceed the implied price under the Share Offer during this period.

If you accept the Offer and any of the Conditions remain unsatisfied at the end of the Offer Period and are not otherwise waived by ACU, there is no obligation on ACU to issue ACU Shares as consideration for PCL Shares. In those circumstances, any acceptances of the Offer will be cancelled and you would then be free to deal with your PCL Shares.

#### **b) Possibility of a Superior Proposal emerging**

You may consider that a third party may emerge with a Superior Proposal. Once you have accepted the Offer, you will not be able to accept into any Superior Proposal that may emerge unless the Offer lapse or you are able to withdraw your acceptance due to extensions to the Offer Period.

**c) Risks related to the gambling industry**

Regulation and changes to the regulatory environment

Plus Connect conducts its business in a highly regulated industry.

The regulation of gambling in Australia is primarily the responsibility of state and territory governments. The Federal Government also has jurisdiction over areas of regulation which may affect the gambling industry, particularly the online gambling industry. Regulation at the state, territory and federal government levels is subject to continuous and constant change and Plus Connect has no control over the laws, rules and regulations that apply to its current or proposed activities.

The gambling activities which Plus Connect conducts, and will conduct, and the level of competition that the Company experiences, depends to a significant extent on:

- the licences, permits and other approvals granted to members of the Plus Connect Group ("**Authorisations**");
- government policy and the manner in which the relevant governments exercise their broad powers in relation to the conduct of the relevant businesses; and
- the laws and regulation of various jurisdictions.

Pending and/or future changes in legislation, regulation or government policy, decisions by courts and/or governments concerning the interpretation of such legislation, regulation or government policy and uncertainty and conflict between the laws of different jurisdiction which apply to Plus Connect, may result in the imposition of additional taxes or other financial or operational consequences for Plus Connect's businesses which impact the way Plus Connect conducts its businesses.

For example, this may include: changes in the federal, state and territory wagering, gaming or other gambling legislation, tax rates and/or levels, changes in advertising legislation, regulation and rules, changes in the distribution of gambling products, including through particular channels, variations to the terms and conditions of arrangements with racing and sporting industry organisations in various states (to the extent this is applicable), amendments to the legislation relating to the control of money laundering, the introduction of further legislation to encourage responsible gambling and changes or decisions by government concerning lotteries, wagering or other forms of gambling. Such changes may reduce Plus Connect's margins, turnover, or both, or may affect the operational performance of Plus Connect.

**Changes to the Norfolk Island regulatory and licensing regime**

There is a risk in the uncertainty faced by Plus Connect in respect of the Norfolk Island Licence, particularly that the Norfolk Island Licence granted by the Authority may be deemed to be ineffective as a result of the Amending Act coming into full effect on 1 July 2016. While this risk may be mitigated by the fact that Plus Connect NT Pty Ltd (Plus Connect NT) has a licence granted by the NTRC, there remains a risk that the NT Licence may be suspended, terminated or cancelled. This would likely result in Plus Connect not

being able to operate its business in the manner currently operated, which would impact adversely, Plus Connect's operation and financial performance.

### **Stringent advertising obligations**

As Plus Connect is, strictly speaking, a wagering operator which conducts wagering or betting services on declared sporting events, relevant members of the Plus Connect Group are required to comply with extensive requirements in respect of the advertising of gambling services. These requirements are contained in:

- gambling and lotteries legislation, regulations, rules and codes of each State/Territory (examples include the provisions of the South Australian Gambling Codes of Practice 2013, the NSW Racing Administration Act 1998 and the NSW Racing Administration Regulation 2012);
- advertising codes that apply to a particular medium, for example, the Free TV Code;
- the Association of Australian National Advertisers Code which applies to all advertising aimed at Australian residents; and
- the Australian Consumer Law.

Breach of any of these advertising requirements by a member of the Plus Connect Group may result in significant penalties being imposed.

In particular, in the last few years, the Australian consumer law regulator, the ACCC and some gambling regulators have taken a stricter approach on enforcing the various restrictions on the way in which a gambling operator may advertise its products and services.

If proceedings are brought by the ACCC or a gambling regulator against a member of the Plus Connect Group and that member is found by a court to be acting unlawfully in carrying out any marketing or gambling advertising, this will have a negative effect on Plus Connect's operations, financial performance, and potentially may have significant adverse reputational consequences.

### **Responsible Gambling obligations**

In accordance with each of the NT Licence and Norfolk Island Licence, relevant members of the Plus Connect Group are required to have in place responsible gambling measures, for example, procedures that allow customers to set betting deposit limits or enter into voluntary self-exclusion arrangements. In particular, under the conditions of its NT Licence, Plus Connect NT is required to comply with the extensive responsible gambling obligations set out in the Northern Territory Code of Practice for Responsible Gambling. Failure to comply with these obligations will result in the breach of its licence and a risk that the NT Licence may be suspended or revoked/cancelled.

In addition to the responsible gambling obligations that apply under Plus Connect's Licences, there are also extensive responsible gambling obligations set out in Australian Federal, State and Territory law and regulations with which Plus Connect is required to comply. The breach of these laws and regulations may result in not only penalties being imposed for the breach of legislation, but the possibility that, in some states, Plus Connect may no longer be permitted to provide or offer its services to customers in that State or Territory.

### **Anti-money laundering/counter-terrorism financing risks**

As a provider of a gambling service, relevant members of the Plus Connect Group are deemed to be a reporting entity under Australia's Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the "AML/CTF Act"). This requires that member to comply with a number of obligations specified under the AML/CTF Act including, for example, requirements to:

- develop and implement an AML/CTF Program;
- conduct customer due diligence and customer identification and verification procedures; and
- report suspect matters and transactions to the Australian regulator, AUSTRAC.

The regulator, AUSTRAC has recently taken a stricter approach on enforcing the various AML/CTF obligations and requirements on gambling service providers, including commencing proceedings against one of Australia's largest gambling service providers, Tabcorp, for non-compliance with its obligations under the AML/CTF Act.

Failure to adequately monitor and mitigate against money laundering and other fraudulent activities, for example, the use of the proceeds in crime in wagering activities, or the failure to comply with its obligations under the AML/CTF Act may result in civil or criminal liability for the relevant member of the Plus Connect Group. This will likely have an adverse impact on Plus Connect's operational and financial performance and may have significant adverse reputational consequences.

#### **Increased regulation in relation to problem and underage gambling, fraud and corruption**

There has been significant recent publicity and criticism about the way in which wagering operators manage the issues relating to problem gambling and the prevention of underage gambling online.

Further, there has been publicity about the way in which online betting and wagering operators in particular, address fraud prevention, collusion and match-fixing issues.

While this publicity has not been connected with Plus Connect directly, there is a risk that this may have an adverse impact on Plus Connect as an operator of lottery wagering services, and the enthusiasm of the general public to use Plus Connect's services. It may also give rise to more stringent regulations.

This poses a risk that Plus Connect's operations and financial performance will be affected adversely. There is also a risk that Plus Connect may suffer damage to its reputation or threaten its status as a licenced gambling operator if it is found to be inadvertently providing services to underage gamblers, problem gamblers or unsuitable players (including players which may be engaging in unusual behaviour or engaged in fraudulent or corrupt conduct).

#### **Online gambling market is in a state of constant technological change**

The online gambling industry is characterised by constant technological developments, the introduction of new innovative products and services and evolving industry standards. Lottery wagering products and charity lottery products are some examples of new products and services that have emerged and grown on a global scale. This requires Plus Connect to ensure that it continues to develop its technical and technological expertise and knowledge and enhance its current products and services, as well as continue to improve the performance, features, quality and reliability of its lottery wagering product and other technologies. There is a risk that this continuous

improvement and enhancement will require substantial expenditure which may have an adverse impact on the Company's business, financial condition and results of operation.

### **Taxes and Levies**

Taxes and levies relating to the wagering, lotteries and gaming segments of the gambling industry are currently determined by the relevant governments. A material increase in the taxes and levies payable by Plus Connect in respect of its businesses may reduce margins and have a material adverse impact on the financial performance of Plus Connect. A material increase in the taxes imposed may increase Plus Connect's expenses and have a material adverse impact on the financial performance of Plus Connect.

### **Industry and economic conditions**

The performance of Plus Connect depends to a large extent on the level of discretionary consumer spending along with other economic factors in Australia such as economic growth, interest rates, inflation, household disposable income, taxation, employment levels, consumer and business sentiment and market volatility. There can be no guarantee that the current economic environment and gambling industry conditions will remain the same and there is a risk that material adverse changes to general economic or industry conditions may have a material adverse impact on the financial performance of Plus Connect, as a consequence of the potential for customer numbers and/or spend per customer to reduce leading to a loss of revenues. Changes in government fiscal, monetary and regulatory policies could also affect the performance of Plus Connect.

### **Community sentiment**

Plus Connect's business strategy is likely to be influenced by community sentiment towards the wider gambling industry, as well as specific issues relating to gaming and lotteries segments of the gambling industry in which Plus Connect operates. Any material adverse change in community sentiment towards the gambling industry, may have a material adverse impact on the operational and financial performance of Plus Connect.

## **d) Risks relating to the Business of Plus Connect**

### **Stage of development**

Plus Connect was incorporated in Australia on 26 June 2013. Accordingly, Plus Connect has limited operating history in the gaming industry and has no meaningful historical financial information or track record.

### **Breach of the conditions of a licence, permit or other approval**

The conduct of wagering and lotteries in Australia is governed by legislation and regulations and through the granting of licences, permits or other approvals to participants by various state, territory and federal government gambling regulators.

Each relevant Plus Connect Group member must comply with relevant regulations and the terms of its licences, permits or other approvals. Any non-compliance could lead to a range of disciplinary actions, including a letter of censure, reprimand, fines, amended or additional terms or, ultimately, the suspension or cancellation of a licence, permit or approval. If a licence, permit or approval is suspended or cancelled by the relevant

gambling regulator, the relevant Plus Connect Group member would not be permitted to operate the relevant business. This would have a material adverse impact on Plus Connect's ability to provide its products and services.

Any material non-compliance by the relevant Plus Connect Group member with the relevant regulations or terms of its licences, permits or approvals may result in financial penalties, or the suspension or loss of certain licences, permits or approvals which may have a material adverse impact on the financial performance of Plus Connect or result in the loss of a business unit and corresponding revenues from that business unit.

### **Licensing related risks**

Plus Connect's NT Licence and Norfolk Island Licence (each a **Licence**) are subject to renewal on a regular basis. Plus Connect cannot be certain:

- whether the relevant Licence will be renewed or new licences, permits or authorisations will be granted to Plus Connect when the Licence expires;
- whether such renewal or grant process will be the subject of a competitive tender;
- if a Licence is renewed or new licences, permits or authorisations are granted to Plus Connect:
- when they will be renewed or granted (as applicable);
- the terms on which they will be renewed or granted by the government, including amounts which might be required to be paid by way of licence fees; and/or
- that additional licences, permits or authorisations will not be issued to third parties.

If the NT Licence or Norfolk Island Licence is not renewed or new licences granted on terms not acceptable to or less favourable to Plus Connect, there is a possibility that this would result in Plus Connect being unable to conduct the specific businesses which operate pursuant to those licences or being unable to generate revenues equal to those currently being generated by these businesses.

As indicated above, there is also the risk of uncertainty faced by Plus Connect in respect of the Norfolk Island Licence, in particular, that the Norfolk Island Licence granted by the Authority may be deemed to be ineffective as a result of the Amending Act coming into full effect on 1 July 2016.

### **Product and services risk**

Due to the similarities between conducting traditional lotteries and offering bets on the outcome of lotteries (lottery wagering), there is a risk that the lottery wagering products offered by Plus Connect, even when conducted under an Australian wagering or sports bookmaking licence, may be considered by the relevant Australian regulators to not be a wagering service, but rather, the conduct of an actual lottery in the traditional sense, without the proper authorisation.

While the directors consider that strong arguments exist in making available its lottery wagering services on the basis that the relevant Plus Connect Group member is simply acting as a sports bookmaker and offering permitted fixed odds products on a declared sporting event, in accordance with its NT Licence, these arguments are untested. It is difficult to predict how the various State/Territory gambling authorities will view these lottery-wagering products and there remains a risk that the State/Territory gambling authorities will take the view that betting on the outcome of lotteries is in contravention of State/Territory laws.



Further, there is a risk that the licensed lottery operators in each State/Territory will take the view that the lottery wagering products offered by Plus Connect constitute a lottery in the traditional sense in contravention of State/Territory lottery laws and will apply pressure to the relevant regulatory authority to take action against Plus Connect. This is likely to have an adverse impact on Plus Connect's operational and financial performance and result in significant reputation damage.

### **Reliance on key personnel**

Plus Connect's business model depends substantially on its senior management team and key personnel, in particular Paul Crossin and Simon Muller, to oversee the day-to-day operations and strategic management of the Company. There is a risk that operating and financial performance would be affected adversely by the loss of one or more of these key persons.

### **Reputation**

Plus Connect considers its reputation for trust and integrity as important in maintaining customer goodwill and regulatory confidence for its businesses. A range of events, including a material non-compliance with regulations or the Company's gambling licence conditions or a breach of Plus Connect's information systems leading to the occurrence of fraudulent activity such as identity theft or credit card fraud, or other disclosure of customers' personal information, could have a material adverse impact on Plus Connect's reputation and the value of its brands and may lead to increased expenditure due to additional security costs and/or potential claims for compensatory damages, significant disciplinary actions, the imposition of monetary fines or the loss of the NT Licence or Norfolk Island Licence. These events may negatively affect Plus Connect's reputation and adversely affect its current Licence or future opportunities for licences, permits or approvals in other jurisdictions. The consequences of such events could be very significant for Plus Connect, including reduced revenues, increased expenses, loss of consumer trust in the relevant brand or products, and loss of a business unit.

### **Intellectual property risks and obligations**

Plus Connect relies on third parties to provide rights to use certain intellectual property required to run its business. In particular, the Company has entered into a software licence to use Lottotech's proprietary technology platform for the delivery of the Company's lottery products. If the Company loses the rights to use the platform, for example as a result of a breach of the software licence, this may have a significant adverse effect on the Company's operations and financial performance.

There is a risk that Plus Connect's products and services, or intellectual property licensed from third parties, may infringe the intellectual property rights of other parties. If any claim is brought against Plus Connect for the alleged infringement of another party's intellectual property rights, this may result in potential liability for damages as well as the loss of any rights to use the relevant intellectual property. This may have an adverse impact on the Company's operations and financial performance.

### **Breach of shareholding restrictions**

There are a number of potential restrictions on the shareholders of Plus Connect which arise under legislation, licences or due to the requirements of various regulatory authorities. Under various State and Territory legislation and the Licences held by subsidiaries of the Plus Connect Group, there are general provisions in relation to approvals that are required before a person can become an “associate” of Plus Connect. A person may be considered to be an “associate” of the relevant Plus Connect Group member where that person has an interest in the capital of Plus Connect and, by virtue of that shareholding, is able to exercise significant influence over the management or operation of the Plus Connect business.

Various State and Territory legislation also contains provisions to the effect that, where it is considered that a person is not suitable to be associated with a licensed gambling business, the relevant regulator, Authority or the Minister has the power to require the licensee to terminate any association with the “associate” or to declare that the person dispose of the number of shares held that would need to be disposed of, in order to cause that person to cease being an “associate” of Plus Connect.

### **Systems**

Plus Connect operates or uses a range of proprietary and non-proprietary information technology systems, including hardware and software, for existing and new infrastructure to conduct its businesses. Plus Connect is exposed to the risk of failure of, or significant interruption to, those information technology systems or infrastructure which may have a material adverse impact on the financial performance of Plus Connect. Plus Connect manages this risk by having or using reputable providers who have system redundancy and other back-up measures in place. However, there can be no assurance that these mitigation arrangements will be sufficient to entirely prevent the risk of a significant systems failure. A prolonged failure of the computer systems operated or used by Plus Connect which support its businesses would result in a significant loss of revenue and profit to Plus Connect as it would be unable to process bets, lottery tickets and other revenue generating transactions and this may have an adverse effect on the operational and financial performance of Plus Connect.

### **Reliance on third parties**

Plus Connect is reliant on a number of third parties for the operation of its businesses. Failure of, or significant interruption to, third party products and services upon which Plus Connect relies for a sustained period of time may result in Plus Connect being unable to provide certain services during that period, which may have a material adverse impact on the operational and financial performance of Plus Connect.

### **Access to Data**

Some of the products offered by the Company are contingent upon certain events or on information sourced from third parties. If the Company is unable to obtain that information (for example, due to third party service outages or if any agreements between the Company and the third party comes to an end), then this may result in the Company being unable to conduct its business and may have an adverse effect on its operations and financial performance.

### **Insurance**

Plus Connect will endeavour to maintain insurance within ranges of coverage that it believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, it is not always possible to fully insure against all risks associated with activities in its businesses. Plus Connect may decide not to take out insurance against certain risks as a result of high premiums or for other reasons. Should liabilities arise on uninsured risks or the insurer becomes insolvent on an insured risk, Plus Connect's business, financial condition and/or results of operations and, the market price of the New Shares may be materially adversely affected. There can be no assurance that insurance will be available for all the risks that Plus Connect may wish to have covered.

### **Litigation**

From time to time, Plus Connect may become involved in litigation and disputes. While the Company endeavours to take appropriate precautions in respect of such litigation and disputes and make appropriate provisions, there is a risk that the resolution of any such litigation and disputes may result in those provisions being exceeded. There is also the risk that Plus Connect's reputation may suffer due to the profile of, and public scrutiny surrounding, any such litigation and disputes regardless of the outcome.

### **Managing growth**

To achieve the objectives set out in this Target's Statement, Plus Connect will be required to implement operational and financial systems, procedures and controls and to develop, expand, retain, manage and where appropriate or required, train its staff. No assurance can be given of Plus Connect's ability to manage its future growth. However, Plus Connect will seek to engage appropriately qualified and experienced professionals to manage growth at the appropriate time.

### **Limited trading history**

Plus Connect has limited trading history and has incurred losses since its inception. Plus Connect is still in its early stage of commercialisation and investors should consider this risk in making an investment decision. No assurances can be given that Plus Connect will become profitable or achieve commercial viability.

### **Completion risk**

If the Acquisition does not complete, this may adversely impact the business growth of Plus Connect. Any delay in the Completion of the Acquisition will impact on the financial performance of the Company.

### **Action of competitors**

The actions of existing competitors or entrants of new competitors to the market could result in decreased profitability and loss of market share. Loss of market share may adversely affect performance of the Company.

## **5.5 PCL's financial position in the absence of the Offer**

PCL has significant funding commitments in relation to roll out of its business and as at 31 August 2016, PCL had cash reserves of approximately A\$250,000.00.

One of the key advantages of the Offer is that if ACU is successful in acquiring 100% of PCL, the combined entity will have pro-forma cash of approximately A\$3M and access to further funding via capital markets.

This improved financial position is expected to greatly assist the combined entity to meet upcoming commitments and to continue to progress the rollout of PCL's Sports and Charity Products as well as the Lotto Plus offering.

As set out in **section 7.1(b)** of this Target's Statement, ACU has agreed to provide PCL with a A\$500,000 loan facility in order to assist PCL in funding its short term working capital requirements whilst the Offer remain open for acceptance. The terms of the facility are summarised in Annexure 1 to this Target's Statement.

If the Offer do not proceed, PCL will need to repay any amounts drawn down under that facility. In those circumstances, PCL would need to seek alternative sources of finance (such as a potentially dilutive capital raising, third party finance or the possible sale of material assets), in order to repay any amounts drawn down under the ACU loan and to fund its share of scheduled exploration and development expenditure.

## **5.6 Alternatives to the Offer**

Prior to recommending the Offer, the Directors of PCL assessed a range of other options (including funding and asset transaction opportunities) and engaged with a number of potential acquirers regarding alternative corporate proposals for PCL.

After careful consideration of these potential alternative transactions, and in view of the fact that the Offer were the only corporate proposal capable of being put to PCL Securityholders at that time, the Directors of PCL formed the view that the Offer represented the best way to maximise Shareholder value.

Whilst the Bid Implementation Agreement entered into with ACU prevents PCL from soliciting a competing transaction, PCL is able to respond to and negotiate with respect to a Competing Proposal should it be approached by an alternative potential acquirer. If a Competing Proposal is made to PCL which the Directors of PCL consider is, or would be likely to be, a Superior Proposal, then under the terms of the Bid Implementation Agreement ACU has been afforded a limited period of time to match that proposal.

As at the date of this Target's Statement, no Superior Proposal has emerged.

## **5.7 Taxation**

The taxation consequences of accepting the Offer depends on a number of factors and will vary depending on each PCL Securityholder's particular circumstances.

Securityholders should refer to **section 7** of the Bidder's Statement, which contains detailed information about the possible tax implications of accepting the Offer for PCL Securityholders resident in Australia.

For Australian resident Securityholders, you should note that scrip-for-scrip capital gains tax rollover relief may be available if you accept the Offer. The tax consequences will depend upon your individual circumstances. You should seek your own independent financial and taxation advice, which takes into account your personal circumstances, before making a decision as to whether or not to accept the Offer.

Neither PCL nor any of its officers or advisers accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect to the taxation consequences themselves.

## **5.8 Minority ownership consequences**

The Offer is subject to (amongst other things) ACU acquiring a relevant interest in at least 90% of the PCL Shares on issue. If these Conditions are fulfilled (and all other Conditions to the Offer are satisfied or waived), ACU will be entitled to compulsorily acquire all outstanding PCL Shares, which it has indicated in its Bidder's Statement it would intend to do.

However, if ACU acquires a relevant interest in more than 80%, but less than 90%, of the PCL Shares on issue then it may still acquire a majority shareholding in PCL if it waives the Conditions to the Offer.

In these circumstances, Shareholders who do not accept the Share Offer will become minority shareholders in PCL with a new controlling Shareholder. This has a number of possible implications, including:

ACU will be in a position to cast the majority of votes at a general meeting of PCL. This will enable it to control the composition of PCL's Board and senior management, determine PCL's dividend policy and control the strategic direction of the businesses of PCL and its subsidiaries;

liquidity of PCL Shares may be lower than at present; and

if ACU acquires 75% or more of the Shares it will be able to pass a special resolution of PCL. This will enable ACU to, among other things, change PCL's constitution.

## **6. Key features under the offer**

### **6.1. Consideration under the Offer**

The consideration being offered by ACU under the Share Offer for your PCL Shares is 3.126231 ACU Shares for every PCL Share you hold.

### **6.2. Conditions to the Offer**

The Offer, and any contract resulting from the acceptance of the Offer, are subject to the following conditions:

- a) (90% minimum acceptance condition): at the end of the Offer Period, ACU and its Associates have a Relevant Interest in more than 90% (by number) of all of the Plus Connect Shares both on an undiluted and on a fully diluted basis;
- b) (no Regulatory Action): that between the Announcement Date and the end of the Offer Period:
  - i) there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority; and

- ii) no application is made to any Regulatory Authority (other than by any member of the ACU Group), or action or investigation is announced, threatened or commenced by a Regulatory Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:

- iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of ACU in respect of Plus Connect and the Plus Connect Shares to be acquired under the Offer; or
  - iv) requires the divestiture by ACU of any Plus Connect Shares, or the divestiture of any assets of Plus Connect or its Related Bodies Corporate, ACU or its Related Bodies Corporate or otherwise;
  - v) (no Plus Connect Material Adverse Changes): there not occurring a Plus Connect Material Adverse Change during the Offer Period;
- c) (no material acquisitions, disposals or new commitments): except for any proposed transaction publicly announced by Plus Connect before the Announcement Date or disclosed in writing to ACU or its Representatives prior to the Announcement, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
- d) Plus Connect or any Subsidiary of Plus Connect acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$50,000 or makes an announcement in relation to such an acquisition, offer or agreement;
    - i) Plus Connect or any Subsidiary of Plus Connect disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value is, in aggregate, greater than \$50,000 or makes an announcement in relation to such a disposition, offer or agreement;
    - ii) Plus Connect or any Subsidiary of Plus Connect enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, farm-in agreement, management agreement or commitment which would require expenditure, or the foregoing of revenue, by Plus Connect and/or its Subsidiaries of an amount which is, in aggregate, more than \$50,000 other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement; and
    - iii) Plus Connect or any of its subsidiaries materially varies, amends, or modifies any Material Contract;
  - e) (no material litigation) there is no litigation, claim, action or proceeding pending or in progress or threatened against or relating to any member of the Plus Connect Group during the Offer Period that does or is reasonably likely to constitute a Plus Connect Material Adverse Change;
  - f) (no Plus Connect Prescribed Occurrences): there not occurring a Plus Connect Prescribed Occurrence during the Offer Period;

- g) (no change of control rights): after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which Plus Connect or any Subsidiary of Plus Connect is a party, or by or to which Plus Connect or any Subsidiary of Plus Connect or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of Plus Connect or Plus Connect and its Subsidiaries taken as a whole, in:
- i) any monies borrowed by Plus Connect or any Subsidiary of Plus Connect being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
  - ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
  - iii) the interest of Plus Connect or any Subsidiary of Plus Connect in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
  - iv) the business of Plus Connect or any Subsidiary of Plus Connect with any other person being adversely affected,

as a result of the acquisition of Plus Connect Shares by ACU except for any rights under any provision of any agreement or other instrument disclosed in writing to ACU or its Representatives prior to the Announcement; and

- h) (non-existence of certain rights): that no person has any right (whether subject to conditions or not) as a result of ACU acquiring Plus Connect Shares to:
- i) acquire, or require Plus Connect or a Subsidiary of Plus Connect to dispose of, or offer to dispose of, any material asset of Plus Connect or a Subsidiary of Plus Connect; or
  - ii) terminate or vary or exercise any right under any Material Contract with Plus Connect or a Subsidiary of Plus Connect,

except for any rights under any provision of any agreement or other instrument disclosed in writing to ACU or its Representatives or otherwise publicly announced by Plus Connect prior to execution of this agreement.

The above conditions are conditions subsequent and do not prevent a contract resulting from acceptance of the Offer from coming into effect but any breach or non-fulfilment of them entitles ACU to rescind any contracts resulting from acceptance of the Offer.

As at the date of this Target's Statement, PCL is not aware of any act, omission, event or fact that would result in any of the Conditions to the Offer being triggered (or not being satisfied, as appropriate).

### **6.3. Implications of Conditions not being satisfied**

Any Conditions which are not satisfied (or triggered, as appropriate) may be waived by ACU. If, at the close of the Offer Period, any Condition has not been satisfied (or has been triggered) and has not been waived, the Offer will lapse.

If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your PCL Shares as you see fit.

#### **6.4. Notice of Status of Conditions**

**Section 9.19** of the Bidder's Statement 16 December 2016.

ACU is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as ACU knows, any of the Conditions have been fulfilled; and
- ACU' voting power in PCL.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, ACU is required, as soon as practicable after the extension, to give a notice to the ASIC and PCL that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the relevant Offer becomes free of that Condition) during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, ACU must, as soon as practicable, give the ASIC and PCL a notice that states that the particular Condition has been fulfilled.

As at the date of this Target's Statement, ACU has not given notice that any of the Conditions have been fulfilled.

#### **6.5. Offer Period**

The Offer is open for acceptance until 5.00pm (Perth time) on 23 December 2016 unless otherwise extended or withdrawn.

The circumstances in which ACU may extend or withdraw the Offer made to you are set out in Annexure A of the Bidder's Statement.

#### **6.6. Extension of the Offer Period**

The circumstances in which ACU may extend or withdraw the Offer made to you are set out in Annexure A of the Bidder's Statement.

ACU may extend the Offer Period at any time before giving the Notice of Status of Conditions while the relevant Offer is subject to Conditions. However, if the relevant Offer is unconditional (that is, all the Conditions are fulfilled or waived), ACU may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:



- ACU improves the consideration offered under the Share Offer; or
- ACU' voting power in PCL increases to more than 50%.

If either of these two events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

#### **6.7. Withdrawal of the Offer**

The circumstances in which ACU may extend or withdraw the Offer made to you are set out in Annexure A of the Bidder's Statement.

ACU may not withdraw the Offer made to you if you have already accepted it. Before you accept the Offer made to you in respect of each of your Shares, ACU may withdraw that Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

#### **6.8. Lapse of the Offer**

The Offer made to you will lapse if the Conditions are not satisfied or waived by the end of the Offer Period. If the Offer lapses, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In those circumstances, you will be free to deal with your PCL Shares as you see fit.

#### **6.9. Effect of acceptance**

The effect of acceptance of the Offer is set out Annexure A of the Bidder's Statement. Securityholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Shares and the representations and warranties they give by accepting the Offer made to them.

#### **6.10. Your ability to withdraw your acceptance**

If you accept the Offer made to you, you will have limited rights to withdraw that acceptance.

You may withdraw your acceptance of that Offer only if ACU varies the Offer in a way that postpones, for more than one month, the time when ACU needs to meet its obligations to issue ACU Shares under the relevant Offer. This will occur if ACU extends the Offer Period by more than one month and the relevant Offer is still subject to the Conditions at the time of your purported withdrawal.

#### **6.11. When you will receive your consideration if you accept the Offer**

You will be issued your ACU Shares on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the relevant Offer if the Offer is, at the time of acceptance, unconditional, but, in any event (assuming the relevant Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration.

Full details of when you will be issued your consideration are set out in Annexure A of the Bidder's Statement.

#### **6.12. Effect of an improvement in consideration on Securityholders who have already accepted the Offer**

If ACU improves the consideration offered under the Share Offer, all Securityholders to whom that relevant Offer is made, whether or not they have accepted the relevant Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration should they accept that Offer and that Offer becomes unconditional.

#### **6.13. Compulsory acquisition**

##### **(a) Compulsory acquisition following takeover**

ACU has indicated in **section 6.4** of the Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Shares.

ACU will be entitled to compulsorily acquire any Shares in respect of which it has not received an acceptance of the Share Offer on the same terms as the Share Offer if, during or at the end of the Offer Period:

- ACU and its associates have a Relevant Interest in at least 90% (by number) of the Shares; and
- ACU and its associates have acquired at least 80% (by number) of the Shares that ACU offered to acquire.

If this threshold is met, ACU will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Shareholders who have not accepted the Share Offer. Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Share Offer do not represent 'fair value' for their Shares.

##### **(b) Later compulsory acquisition by 90% holder**

Even if ACU does not satisfy the compulsory acquisition threshold referred to in **section 6.13(a)** of this Target's Statement, it is possible that ACU will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Shares. ACU would then have rights to compulsorily acquire Shares not owned by it within six months of becoming the beneficial holder of 90% of Shares. Should ACU exercise this right, the price offered under this procedure would be the subject of a report of an independent expert.

#### **6.14. Effect of the Offer on Options**

As at the date of this Bidder's Statement, Plus Connect advised it has 383,378 options exercisable at \$0.50 each on or before 31 July 2017 on issue. During the Offer Period, Plus Connect intends to seek the agreement of the holders to cancel their options.

## **7. Additional Information**

### **7.1. Agreements relating to the Offer**

#### **a) Bid Implementation Agreement**

On 21 September 2016, PCL and ACU entered into the Bid Implementation Agreement under which ACU agreed to make a conditional off-market takeover bid for all of the PCL Shares.

A copy of the Bid Implementation Agreement was lodged with the ASX on 22 September 2016 and can be obtained from ACU's ASX platform (ASX:ACU). A summary of the key terms of the Bid Implementation Agreement is set out in Annexure 1 to this Target's Statement.

#### **b) Interim funding arrangements**

As announced by ACU to the ASX on 22 September 2016, ACU has also agreed to provide PCL with a A\$500,000 loan facility to assist PCL in funding its short term working capital requirements. Interest on the Facility is payable at 10% per annum on amounts drawn.

The Facility is to be repaid if the takeover is not completed and, in that event, within 60 days of the term of the termination of the Bid Implementation Agreement.

Further details regarding the terms of the Facility are set out in Annexure 1 to this Target's Statement.

#### **c) Effect of the takeover on PCL's material contracts**

PCL's material contracts are set out in **section 5.3** of this Target's Statement. The takeover the subject of the Bidder's Statement will not have a material effect on PCL's material contracts.

### **7.2. Interests and dealings in PCL securities**

#### **a) Interests in PCL securities**

As at the date of this Target's Statement, PCL's Directors had the following Relevant Interests in PCL Securities:

Paul Crossin	17,833,333
Joseph Phillips	6,733,333
Glenn Ferguson	633,333
Otbert de Jong	2,698,333

#### **b) Dealings in shares**

Except as otherwise set out in this Target's Statement, no Director has acquired or disposed of a Relevant Interest in any Shares in the four-month period ending on the date immediately before the date of this Target's Statement.

**c) Intentions of the Directors in relation to the Offer**

The intentions of the Directors in relation to the Offer and their own Shares are set out in **section 3.3** of this Target's Statement.

**7.3. Interests and dealings in ACU securities**

**a) Interests in ACU securities**

As at the date of this Target's Statement, no Director had a Relevant Interest in any ACU securities.

**b) Dealings in ACU securities**

No Director has acquired or disposed of a Relevant Interest in any ACU securities in the four-month period ending on the date immediately before the date of this Target's Statement.

Neither PCL nor any associate of PCL has acquired or disposed of a Relevant Interest in any ACU securities in the four-month period ending on the date immediately before the date of this Target's Statement.

**7.4. Benefits and agreements**

**a) Benefits in connection with retirement from office**

Other than as set out in **section 7.4(d)** below, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of PCL or Related Body Corporate of PCL.

**b) Agreements connected with or conditional on the Offer**

Except as otherwise set out in this Target's Statement, there are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Securities.

**c) Benefits from ACU**

None of the Directors has agreed to receive, or is entitled to receive, any benefit from ACU which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares as outlined in **section 7.2(a)** or from contracts with ACU outlined in **section 7.4(d)** of this Target's Statement.

**d) Interests of Directors in contracts with ACU**

Except as set out below or otherwise disclosed in this Target's Statement, none of the Directors have any interest in any contract entered into by ACU.

If ACU acquires PCL, it is proposed that Paul Crossin will join the Board of Directors and assume the role of Executive Director, and is expected to receive a salary of \$180,000 per annum.

#### **7.5. Issued capital**

As at 16 November 2016, being the last practicable date prior to lodgement of this Target's Statement, the issued capital of PCL consisted of 57,577,325 fully paid ordinary shares and 383,378 options exercisable at \$0.50 each on or before 31 July 2017. During the Offer Period, Plus Connect intends to seek the agreement of the holders to cancel their options.

#### **7.6. Substantial holders**

As at 16 November 2016, being the last practicable date prior to lodgement of this Target's Statement, there were 6 Shareholders which hold 5% or more of the company's voting rights.

#### **7.7. Consents**

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

- to be named in this Target's Statement in the form and context in which they are named;
- for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

<b>Name of person</b>	<b>Named as</b>
Ferguson Cannon Lawyers	Legal advisers
Treston & Co	Auditors

Each of the above entities:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by ACU with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by ACU. Pursuant to the Class Order, the consent of ACU is not required for the inclusion of such statements in this Target's Statement. Any Securityholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting Mr Paul Crossin on 1300 780 782.

In addition, as permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

### **7.8. Continuous disclosure**

PCL is not a disclosing entity under the Corporations Act and subject to regular reporting and disclosure obligations.

In addition, PCL will make copies of the following documents available for inspection at Suite 5, 71-75 South Perth Esplanade, South Perth, Western Australia, 6151 between 9.00am and 4.00pm on Business Days:

- its 2016 Annual Report;
- its Constitution;

A copy of these documents may be requested to be provided free of charge.

Copies of documents lodged with ASIC in relation to PCL may be obtained from, or inspected at, an ASIC office.

### **7.9. Dispatch of takeover documents**

PCL agreed in the Bid Implementation Agreement that ACU could send the Bidder's Statement to Securityholders earlier than would otherwise be permitted under item 6 of section 633(1) of the Corporations Act.

### **7.10. No other material information**

This Target's Statement is required to include all the information that Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

Your Directors are of the opinion that the information that Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in this Target's Statement.

Your Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, your Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, your Directors have had regard to:

- the nature of the Securities;
- the matters that Securityholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Securityholders' professional advisers; and
- the time available to PCL to prepare this Target's Statement.

## 8. Glossary and Interpretation

### 8.1. Glossary

In this Target's Statement defined terms have the meanings set out below:

<b>Term</b>	<b>Meaning</b>
<b>\$, A\$ or AUD</b>	Australian dollars
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited or the Australian Securities Exchange
<b>ASX Listing Rules</b>	the Listing Rules of the ASX Rules
<b>Acquisition</b>	the acquisition of all of the Plus Connect Shares by way of a Takeover Bid by Activistic.
<b>Bidder's Statement</b>	The bidder's statement of ACU dated 17 November 2016
<b>Bid Implementation Agreement</b>	The bid implementation agreement entered into between ACU and PCL dated 21 September 2016
<b>Board</b>	The board of Directors of PCL
<b>Business Day</b>	a day on which banks are open for business in Perth, Western Australia, excluding a Saturday, Sunday or public holiday
<b>CGT</b>	Capital gains tax
<b>Competing Proposal</b>	means a transaction or proposed transaction notified to the Plus Connect Board which, if completed substantially in accordance with its terms, would mean a person (other than ACU or its Related Bodies Corporate) would:

- a) directly or indirectly, acquire an interest or relevant interest in or become the holder of:
  - i) 20% or more of all Plus Connect Shares; or
  - ii) all or a substantial part of the business conducted by Plus Connect,

including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of shares or joint venture, but not as a custodian, nominee or bare trustee;

- b) acquire control of Plus Connect, within the meaning of section 50AA of the Corporations Act; or
- c) otherwise acquire or merge (including by a reverse takeover bid or dual listed company structure) with Plus Connect.

<b>Conditions</b>	the conditions set out in Annexure A of the Bidder's Statement
<b>Controlling participant</b>	the meaning set out in the ASX Settlement Rules Participant
<b>Corporations Act</b>	the Corporations Act 2001 (Cth)
<b>Director</b>	A director of PCL
<b>Facility</b>	the financing facility under which ACU has agreed to provide PCL with up to \$500,000 to finance PCL's working capital requirements
<b>Agreement</b>	the agreement under which the Facility from ACU to PCL has been provided
<b>Issuer sponsored holding</b>	a holding of Shares on PCL's issuer sponsored subregister
<b>PCL</b>	Plus Connect Limited ACN 164 388 783
<b>PCL Group</b>	PCL and its Subsidiaries
<b>Notice of status of conditions</b>	ACU's notice disclosing the status of the conditions to the relevant Offer which is required to be given by subsection 630(3) of the Corporations Act
<b>Offer Period</b>	the period during which the relevant Offer will remain open for acceptance in accordance with Annexure A of the Bidder's Statement
<b>Offer</b>	the Share Offer
<b>Related Bodies Corporate</b>	the meaning given to that term in the Corporations Act
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act



<b>Security</b>	A Share
<b>Securityholder</b>	a registered holder of PCL Shares
<b>Share</b>	a fully paid ordinary share in the capital of PCL
<b>Share Offer</b>	the off-market takeover offer by ACU to acquire all the PCL Shares, the terms of which are contained in Annexure A of the Bidder's Statement
<b>Shareholder</b>	a registered holder of Shares
<b>Subsidiary</b>	has the meaning given in section 9 of the Corporations Act
<b>Superior Proposal</b>	a Competing Proposal that the Board determines in good faith is: <ul style="list-style-type: none"> <li>• reasonably capable of being valued and completed in a timely manner, taking into account all aspects of the Competing Proposal and the person making it; and</li> <li>• more favourable to Shareholders as a whole than the relevant Offer, taking into account all the terms and conditions of the Competing Proposal</li> </ul>
<b>ACU</b>	Activistic Limited ACN 007 701 715
<b>ACU Share</b>	a fully paid ordinary share in the capital of ACU
<b>Target's Statement</b>	this document (including the annexures), being the statement of PCL under Part 6.5 Division 3 of the Corporations Act
<b>Voting Power</b>	the meaning given to that term in section 610 of the Corporations Act
<b>VWAP</b>	volume-weighted average share price

## 8.2. Interpretation

In this Target's Statement:

- Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- Words of any gender include all genders.
- Words importing the singular include the plural and vice versa.
- An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- A reference to a section, clause, annexure and schedule is a reference to a section of, clause of and an annexure and schedule to this Target's Statement as relevant.

- A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- A reference to time is a reference to Perth, Western Australia time unless otherwise stated.

## 9. **Authorisation**

This Target's Statement has been approved by a resolution passed by your Directors. Each of your Directors voted in favour of that resolution.

Signed for an on behalf of PCL:  
17 November 2016



Paul Crossin  
Managing Director

A summary of the key terms of the Bid Implementation Agreement and ACU Loan Facility are set out below. Neither summary is exhaustive and does not constitute a definitive statement of the rights and liabilities of ACU and PCL under each document.

A copy of the Bid Implementation Agreement was lodged with the ASX on 22 September 2016 and can be obtained from PCL's website ([www.plusconnect.com.au](http://www.plusconnect.com.au)).

## **1. Bid Implementation Agreement**

### **1.1. Directors' recommendations**

Plus Connect represents that it has been informed by each of its directors that they intend:

- (a) to recommend the Offer to Plus Connect Shareholders subject to there being no Superior Proposal (that was not procured or obtained by Plus Connect through a breach of this agreement), ACU Prescribed Occurrence, ACU Material Adverse Change, independent expert not concluding that the Takeover Bid is fair and reasonable to Plus Connect Shareholders or if this agreement is terminated by Plus Connect; and
- (b) to accept the Offer within 10 Business Days of the Offer becoming open for acceptance in respect of all Plus Connect Shares owned or controlled by that director, subject to there being no Superior Proposal, ACU Prescribed Occurrence, ACU Material Adverse Change, independent expert not concluding that the Takeover Bid is fair and reasonable to Plus Connect Shareholders or termination of this agreement by Plus Connect, prior to that director accepting the Offer.

### **1.2. Conduct during the Offer Period**

Both PCL and ACU have agreed until the end of the Exclusivity Period to:

- (a) conduct their businesses in their usual and ordinary course and on a basis consistent with past practice; and
- (b) preserve and maintain the value of their business, assets and relationships.

### **1.3. Bid Conditions**

Both parties have agreed to use all reasonable endeavours to satisfy the Conditions outlined in Section 1.8 of Annexure A of the Bidder's Statement as soon as practicable. This includes an agreement not to do, or omit to do, anything which will, or is likely to, result in any of the Conditions being breached.

#### **1.4. Exclusivity arrangements**

PCL has agreed to the following exclusivity arrangements:

##### No shop

During the Exclusivity Period, Plus Connect must ensure that neither it nor any of its Representatives directly or indirectly:

- solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

Nothing in this clause prevents Plus Connect from continuing to make normal presentations to, and respond to queries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Takeover Bid or its business generally.

##### Provision of information

Each party agrees that it will provide to the other such information (including Confidential Information on the terms set out in this agreement) as is reasonably required by the other party in order to enable the other party to fulfil its obligations under this agreement, including, but not limited to, the preparation of the Bidder's Statement and Target's Statement.

##### Matching right

- a) During the Exclusivity Period, Plus Connect must notify ACU within one Business Day if a Competing Transaction is or becomes a Superior Proposal.
- b) Plus Connect must not enter into or publicly announce an intention to enter into an agreement in relation to a Competing Transaction and Plus Connect must not make, and must procure that no Plus Connect director makes, any public announcement in which Plus Connect, or any one or more of the directors of Plus Connect, recommend a Superior Proposal or change or withdraw their recommendation of the Offer without having given ACU five clear Business Days' notice (such notice to be in writing) of such intention, and having provided to ACU the identity of the person who made the Superior Proposal and all material terms of the Superior Proposal, including details of the proposed price (including details of the consideration if not simply cash), conditions, timing and break fee (if any).
- c) During the period of five clear Business Days referred to in clause b), ACU will have the right to propose an amendment to the terms of the Offer or propose any other transaction (a Matching Offer) so that the Offer (as amended) would provide at least the same value for the Plus Connect Shareholders as the Superior Proposal.

#### **1.7 Break fee**

If Activistic terminates the Bid Implementation Agreement for any of the following reasons, Plus Connect must pay an amount of \$100,000 as compensation for costs

incurred by Activistic in connection with the Bid Implementation Agreement and Takeover Offer:

- a) A third party acquires or agrees with Plus Connect to acquire the whole or a substantial part of the assets of Plus Connect;
- b) any director of Plus Connect does not recommend accepting the Takeover Bid to Plus Connect Shareholders or, having recommended it, withdraws or adversely modifies his or her recommendation of the Takeover Bid or approves or recommends or makes an announcement in support of a Competing Transaction or announces an intention to do any of these acts unless:
  - i) the Bid Implementation Agreement has already been validly terminated;
  - ii) an Activistic Prescribed Occurrence or Activistic Material Adverse Change has occurred (as defined in the Bid Implementation Agreement); or
  - iii) an independent expert (if commissioned) does not conclude that the Takeover Bid is fair and reasonable to Plus Connect Shareholders.
- c) the Bid Implementation Agreement is terminated by Activistic because a Plus Connect Prescribed Occurrence occurs;
- d) Activistic terminates the Bid Implementation Agreement due to a material breach of the Bid Implementation Agreement by Plus Connect that is not remedied within 5 Business Days of receiving notice to remedy such breach.
- e) Plus Connect is in breach of its exclusivity obligations and does not cease the conduct which caused the breach within 3 Business Days of receiving notice from Activistic outlining the nature of the breach;
- f) where the Takeover Bid does not proceed because of a Superior Proposal; and
- g) Plus Connect or any of its directors does (or omits to do) anything (whether or not it may be permitted by the terms of the Bid Implementation Agreement) which results in any of the Conditions being breached, that breach is not remedied within 3 Business Days following written notice from Activistic outlining the nature of the breach and Activistic does not declare the Offer free of the breached condition (which Activistic is under no obligation to do).

If Plus Connect terminates the Bid Implementation Agreement for any of the following reasons, Activistic must pay an amount of \$100,000 as compensation for costs incurred by Plus Connect in connection with the Bid Implementation Agreement and Takeover Offer:

- a) Bid Implementation Agreement is terminated by Plus Connect because an Activistic Prescribed Occurrence (as defined in the Bid Implementation Agreement) occurs;
- b) Plus Connect terminates the Bid Implementation Agreement due to a material breach of the Bid Implementation Agreement by Activistic that is not remedied within 5 Business Days of receiving notice to remedy such breach.

The full terms of the Bid Implementation Agreement were announced to the ASX by Activistic on 22 September 2016.

## 1.9 Other terms

Both PCL and ACU have provided warranties which are customary for a Bid Implementation Agreement of this nature.

## 1.10 ACU Loan Facility

Activistic and Plus Connect have entered into a secured loan agreement (Loan Agreement) whereby Activistic agreed to provide a loan to Plus Connect for an amount of up to \$500,000 (Loan). The material terms and conditions of the Loan Agreement are as follows:

- a) **Advance:** Activistic has advanced \$320,000 to Plus Connect and has agreed to provide a further \$180,000 on such date determined by Activistic, in its sole discretion.
- b) **Use of Loan funds:** The Loan funds must be applied towards marketing expenditure to grow its user base and working capital.
- c) **Interest:** Interest will be calculated on daily balances on the amount outstanding at a rate of 10% per annum and may be capitalised by Activistic at monthly intervals and is payable on the date for repayment in accordance with paragraph (d) below. An interest rate of 15% per annum is payable on any overdue amounts and accrues from day to day from and including the due date for payment up until the actual date of payment.
- d) **Repayment:** All outstanding amounts (including interest) must be repaid to Activistic on:
  - i) 31 December 2017, provided the acquisition of Plus Connect by Activistic is completed; or
  - ii) 60 days after the date on which the Bid Implementation Agreement is terminated.
- e) **Security:** In respect of all money which Plus Connect is, or at any time becomes liable to pay to Activistic under the Loan Agreement, Plus Connect has granted a security interest in favour of Activistic in all of Plus Connect's present and after-acquired property.
- f) **Event of Default:** The Loan Agreement contains events of default that are considered standard for an agreement of this type, including but not limited to: failure to pay, non-remediable failure, misrepresentation, insolvency, winding up, and cessation of business. Upon the occurrence of an event of default Activistic may, for so long as the event of default is continuing, by written notice to Plus Connect, declare the outstanding moneys to be immediately due and payable to Activistic without the need for any further demand or notice to be given.

## 1.11 Other terms

PCL has provided representations, warranties and undertakings which are customary for a facility of this nature. A summary of the Facility is also set out in **section 9** of the Bidder's Statement.

## **Corporate Directory**

### **Board of Directors**

Alan Joseph Phillips	Executive Chairman
Paul Crossin	Managing Director
Glenn Ferguson	Non-Executive Director
Otbert de Jong	Non-Executive Director

### **Company Secretary**

Kim Clark

### **Registered Office**

Level 20, 10 Eagle Street, Brisbane, Qld, 4000

### **Auditors**

Treston & Co

### **Legal Advisers**

Ferguson Cannon Lawyers  
360 Queen Street, Level 3  
Brisbane QLD 4000

### **Share Registry**

BoardRoom