
ASX ANNOUNCEMENT TO RELEASE TRADING HALT.**ASX Release: 30 November 2016****ASX: WSG**

Conditional Agreement for the Acquisition of a Non-Bank Deposit-Taking Institution in New Zealand

Highlights:

- **WolfStrike to acquire New Zealand non-bank deposit taker FE Investments Limited in 100% scrip deal**
 - **Enhances WolfStrike's scale and sustainability**
 - **Provides vertical integration for funding and leasing business**
 - **Significantly reduces cost of funds**
 - **Increases size of the lease book**
 - **Acquisition is earnings accretive on a pro forma basis¹**
 - **Transaction subject to specified conditions, including shareholder approval under ASX Listing Rules and Corporations Act**
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The Board of WolfStrike Rentals Group Limited (**WolfStrike** or **the Company**) (ASX: WSG) is pleased to announce that the Company has entered into a conditional share purchase agreement (**Agreement**) to acquire 100% of the issued shares in FE Investments Limited (**FEI**), a company incorporated in New Zealand (**NZ**), for scrip consideration (**Acquisition**).

The Acquisition will achieve integration in the technology rental supply chain, providing the Company with more efficient access to funds for its rental book by virtue of FEI's licence as a non-bank deposit taker in the NZ market. The Acquisition provides an ideal opportunity for WolfStrike to implement (in part) its stated strategy of lowering its cost of borrowing and refinancing its rental book, as well as expanding its base of leasing customers and business.

FEI is a major financier to the Company, and the Company's business represents a large proportion of FEI's loan book. Accordingly, WolfStrike also expects to achieve substantial synergies from the integration of the two businesses over time, from which shareholders would benefit should the Acquisition proceed.

Importantly, acquiring FEI should enable WolfStrike to achieve a lower cost of funds, by enabling it to access deposits directly from the public rather than being required to rely upon wholesale funding arrangements. FEI typically offers depositors, under the terms of its Reserve Bank of New Zealand (**RBNZ**) license, interest rates of between 4% p.a (for six month terms) and 6.3% p.a (for 36 month terms). This compares to an average cost of funds for WolfStrike of approximately 14.8% p.a.

Additionally, FEI has an existing third party leasing book which will augment WSG's rental book in line with its stated business strategy of growth via acquisition.

Background on FEI

FEI is an established NZ-based finance company which was founded in 2003 by Mr TK Shim and Mr Mel Stewart.

¹ Pro Forma EPS for the year ending 30 September 2016, prepared on the assumption that the Transaction was completed on 1 October 2015

FEI lends money and provides financial support to small-to-medium sized enterprises (**SMEs**) in New Zealand and Australia, and is a non-bank deposit taker (**NBDT**) with a licence issued by the Reserve Bank of New Zealand (**RBNZ**) to accept deposits from the NZ public. As at 30 September 2016, FEI had a credit rating of “B Stable” from Standard & Poor’s (**S&P**).

FEI’s products include:

- Working capital funding
- Stock funding
- Rental book funding
- Receivables funding
- Business loans
- Property development loans

FEI’s focus over the last 12 months has been the growth and consolidation of its lease book receivables, and FEI intends to wind down its property funding portfolio over the next 24 months, while growing its leasing and business financing divisions.

FEI is headquartered in Auckland and employs 16 people.

Further information on FEI and its operations (including audited financial statements for the year ended 31 March 2016) can be found on its website at www.fei.co.nz.

Summary of Terms of Acquisition Agreement

WolfStrike has entered into the Agreement with the shareholders of FEI (**Vendors**) pursuant to which WSG has agreed to acquire 100% of the share capital of FEI held by the Vendors.

The consideration for the Acquisition will be settled with the issue of a total of up to approximately 2.2 billion WolfStrike fully paid ordinary shares (**Consideration Shares**) consisting of:

- An initial upfront issue of 1.65 billion shares (**Settlement Shares**); and
- Subject to FEI achieving 90% of FEI’s FY17 NPBTBD (net profit before tax and bad debts) projections provided to WSG (**Projections**), up to an additional 566,549,223 shares (**Earn-Out Shares**).

Should the NPBTBD threshold not be achieved as at 31 March 2017, the number of Earn-Out shares shall be reduced in proportion to the amount by which NPBTBD falls below that threshold. Finally, should all Earn-Out Shares not be issued following the results of FEI for the year ending 31 March 2017, the remaining Earn-Out Shares will be issued should the WolfStrike Group achieve at least 75% of the group’s projected NPBTBD for the year ended 31 March 2018.

Under voluntary escrow provisions agreed with the Vendors, absent a takeover bid or merger, all of the Consideration Shares must be held for two years, following which no more than 1/3rd may be sold in each successive 12-month period.

Completion of the Acquisition is subject to and conditional upon the satisfaction of a number of conditions precedent, including the following:

- WolfStrike being satisfied with its due diligence investigation on FEI’s business and operations;
- WolfStrike obtaining all necessary internal WolfStrike board, shareholder, regulatory and ASX approvals;
- The approval of the RBNZ under the NZ Non-bank Deposit Takers Act 2013 and regulations thereunder being obtained on terms which are satisfactory to WolfStrike and the Vendors;

- The approval of the FEI trustee being obtained on terms which are satisfactory to WolfStrike and the Vendors; and
- The financial statements of WolfStrike to June 2016 and its quarterly results to September 2016 being acceptable to the Vendors.

An extraordinary general meeting (**EGM**) of the Company is to be called as soon as practicable to seek the requisite shareholder approvals.

TK Shim and Mel Stewart will enter into two year executive services agreements with FEI which will include restraint of trade provisions for a period of one year following the cessation of those agreements.

The Agreement also contains standard terms and conditions, including representations and warranties from each party, considered standard for an agreement of this nature.

The governing law of the Agreement is that of New Zealand.

Impact of the Acquisition on WolfStrike

FEI has a history of profitable operations. For the year ended 31 March 2016, FEI recorded audited net profit after tax of NZ\$2.1 million, and, on an unaudited basis, net profit before tax for the half-year ended 30 September 2016 is expected to be approximately NZ\$1.16 million. On an unaudited, pro forma basis, for the year ended 30 September 2016, the Acquisition would be earnings per share accretive for WolfStrike.

FEI's unaudited total assets as at 30th September 2016 were NZ\$42.02 million, with shareholders' equity of NZ\$9.29 million.

Should the Acquisition proceed, the unaudited pro forma balance sheet of the merged company, as at 30 September 2016, is shown in the Annexure to this announcement ("Pro Forma Merged Entity Balance Sheet").

Changes proposed to Board and management

Under the Agreement, FEI will be entitled to appoint two nominees to the WolfStrike Board on completion of the Acquisition. It is intended that Messrs TK Shim and Mel Stewart will be invited to fill those positions, upon which the WolfStrike Board will comprise a total of six directors, of whom three are independent directors, and one is an executive director, being the Managing Director.

TK Shim has in-depth experience in corporate advisory services and corporate finance covering SMEs. TK specialises in innovative structured financing for a diverse range of companies covering bond raising, unit trust considerations, acquisition and trade financing supported by the ability to implement securitisation facilities and other debenture lending products. TK also has experience as a banking law specialist gained from prior roles at a number of major New Zealand law firms accompanied by banking experience working for Westpac Banking Corporation. TK graduated with a law degree and a BA (economics major) from University of Auckland.

Mel Stewart has extensive experience in financing in the rural, residential, commercial and industrial sectors throughout Australasia and Oceania. Mel's previous involvement in the Rural Bank and Elders Finance Limited provides a comprehensive understanding of issues relating to commercial and credit requirements. Mel is a qualified property valuer trained in New Zealand.

The Board of FEI shall, on completion of the Acquisition, be unchanged and will remain separate to the WolfStrike Board, in order to comply with RBNZ requirements. As soon as reasonably practicable after completion of the Acquisition, it is intended that the WRS subsidiaries will become subsidiaries of FEI.

Rationale for the Acquisition

FEI and WolfStrike have had a long term association, starting when the WolfStrike companies were first formed. FEI has provided working capital funding, acquisition funding and rent book funding to the WolfStrike business. The facilities provided by FEI included acquisition funding to allow WolfStrike to acquire business and databases prior to its ASX listing in March 2016.

Interest rates payable under the facilities with FEI vary between 12% and 15%, which has reduced WolfStrike's operating margins and prompted the Board to undertake a significant program to both identify potential funders to replace FEI as well as provide ongoing funding lines to allow WolfStrike to grow its business via acquisition. This program included banks, major third party funders, high net worth individuals and various specialist funds.

Upon an assessment of the cost of capital under the various alternative funding proposals that were received, the Board decided to open discussions with FEI with a view to determining whether a merger of their operations was viable, and this resulted in agreement being reached on the terms of the Acquisition.

The Acquisition is expected to deliver the Company certainty and sustainability of finance at a cost of funds only achievable by financial institutions having access to retail deposits. At the same time, the merger of WolfStrike with FEI provides a significant opportunity for the combined entity to grow and consolidate its position in the leasing market in Australia and New Zealand. FEI have advised, subject to regulatory approvals, it intends to apply to ASIC for a license to accept deposits in the Australian market.

Finally, the addition of TK Shim and Mel Stewart to WolfStrike's management team will add valuable experience and skills which can help the Company to grow and develop.

As advised previously, WolfStrike has a strategy for growth by acquisitions and also organic growth. The ability to access funds, at lower interest rates than at present, will allow the Company to continue its acquisition strategy.

Identity of the FEI Vendors

FEI has a single class of shares on issue which comprises 26,743,567 ordinary shares, primarily held by interests associated with TK Shim and Mel Stewart as set out below ("FEI Ownership Structure").

FEI Ownership Structure

Shareholder	Shareholding
First Eastern Holdings Limited ¹	22,076,807
FE Convertible Bond No.81 Limited ²	1,069,849
FE Bond No.1 Limited ²	722,965
Equity No.8 Limited ²	653,282
FE Equity Limited ²	633,618
FE Convertible Bond No.82 Limited ²	356,616
FE Capital Limited ²	125,757
Parkiri Ltd	1,104,673
	%
Interests associated with TK Shim and Mel Stewart	95.87%
Interests associated with Parkiri Ltd	4.13%

Notes:

1. First Eastern Holdings Limited is a wholly owned subsidiary of Pigeon Capital Limited, the shares of which are held as to 50% by TK Shim and 50% by Mel Stewart
2. Wholly-owned subsidiaries of Pigeon Capital Limited.

Interim Capital Raising

In order to provide the Company with an appropriate working capital buffer pending the completion of the Acquisition, the Company proposes to raise a further \$500,000 under a Convertible Loan Facility on terms identical to the facility executed in August 2016 (see ASX announcement “*WolfStrike Issues Convertible Loan Facility & Raises \$1.56m*” dated 30 August 2016). (**Capital Raising**). None of the lenders under the facility will be the Vendors or their associates.

At this stage there is no intention on the part of the Company to raise additional capital. However, the Board will closely monitor the capital requirements of the business as it grows, to ensure that the Company has sufficient liquidity and meets the regulatory and ratings agency requirements for capital adequacy, and to fund further acquisitions should the need arise.

Performance Condition Shares

As foreshadowed in the Prospectus dated 24 December 2015, the original vendors of the WolfStrike business may be entitled to an issue of up to 595,671,000 additional fully paid ordinary shares, in two tranches, subject to achievement of certain performance thresholds to be agreed with the Company, and subject to shareholder approval.

The Company has now agreed with the original WolfStrike vendors (subject to the necessary shareholder approvals), to issue up to 500,000,000 ordinary shares, subject to satisfaction of agreed performance thresholds, under the terms of the original WolfStrike acquisition (**Performance Condition Shares**).

Accordingly, the Company will seek the approval of shareholders to the issue of the Performance Condition Shares at the proposed EGM.

Pro-Forma Capital Structure

The table below indicates the capital structure of the Company following completion of the Acquisition. The table also depicts the share capital of the company following the conversion of the Convertible Loan Facility, including amounts raised under the Capital Raising (**Convertible Facility**) and the issue of the Performance Condition Shares. The conversion of the Convertible Facility and the issue of the Performance Shares will be the subject of additional resolutions at the shareholder EGM, as described below. The Convertible Facility terms permit the Company to convert the Convertible Facility in certain circumstances including if a major transaction such as the Acquisition occurs. Subject to shareholder approval, the Company intends to convert the Convertible Facility on completion of the Acquisition.

Upon completion of the Acquisition, and following the issue of the Performance Condition Shares and Convertible Facility shares and assuming a full entitlement to receive the Earn-Out Shares, the FEI Vendors collectively would hold approximately 60.5% of the enlarged share capital of the Company, as described in the table below (“Pro Forma Capital Structure”). This is prior to any further dilution from exercise of the unquoted options on issue by the Company.

Pro Forma Capital Structure

	Number of Ordinary Shares	%	Number of Unlisted Options
Issued capital at date of this Announcement	842,775,340	27.5%	125,000,000 ⁴
Maximum number of Consideration Shares to be issued to the FEI Vendors upon completion of the Acquisition ¹	2,216,549,223	72.5%	-
Sub-Total	3,059,324,563	100%	125,000,000
Convertible Facility shares ²	103,000,000		
Performance Condition Shares ³	500,000,000		
Total	3,662,324,563		
Consideration Shares	2,216,549,223	60.5%	

Notes:

1. Assumes all Earn-Out Shares are issued – see “Summary of Terms of Acquisition Agreement” above for further detail.
2. The Company entered into a \$1.56m Convertible Loan Facility in August 2016 (see ASX announcement “*WolfStrike Issues Convertible Loan Facility & Raises \$1.56m*”, 30 August 2016) and proposes to raise a further \$500,000 on the terms of that facility under the Capital Raising. At the EGM to approve the Transaction, approval will be sought to grant conversion rights on the basis of 20% discount to the 30 day VWAP or 2c, whichever is the lower. For the purposes of the above table, a conversion price of 2c has been assumed. The final number of shares to be issued may vary due to exchange rate movements and other factors.
3. As foreshadowed in the Company’s Prospectus dated 24 December 2015, the Company may issue up to 595,671,000 Performance Condition Shares to the original WolfStrike vendors, subject to agreement with the WolfStrike vendors and to shareholder approval. The performance hurdles for issue of 500,000,000 Performance Condition Shares have been agreed with the WolfStrike vendors and shareholder approval for the issue of those shares will be sought at the same time as approval for the Acquisition.
4. 125,000,000 unquoted options are on issue as at the date of this announcement. A further 1,280,000 options at 2c each will be issued to holders of Convertible Notes under the terms of issue of those notes.
5. All figures are indicative only and subject to change.

Shareholder approvals and EGM

The Acquisition will result in a change in the nature and scale of WolfStrike’s activities, and will require shareholder approval under ASX Listing Rule 11.1.2. ASX has confirmed that ASX Listing Rule 11.1.3 does not apply to the Acquisition, so WolfStrike will not be required to re-comply with Chapters 1 & 2 of the ASX Listing Rules in respect of the Acquisition.

Shareholder approval will be sought for the purposes of item 7 section 611 of the Corporations Act 2001 (Cth) for the issue of the Consideration Shares to the Vendors, as Messrs Shim and Stewart will hold a relevant interest in more than 20% of the issued Shares on completion of the Acquisition.

As noted above, at the EGM of the Company to consider the Acquisition, shareholder approval will also be sought for the conversion of Convertible Notes and issue of Performance Condition Shares. The Company also proposes to undertake a consolidation of its shares and to seek approval for the issue of 1,280,000, 24-month options to acquire WolfStrike shares at \$0.02 per share, to be issued to subscribers under the Convertible Facility.

The Company is currently preparing a notice of meeting (**Notice**) for the EGM and will despatch the Notice to shareholders in due course. The Notice will include detailed information relating to the Acquisition (and other resolutions) to enable shareholders to make an informed decision on how to vote, and will also include an Independent Expert’s Report on whether the Acquisition is “fair and reasonable” to shareholders. The Company has engaged RSM Corporate to prepare the report.

The Company is also intending to synchronise its financial reporting year to 31 March. Under this process, WSG (the parent entity) and all Australian entities will change their reporting calendar to 31 March of each year, in line with FEI and the majority of the businesses WSG operates.

Indicative timetable

The milestone dates for the Acquisition are set out below ("Indicative Timetable").

Indicative Timetable	
Event	Date
ASX Announcement of Acquisition	30 November 2016
Dispatch of Notice of EGM seeking shareholder approval of the Acquisition and other related resolutions	February 2017
EGM to approve Acquisition	March 2017
Completion of Acquisition	3 April 2017

Notes:

1. All dates are indicative only and are subject to change

– ENDS –

About WolfStrike Rentals

WolfStrike Rentals Group is an Australasian Company with a core focus on the financing and management of rental contracts for technology solutions. With operations throughout Australia and New Zealand, WolfStrike provides a range of financial and operational services to SMEs.

In addition to providing rental facilities, WolfStrike also manages its own direct and agent-based sales network which provides a consistent deal flow to the rental Company.

About FE Investments Limited

FE Investments Limited (FEI) has been operating since July 2003. It is a non-bank deposit taker (NBDT) operating under the relevant regulations issued by the Reserve Bank of New Zealand. FEI lends money and provides leasing and financing facilities to enterprises in the business and property sectors.

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Annexure

Pro Forma Merged Entity Balance Sheet (A\$ '000)¹

PROFORMA BALANCE SHEET	FEI pre transaction	WSG pre transaction	Proforma Adjustments ³	WSG proforma Consolidated
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash & Bank balances	3,218	566	698	4,481
Finance Receivables	15,610	0	(2,525)	13,085
Finance Lease Receivables	0	3,331	0	3,331
Trade and other receivables	591	295	0	886
Inventories (Net)	0	192	0	192
Deferred Tax Asset	25	0	0	25
Other Assets - Prepayments	0	62	0	62
Total Current Assets	19,444	4,446	(1,828)	22,062
<u>Non-Current Assets</u>				
Finance Receivables	19,823	0	(6,333)	13,490
Finance Lease Receivables	0	4,696	0	4,696
Intangible Asset - Customer base	0	5,524	0	5,524
Intangibles / Goodwill	0	0	7,953	7,953
Deferred Tax Asset	736	0	0	736
Plant and equipment (Net)	31	77	0	108
Total Non-Current Assets	20,590	10,297	1,620	32,507
TOTAL ASSETS	40,034	14,743	(208)	54,569
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Trade Creditors & other payables	387	1,051	0	1,439
Interest Bearing Borrowings	0	2,421	(2,421)	0
Other Liabilities	0	289	(104)	185
First Ranking Debenture Stock	18,464	0	0	18,464
Deferred income	106	0	0	106
Provisions	0	13	0	13
Total Current Liabilities	18,957	3,774	(2,525)	20,206
<u>Non-Current Liabilities</u>				
First Ranking Debenture Stock	12,209	0	0	12,209
Convertible Notes	0	851	(851)	0
Other loans	0	280	0	280
Interest Bearing Borrowings	0	6,333	(6,333)	0
Deferred income	321	0	0	321
Total Non-Current Liabilities	12,530	7,464	(7,184)	12,811
TOTAL LIABILITIES	31,487	11,239	(9,709)	33,017
NET ASSETS	8,547	3,504	9,501	21,552
<u>Shareholders Equity</u>				
Issued Capital	9,923	20,716	13,626	44,264
Reserves	0	704	2	705
Accumulated losses	(1,376)	(17,916)	(4,126)	(23,417)
TOTAL EQUITY	8,547	3,504	9,501	21,552

Notes:

- The Pro-forma Merged Entity Balance Sheet has been prepared in accordance with standard accounting concepts utilising the unaudited balance sheets of each of WSG and FEI as at 30 September 2016, adopting the assumptions set out in Note 2 below and with certain adjustments set out in Note 3 below.
- Major Assumptions
 - WSG is taken to be the parent entity for accounting purposes.
 - As it is the acquired entity, FEI's retained earnings and share capital are eliminated on acquisition.

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- Under the Capital Raising, WSG raises \$500,000 through the issue of convertible loans on the same terms as the Convertible Loan Facility. These funds are used to meet the transaction costs associated with the Acquisition.
 - The 125,000,000 unlisted options currently on issue are assumed not to convert and to remain on issue.
 - The 25,000,000 options to be issued to directors that are subject to shareholder approval at the 2016 Annual General Meeting are assumed not to convert.
 - All the Performance Condition Shares are issued.
 - None of the Earn-Out Shares are issued.
 - All convertible loans received in New Zealand dollars prior to 30 September 2016 have been translated into Australian Dollars at the prevailing exchange rate on the day funds were received. All future amounts received have been translated at the current exchange rate of NZD1 = AUD0.9538.
 - No tax entries have been recorded in regard to either the Acquisition or the three months of trading during the period 1 July 2016 to 30 September 2016 as it is assumed that the accumulated losses existing in both WSG and FEI are utilised to offset any profits recorded and therefore no tax liabilities are payable.
3. Proforma Adjustments
- All transactions and balances between WSG and FEI have been eliminated.
 - Convertible loans that were received or are due to be received post 30 September 2016 in the amount of \$697,660 have been recorded as cash received.
 - The additional \$500,000 raised under the Capital Raising is expensed as transaction costs.
 - All convertible loans (total \$2,048,380) are converted at a price of A\$0.02 per share.
 - Settlement Shares (1,650,000,000) are issued at a deemed price of A\$0.01 per share.
 - Performance Condition Shares (500,000,000) are issued at a deemed price of one cent per share, with a corresponding entry to Accumulated Losses.
 - The difference between the net assets of FEI and the aggregate deemed issue price of the Settlement Shares is recorded as an intangible asset.