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# WolfStrike Rentals Group Limited

## ACN 107 745 095

### Notice of General Meeting

**TIME:** 10.00am (AEST)  
**DATE:** 8 March 2017  
**PLACE:** William Buck, Level 29, 66 Goulburn Street, Sydney

***This Notice of General Meeting should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting. Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary on +61 (0) 435 905 770 or the Company on +61 2 9025 3567***

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## Key indicative dates for shareholders<sup>1</sup>

| Event   | Date            |
|---|-----------------|
| Despatch of Notice of Meeting to Shareholders   | 6 February 2017 |
| Cut off for lodging proxy form for Meeting  | 6 March 2017    |
| Snapshot date for eligibility to vote at Meeting  | 6 March 2017    |
| Meeting to approve the change of activities, Consolidation and other matters  | 8 March 2017    |
| Proposed Completion of the Acquisition  | 18 April 2017   |
| Last day for trading in pre Consolidated securities   | 19 April 2017   |
| Consolidated securities commence trading on a deferred settlement basis   | 20 April 2017   |
| Proposed Consolidation Record Date<br>Last day for Company to register transfers of securities on a pre-Consolidation basis | 21 April 2017   |
| First date to register transfers on a post Consolidated basis   | 24 April 2017   |
| Proposed Consolidation Despatch End Date<br>Deferred settlement trading ends  | 28 April 2017   |

**Notes:**

1. The above timetable is indicative only and may be varied by the Company in consultation with the ASX. Any changes will be released to the ASX.

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## Notice of Meeting to Shareholders

Notice is given that a General Meeting of Shareholders of WolfStrike Rentals Group Limited (the **Company**) will be held at William Buck, Level 29, 66 Goulburn Street, Sydney on 8 March 2017 at 10.00am (AEST).

The Explanatory Memorandum that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

Capitalised terms contained in this Notice of Meeting have the meaning set out in Schedule 1 of the Explanatory Memorandum accompanying this Notice of Meeting.

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### Resolution 1 – Approval of Acquisition of FE Investments Limited

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

*“That, subject to the passing of Resolution 2, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, the Company be authorised to proceed with the Acquisition which will result in a significant change to the scale of the Company’s business and will diversify the Company’s operations, and otherwise on the terms and conditions set out in the Explanatory Memorandum”.*

**Voting exclusion:** The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary Shares) if Resolution 1 is passed, and by any Associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### Resolution 2 – Issue of Shares to FEI Vendors

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

*“That, subject to the passing of Resolution 1, for the purposes of section 611 (item 7) of the Corporations Act, and for all other purposes, approval is given for the Directors to issue up to 2,216,549,223 Consideration Shares (on a pre Consolidation basis) to the FEI Vendors (or their nominees) to increase their voting power to a maximum of 58.67% (if Resolutions 3 to 7 are passed and the relevant Shares issued) or 72.45% (if Resolutions 3 to 7 are not passed) as consideration for the acquisition by the Company of all of the issued shares in FE Investments Limited on the terms and conditions set out in the Explanatory Memorandum”.*

**Voting exclusion:** The Company will disregard any votes cast in favour of Resolution 2 by the person proposing to make the acquisition and their Associates or the person (if any) from whom the acquisition is to be made and their Associates.

**Independent Expert’s Report:** Shareholders should carefully consider the Independent Expert’s Report prepared for the purpose of the Shareholder approval required under section 611 (item 7) for the Corporations Act under this Resolution. The Independent Expert’s Report comments on the fairness and reasonableness of the transactions the subject of this Resolution 2 to the non-associated Shareholders in the Company. The Independent Expert has determined the issue of the Shares to FE Investments Limited as contemplated by the proposed transaction is FAIR AND REASONABLE to the non-associated shareholders.

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## Resolution 3 – Issue of Shares to Kingfisher Corporate Trustee Limited

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

*"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 200,000,000 Deferred Consideration Shares (on a pre Consolidation basis) to Kingfisher Corporate Trustee Limited (or its nominee), on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## Resolution 4 – Issue of Shares to River Horse Trustee Limited

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

*"That, for the purpose of ASX Listing Rule 10.11, section 208 of the Corporations Act and all other purposes, Shareholders approve the issue of up to 300,000,000 Deferred Consideration Shares (on a pre Consolidation basis) to River Horse Trustee Limited (or its nominee), on the terms and conditions set out in the Explanatory Memorandum."*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 4 by River Horse Trustee Limited and any Associate of River Horse Trustee Limited. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, the Company will disregard any votes cast on this Resolution 4 (in any capacity) by or on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution and it is not cast on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an Associate of such a related party.

Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

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## Resolution 5 – Approval of conversion rights of August Facility

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

*“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the conversion rights of the August Facility, as described in the Explanatory Memorandum.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 5 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 6 – Approval of conversion rights of McDonald Facility

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

*“That for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the conversion rights of the McDonald Facility, as described in the Explanatory Memorandum.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 6 by Roslyn McDonald and any person who is an Associate of Roslyn McDonald. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 7 – Approval of conversion rights of December Facility

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

*“That for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the conversion rights of the December Facility, as described in the Explanatory Memorandum.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## Resolution 8 – Issue of Attaching Options to the investors under the August Facility

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 756,055 Attaching Options (on a pre Consolidation basis) each with an exercise price of \$0.02*

and an expiry date of 24 months from the date of issue, to the holders of the August Facility (or their nominees), on the terms and conditions set out in the Explanatory Memorandum.”

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 8 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## Resolution 9 – Issue of Attaching Options to Roslyn McDonald

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

*“That, for the purpose of ASX Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 15,000 Attaching Options (on a pre Consolidation basis) each with an exercise price of \$0.02 and an expiry date of 24 months from the date of issue, to Roslyn McDonald (or her nominees), on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 9 by Roslyn McDonald and any person who is an Associate of Roslyn McDonald. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## Resolution 10 – Issue of Attaching Options to the holders of the December Facility

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

*“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 250,000 Attaching Options (on a pre Consolidation basis) each with an exercise price of \$0.02 and an expiry date of 24 months from the date of issue, to the holders of the December Facility (or their nominees), on the terms and conditions set out in the Explanatory Memorandum.”*

**Voting exclusion statement:** The Company will disregard any votes cast on Resolution 10 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## Resolution 11 – Consolidation of capital

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

*“That, for the purposes of section 254H of the Corporations Act, the Company’s Constitution and for all other purposes, with effect from the Effective Date (or such other date that is notified to the ASX by the Company), approval is given for the Company to consolidate its capital on the basis that:*

- (a) *the then issued capital of the Company be consolidated on the basis that every 30 Shares be consolidated into 1 Share; and*
- (b) *the Options on issue be adjusted in accordance with ASX Listing Rule 7.22.1; and*
- (c) *where the number of Securities held as a result of the Consolidation includes any fraction of a Security, that fraction be cancelled and extinguished.”*

## **OTHER BUSINESS**

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To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

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## **BY ORDER OF THE BOARD**



**IAN BAILEY**  
**MANAGING DIRECTOR**

**DATED: 6 February 2017**

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## Information for voting shareholders

### Voting Entitlements

For the purpose of determining a person's entitlement to vote at the Meeting, and in accordance with regulation 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of Shareholders as at 5pm (AEST) on 6 March 2017.

On a poll, Shareholders have one vote for every Share held.

### How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post or by fax.

### Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. To be effective a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms below.

### Voting by proxy

A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (in which case any fraction of votes will be disregarded).

A proxy need not be a Shareholder.

The proxy can be either an individual or a body corporate.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) must be completed and returned to the Company by:

- (a) post to the Company Secretary at PO Box 1592, Booragoon, Western Australia 6954;
- (b) email to Eryn Kestel at [eryn@kestelcorp8.com.au](mailto:eryn@kestelcorp8.com.au); or
- (c) facsimile to +61 8 9367 8812;

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

Proxy Forms received later than this time will be invalid.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by no later than 48 hours prior to commencement of the Meeting. If facsimile transmission is used, the power of attorney must be certified.

A proxy form is attached to this Notice of Meeting.

### Statement Regarding Undirected Proxies

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.

Should any resolution, other than those specified in this Notice of Meeting, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the

meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chair of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the Resolutions proposed in this Notice of Meeting, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. However, in exceptional circumstances, the Chair of the Meeting may change his or her voting intention, in which case an ASX announcement will be made. These rules are explained in this Notice of Meeting.

### **Corporate Representatives**

Any corporation which is a Shareholder may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chair of the Meeting) a natural person to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed. The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed and the representative must bring this evidence to the Meeting.

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# Explanatory Memorandum

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## Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders of WolfStrike Rentals Group Limited (**Company**) in relation to business to be conducted at the General Meeting to be held at William Buck, Level 29, 66 Goulburn Street, Sydney on 8 March 2017 at 10.00am (AEST). The purpose of this Explanatory Memorandum is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Memorandum does not take into account the individual investment objectives, financial situation and needs of individual Shareholders or any other person. Accordingly, it should not be relied on solely in determining how to vote on the Resolutions and Shareholders should seek their own financial or legal advice.

## Notice to persons outside of Australia

This Explanatory Memorandum has been prepared in accordance with the Corporations Act, the ASX Listing Rules, disclosure requirements and Accounting Standards. These laws, disclosure requirements and accounting standards may be different to those in other countries.

## Forward looking statements

Certain statements in this Explanatory Memorandum relate to the future. These statements reflect views only as of the date of this Explanatory Memorandum. While the Company believes that the expectations reflected in the forward looking statements are reasonable, neither the Company nor any other person gives any representation, assurance or guarantee that the occurrence of an event expressed or implied in any forward looking statements in this Explanatory Memorandum will actually occur.

## Disclaimer

No person is authorised to give any information or make any representation in connection with the Acquisition which is not contained in this Explanatory Memorandum. Any information which is not contained in this Explanatory Memorandum may not be relied on as having been authorised by the Company or the Board in connection with the Acquisition.

## ASIC and ASX

A copy of the Notice of Meeting and Explanatory Memorandum has been lodged with ASIC and ASX. Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of the Notice of Meeting and Explanatory Memorandum.

## Definitions

Capitalised terms in this Explanatory Memorandum are defined in Schedule 1.

## Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Memorandum should be directed to the Company's Company Secretary, Eryn Kestel by email at [eryn@kestelcorp8.com.au](mailto:eryn@kestelcorp8.com.au), or the Managing Director Ian Bailey by email at [ian@wolfstrike.net](mailto:ian@wolfstrike.net).

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# 1 Background to the Acquisition

## 1.1 Background on the Company

WolfStrike Rentals Group Limited (the **Company** or **WSG**) originally listed on ASX in 2004. The Company was formerly called CFT Energy Limited. From 2008 to March 2016, the Company was suspended from trading and was essentially dormant. In March 2016, the Company completed the acquisition of the WolfStrike group of companies and was renamed to its current name, and relisted on ASX following re-compliance with Chapters 1 & 2 of the ASX Listing Rules.

WSG's core business is the rental of information technology products and services, including point of sale systems, related hardware and software, closed circuit television, security systems and payments systems. All products are provided to customers on a rental basis, with ownership of the products remaining with WSG at the end of the rental term. WSG has an existing base of customers, marketed to via its own sales teams, as well as a number of independent agents.

## 1.2 Background to and rationale for the Acquisition

The Company's strategy is to grow through acquisitions which will enable it to increase its product reach and offerings, and assist in the growth of its own rental book. In line with this strategy, on 27 October 2016, WSG announced that it had entered into a heads of agreement to acquire the assets of Lease Tech Limited, a New Zealand equipment leasing company (**Lease Tech**). Lease Tech is focused on providing operating and finance leases to the SME market.

On 28 November 2016, WSG announced that it had completed due diligence on Lease Tech and the Board had resolved to complete the acquisition. Settlement of the acquisition occurred on 1<sup>st</sup> December 2016.

In addition, WSG has communicated to Shareholders and the market a desire to vertically integrate the technology rental value chain, including through working with parties who have the ability to finance the Company's rent book at the most effective cost of funds available to the Company in order to increase operating margins.

FE Investments Limited (**FEI**), a New Zealand licensed non-bank deposit taking institution, and WSG have had a long term association, starting when the WolfStrike companies were first formed. FEI has provided working capital funding, acquisition funding and rental book funding to the WSG business. The facilities provided by FEI included acquisition funding to allow WSG to acquire business and databases prior to its ASX listing in March 2016.

Interest rates payable by WSG under the facilities with FEI vary between 12% and 15%, with an average interest cost of 14.8%, which has reduced WSG'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 WSG 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. On 30 November 2016, the Company announced that it had entered into a conditional share purchase agreement to acquire all of the issued shares in FEI (**Acquisition**) (**SPA**).

The Acquisition is expected to deliver the Company certainty and sustainability of finance at a cost of funds only available to financial institutions having access to retail deposits, and therefore allow it to build a more robust and sustainable business model.

The existing rental book loan arrangements between the Company and FEI will remain on foot as inter-company debts and receivables following completion of the Acquisition. This will not affect the group's earnings on a consolidated basis as any increase in the earnings of the Company as a result of a lower cost of funds from FEI will be offset by a fall in the earnings of FEI. FEI will continue its lending activities with customers other than the Company and, in addition to this, following the integration steps outlined in section 1.4 below, will have access to the earnings and cash flow of the broader WSG Group in meeting its obligations to depositors. Accordingly, it is not expected that the Acquisition will negatively affect FEI's ability to comply with those obligations.

WSG has a strategy for growth by acquisitions and also organic growth. The ability to access funds, at lower interest rates than current, will allow the Company to continue its acquisition strategy. At the same time, the merger of WSG with FEI provides a significant opportunity for both parties as a combined entity to grow and consolidate their respective positions in the leasing market in Australia and New Zealand.

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

Completion of the Acquisition is subject to the satisfaction of various conditions precedent. These conditions, together with a summary of the key terms of the SPA, are set out in Section 1.5.

The Company has consulted with ASX as to the application of ASX Listing Rule 11.1 to the Acquisition. ASX Listing Rule 11.1 gives ASX broad discretion to require a listed entity to seek shareholder approval and/or re-comply with Chapters 1 & 2 of the ASX Listing Rules for a transaction which will result in a significant change to the nature and/or scale of the entity's activities.

ASX has determined that the Company should seek shareholder approval for the Acquisition, but is not required to re-comply with Chapters 1 & 2 of the ASX Listing Rules.

### **1.3 Overview of FEI**

#### **(a) Overview of the market in which FEI operates**

The leasing market in Australia was an approximately \$42.1 billion dollar industry in 2015. Vehicle leasing accounted for approximately \$4.2 billion of this amount, with the remainder being general equipment finance.<sup>1</sup>

In September 2008 (being the month of the collapse of Lehman Brothers), total assets held by deposit taking finance companies in New Zealand was approximately NZ\$8.24 billion. However, total assets held by non-bank deposit taking institutions in September 2016 dropped to approximately \$2.64 billion.<sup>2</sup> This fall was accompanied by a decrease in the number of non-bank deposit taking institutions since the Global Financial Crisis (GFC).

Prior to the GFC, there were around 70 finance companies operating in New Zealand. FEI was one of the few finance companies which survived the GFC, due largely to its conservative risk appetite, stringent governance and stable deposit base.

<sup>1</sup> Sourced from the National Association of Equipment Leasing and Finance Industry web site, [www.AELA.asn.au](http://www.AELA.asn.au)

<sup>2</sup> Sourced from information on the RBNZ website

New Zealand's GDP was at NZ\$197.9 billion in March 2008 (as measured in 2009/10 prices) but by March 2016, New Zealand's GDP was at NZ\$252.3 billion (as measured in 2009/10 prices).<sup>3</sup> Even though the New Zealand GDP has grown during these intervening years, the total assets held by non-bank deposit taking institutions in September 2016 were substantially less than the comparative figures in September 2008. In FEI's view, the reduced number of non-bank deposit taking companies in the New Zealand market represents an opportunity for growth.

The RBNZ has implemented a licencing regime under the *Non-bank Deposit Takers Act 2013 (NZ)* for non-bank depositing taking institutions. According to the public register on the RBNZ website, there are currently a total of 28 registered Non-bank Deposit Takers in New Zealand, with the majority being credit unions. FEI is one of a few non-bank deposit taking institutions operating in the leasing and SME lending market.

FEI was also one of the entities accepted under the Retail Deposit Scheme set up by the New Zealand Government during the GFC.

The requirement for a deposit-taking licence (together with the requirements for independent trustee corporation and credit ratings) presents a high barrier to entry in the financial sector in which FEI operates. More importantly, FEI has never defaulted on any repayment to its depositors since commencing operations in August 2003, which presents a potential source of goodwill and trust in the FEI brand with the New Zealand investing public, which might not be easily replicated.

#### (b) Business History and Current Operations

FEI was incorporated on 21 July 2003 under the New Zealand Companies Act 1993 as First Eastern Finance Limited, and changed its name to FE Investments Limited on 31 May 2005.

FEI lends money for the operation of lease books, and provides financial support to enterprises primarily in the business sector. As at 30 September 2016, FEI had a credit rating of "B Stable" from Standard and Poor's Financial Services (**S&P**).

FEI also provides finance to the property market, but this is not its primary focus and FEI has advised of its intention to reduce its exposure to property market loans to no more than 10% of its loan book by mid-2017. FEI is a major financier to WSG, and as detailed below, WSG's business represents a large proportion of FEI's leasing loan book. As such, there are synergistic benefits which both companies and their shareholders would benefit from should the Acquisition proceed. As at 30 September 2016, WSG represented approximately 25% of FEI's total loan receivables and approximately 69% of FEI's lease book funding facilities.

There is extensive financial and operational information on FEI in the public domain. FEI has issued a product disclosure statement for its term deposits. This product disclosure statement and other material information in respect to FEI (including its audited financial statements for the year ended 31 March 2016) can be viewed at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

#### (c) FEI's Finance Product set

FEI's products include working capital funding, stock funding, rental book funding, receivables funding, business loans and property development loans.

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<sup>3</sup> Sourced from Statistics New Zealand

FEI's focus over the last 12 months has been the growth and consolidation of its lease book receivables, and as outlined above it intends to reduce its property funding portfolio over the next 24 months, while growing its leasing and business financing divisions.

Based on its management accounts for the half year to 30 September 2016, FEI has total assets of \$NZ41.7 million supported by shareholders' funds of NZ\$8.96 million.

(d) FEI's Board and key management

FEI employs approximately 16 staff and has an experienced management team. FEI's Board comprises TK Shim (Managing Director), Mel Stewart (Executive Director) and three Independent Directors, Jerome Davids, Andrew Schnauer and Marcus Ritchie. Profiles of the directors of FEI are set out below:

**TK Shim** (BA, LLB) is one of the founding directors of FEI and has been on the board of FEI since July 2003. TK has in-depth experience in corporate advisory services and corporate finance to the SME sector. TK specialises in innovative structured financing for companies in the general business sector including arranging bond and unit trust issues, putting in place trade finance, financing acquisitions, securitisation facilities and other debenture lending products. He was a banking law specialist in some of the major law firms in New Zealand with banking experience gained from working in an international bank. TK is the Chief Executive Officer of FEI.

**Mel Stewart** (BAgrSc) is the other founding director of FEI and has been on the board of FEI since July 2003. Mel has extensive experience in financing in the rural, residential, commercial and industrial sectors throughout Australasia and Oceania. His involvement in the Rural Bank and Elders Finance Limited gives him a comprehensive understanding of issues relating to these areas of finance. Mel is also a qualified property valuer trained in New Zealand. Mel is an executive Director of FEI and works closely with TK to manage FEI's business operations.

**Andrew Schnauer** (LLB) is the chair of FEI's board and has been on the board of FEI since January 2014 and is an independent director of FEI. Andrew is an enrolled Barrister and Solicitor of the High Court of New Zealand and is a director of Schnauer and Co Limited, a law firm situated in Auckland. Andrew acts for a varied range of businesses and also has extensive experience with commercial and residential property. He has also developed a specialty in trusts and asset planning and (via corporate trustee companies) acts as a professional trustee for numerous trusts.

**Jerome Davids** (BA, LLB, ACA (NZ), AAIA (UK), CFP, CTP (M)) has been on the board of FEI since September 2013 and is an independent director of FEI. Jerome is a director of SCSG Associates, a tax, accounting and business advisory firm based in Kuala Lumpur. Jerome is an enrolled Barrister and Solicitor of the High Court of New Zealand. Jerome is also a member of Chartered Accountants Australia and New Zealand and a Fellow of the Chartered Tax Institute of Malaysia.

**Marcus Ritchie** (BMS) has been on the board of FEI since November 2014 and is an independent director of FEI. Marcus is currently a Global Director of Energy, Infrastructure & titles at ANZ Bank (Australia). Marcus is an experienced investment banker covering Mergers & Acquisitions with over 15 years' experience, having worked at Bank of America Merrill Lynch (Sydney), American Express (New York), Mizhuo Bank (UK), Dresdner Kleinwort Investment Bank (UK), and Westpac (NZ).

(e) External oversight of FEI's operations

External oversight of FEI's operations and financial position is provided by three key parties, the Supervisor, the RBNZ and the credit ratings agency S & P.

The Supervisor is appointed pursuant to a Trust Deed to represent FEI's depositors. Key obligations of FEI to the Supervisor include:

- (i) provision of Audited Half Year and Annual Financial Statements;
- (ii) prohibition on providing security to any party over FEI's assets;
- (iii) maintenance of certain financial ratios (including total liabilities to total assets);
- (iv) prohibition on owning real property and shares/ units in any entity except in the ordinary course of business;
- (v) limitations on entering into transactions with related parties except in the ordinary course of business and on arm's length terms;
- (vi) limitations on the concentration allowable to any one borrower;
- (vii) limitations on the sale of more than 25% of its undertaking other than as part of any securitisation program;
- (viii) maintaining an issuer credit rating; and
- (ix) an obligation to maintain a capital ratio of not less than 8% of its total assets.

The RBNZ monitors FEI under regulations including the New Zealand *Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010*, which requires the minimum statutory capital adequacy ratio (**CAR**) is set at 8% for companies with a credit rating from a rating agency approved by the RBNZ.

#### **1.4 Business plan and strategy for the Company on completion of the Acquisition**

##### **(a) Integration of FEI**

Following completion of the Acquisition, FEI will be a wholly owned subsidiary of the Company. Due to RBNZ requirements in relation to related party lending, the Company will restructure its operations so that its main operating leasing subsidiaries, being WolfStrike Rental Services Limited (New Zealand) and WolfStrike Rental Services Pty Limited (Australia) are "rolled down" beneath FEI, thereby ensuring that lending to the operating subsidiaries will constitute "Charging Subsidiaries" under FEI's Trust Deed. A corporate structure of the Company post Acquisition is set out in Section 1.9.

As detailed in Section 1.5, it is intended that TK Shim and Mel Stewart will be appointed to the WSG Board. The Board of FEI will remain as current and separate to the WSG Board, in order to comply with RBNZ requirements.

FEI will continue to operate its existing business, and will provide funding to the Company to continue to operate and grow its rental book and business generally.

##### **(b) Business plan and strategy**

Following the Acquisition, the Company will be a vertically integrated finance and rental/leasing group with the ability to raise funds directly from the public market, and provide financing, leasing and rental facilities to customers in New Zealand and Australia.

Subject to regulatory approvals and further due diligence, FEI may also seek to obtain deposit funds from Australian residents under the mutual recognition regime for the

offering of financial products by New Zealand issuers in Australia. Upon completion of the Acquisition, FEI (as part of the consolidated group) will undertake a more detailed analysis on the feasibility and commercial attractiveness of doing so. This may provide an opportunity to allow expansion into the Australian market. However, from the Company's perspective, whether or not FEI expands its deposit taking operations to Australia is not considered to be critical to achieving the overall benefits of the Acquisition. If not, funding for the Australian business expansion will come from New Zealand and/or other funders, with appropriate exchange rate hedging put into place if appropriate.

The Company will also seek to rapidly grow via undertaking acquisitions, particularly where those acquisitions contain a rental book or leasing customer base.

In addition, the Company will look to expand its reach into its existing customer base by providing other complementary facilities such as stock funding or working capital facilities.

### 1.5 Key terms of the SPA

WSG has entered into the SPA with the FEI Vendors pursuant to which WSG has agreed to acquire 100% of the share capital in FEI. There are 26,743,567 shares in FEI. 95.87% of these shares are held by entities associated with TK Shim and Mel Stewart, and 4.13% of these shares are held by entities associated with Parkiri Limited. The full list of FEI Vendors is set out in Schedule 4.

The consideration for the Acquisition will be settled with the issue of a total of up to 2,216,549,223 (pre Consolidation) Shares (**Consideration Shares**), comprising:

- (a) an initial upfront issue of 1.65 billion (pre Consolidation) Shares; and
- (b) subject to FEI achieving 90% of FEI's FY17 NPBTBD (net profit before tax and bad debts/loan provisions) projections provided to WSG (**Projections**), up to an additional 566,549,223 (pre Consolidation) Shares (**Earn-Out Shares**).

The NPBTBD Projection for FEI is NZ\$2,200,000 (90% of which is NZ\$1,980,000) for the year ending 31 March 2017. For the half year ended 30 September, FEI achieved NPBTBD of NZ\$1,164,168. Accordingly, should FEI's performance for the remainder of the financial year ending 31 March 2017 continue in line with its performance to 30 September, FEI is on track to meet the Projections and become entitled to the Earn-Out Shares. However, it should be noted that FEI's performance for the remainder of the financial year is subject to numerous factors many of which are outside of FEI's control (such as market risk), and accordingly there is no guarantee that the Projections will be met.

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.

As detailed in Section 16, subject to Shareholder approval the Company is proposing to consolidate its capital on a 30 to 1 basis. If approved, it is anticipated that the Consolidation will be completed prior to the issue of the Earn-Out Shares. In this event the Earn-Out Shares would be issued on a post Consolidation basis, ie the Company would issue up to a maximum of 18,884,974 Earn-Out Shares.

Under voluntary escrow provisions agreed with the FEI Vendors, absent a takeover bid or merger or with the consent of the Board, all of the Consideration Shares must be held for two years from their respective dates of issue, following which, if the FEI Vendors wish to dispose of Consideration Shares, they agree to do so in a manner which promotes an orderly market for Shares.

Completion of the Acquisition is subject to and conditional upon the satisfaction of a number of conditions precedent. As at the date of this Notice, the following conditions remain outstanding:

- (a) WSG being satisfied with its due diligence investigation on FEI's business and operations;
- (b) Shareholder approval the subject of Resolutions 1 and 2;
- (c) 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 WSG and FEI;
- (d) the approval of the Supervisor being obtained on terms which are satisfactory to WSG and FEI; and
- (e) the financial statements of WSG to June 2016 and its quarterly results to September 2016 being acceptable to the FEI Vendors.

Under the SPA, FEI will be entitled to appoint two nominees to the WSG 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 WSG Board will comprise a total of six Directors, of whom three are executive Directors, being the Managing Director, Ian Bailey and Messrs TK Shim and Mel Stewart. Profiles of Messrs TK Shim and Mel Stewart are set out in Section 7.5(m).

TK Shim and Mel Stewart will also 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 SPA contains standard terms and conditions, including representations and warranties from each party, considered standard for an agreement of this nature.

## **1.6 Impact of the Acquisition on the Company's capital structure**

As detailed in Sections 7 to 15 the Company is proposing to issue new securities as follows:

- (a) subject to Shareholder approval the subject of Resolutions 1 and 2, the Company will issue up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors (or their nominees) (see Section 7);
- (b) subject to Shareholder approval the subject of Resolution 3, the Company will issue up to 200,000,000 (pre Consolidation) Shares to Kingfisher Corporate Trustee Limited (or its nominee) (see Section 8);
- (c) subject to Shareholder approval the subject of Resolution 4, the Company will issue up to 300,000,000 (pre Consolidation) Shares to River Horse Trustee Limited (an entity controlled by Ian Bailey) (see Section 9);

- (d) subject to Shareholder approval the subject of Resolution 5, the Company will issue Shares on conversion of the August Facility (see Section 10);
- (e) subject to Shareholder approval the subject of Resolution 6, the Company will issue Shares on conversion of the McDonald Facility (see Section 11);
- (f) subject to Shareholder approval the subject of Resolution 7, the Company will issue Shares on conversion of the December Facility (see Section 12);
- (g) subject to Shareholder approval the subject of Resolution 8, the Company will issue the Attaching Options to the holders of the August Facility (or their nominees) (see Section 13);
- (h) subject to Shareholder approval the subject of Resolution 9, the Company will issue the Attaching Options to Roslyn McDonald (or her nominees) (see Section 14); and
- (i) subject to Shareholder approval the subject of Resolution 10, the Company will issue the Attaching Options to the holders of the December Facility (or their nominees) (see Section 15).

The effect of the Acquisition (assuming the maximum number of Earn-Out Shares are issued), and the issue of securities the subject of Resolutions 3 to 10 on the capital structure of the Company (on both a pre and post Consolidation basis) can be summarised as follows:

| <b>Capital Structure</b>  | <b>Pre Consolidation</b> | <b>Post Consolidation</b> |
|---|--------------------------|---------------------------|
| Existing Shares on issue as at the date of this Notice of Meeting                                     | 842,775,340              | 28,092,511                |
| Shares to be issued on conversion of August Facility and McDonald Facility <sup>1</sup>               | 165,691,688              | 5,523,056                 |
| Shares to be issued on conversion of the December Facility <sup>2</sup>                               | 52,762,677               | 1,758,756                 |
| Shares to be issued to Kingfisher   | 200,000,000              | 6,666,667                 |
| Shares to be issued to River Horse  | 300,000,000              | 10,000,000                |
| Shares to be issued to the FEI Vendors under the SPA <sup>3</sup>                                     | 2,216,549,223            | 73,884,974                |
| <b>Total Shares on issue</b>  | <b>3,777,778,928</b>     | <b>125,925,964</b>        |
| Existing Options on issue   | 150,000,000              | 5,000,000                 |
| Attaching Options to be issued to the holders of the August Facility and Roslyn McDonald <sup>4</sup> | 771,055                  | 25,702                    |
| Attaching Options to be issued to the holders of the December Facility                                | 250,000                  | 8,333                     |
| <b>Total Options on issue</b>   | <b>151,021,055</b>       | <b>5,034,035</b>          |

Notes:

1. The August Facility was raised in NZD. The number of Shares to be issued assumes a conversion price of \$0.00948, being a 20% discount to the 30 day VWAP of Shares on the 30 days prior to 14 December 2016, and a NZD/AUD exchange rate of 0.9626. Details of the conversion price of the August Facility and McDonald Facility are set out in Section 10.1.
2. The December Facility was raised in NZD. The number of Shares to be issued assumes a total of A\$500,000 will be raised under the December Facility and using conversion price of \$0.00948 being a 20% discount to the 30 day VWAP of Shares on the 30 days prior to 14 December 2016, and a NZD/AUD exchange rate of 0.9626. Details of the conversion price of the December Facility is set out in Section 12.1.

3. This assumes the maximum number of Earn-Out Shares will be issued. As detailed in Section 1.5, the number of Earn-Out Shares to be issued to the FEI Vendors (if any) depends on the NPBTBD of FEI for FY17 (year ending 31 March 2017), and accordingly will not be issued until around May 2017. However, they are included in the table to show the maximum dilutionary effect on Shareholders should the Acquisition proceed. As noted above, if the Consolidation is approved and proceeds, the number of Earn Out Shares to be issued will be reduced in the same proportion as the Consolidation ratio.
4. The August Facility was raised in NZD. In calculating the number of Attaching Options to be issued under the August Facility the exchange rate on the date the relevant loans were made has been used. This rate varies for each entity that has loaned under the August Facility given funds were received on different dates.

## 1.7 Substantial Shareholders

On completion of the Acquisition and the issue of Shares the subject of Resolutions 3 to 7, it is expected that the following persons will have voting power of 5% or more in the Company:

| Person   | Number of Shares the person has a relevant interest in post-Acquisition | Voting Power |
|--|---|--------------|
| The Company <sup>1</sup>   | 2,376,844,580   | 74.02%       |
| Each of Mel Stewart, TK Shim, Pigeon Capital Limited, First Eastern Holdings Limited, FE Convertible Bond No.81 Limited, FE Bond No.1 Limited, Equity No.8 Limited, FE Equity Limited, FE Convertible Bond No.82 Limited, FE Capital Limited, Parkiri Limited and Nicholas Harvey <sup>2</sup> | 1,650,000,000   | 51.38%       |
| Each of River Horse, Ian Bailey, Kathryn Kennedy and Venice Trustee Limited.   | 363,000,000   | 11.30%       |
| Kingfisher and Gavin Busch   | 228,000,000   | 7.10%        |

Notes:

1. As detailed in Section 1.5, the Consideration Shares to be issued to the FEI Vendors will be subject to voluntary escrow restrictions. These restrictions result in the Company technically having a relevant interest in these Shares, which represent more than the 20% takeovers threshold under the Corporations Act. The Company has applied for relief from section 606 of the Corporations Act so that the voluntary escrow arrangement does not result in the Company breaching the takeover provisions under the Corporations Act. In addition, the Deferred Consideration Shares the subject of Resolutions 3 and 4 will be subject to ASX imposed mandatory escrow. ASIC Class Order 13/520 exempts a company from having a relevant interest in shares subject to ASX imposed escrow for the purposes of the takeover provisions of the Corporations Act, but not for the purposes of the substantial shareholding requirements. Accordingly, in this table, the number of Shares the Company will have a relevant interest in includes the Deferred Consideration Shares, existing Shares that will remain subject to escrow restrictions post completion of the Acquisition and the Consideration Shares to be issued to the FEI Vendors.

2. Under the Corporations Act, a person will be substantial holder in the Company if the person (together with his or her associates), has a relevant interest in 5% or more of the issued Shares in the Company. As detailed in Section 7.4, in preparing this Notice and for the purposes of seeking Shareholder approval under item 7 section 611 of the Corporations Act, the Company has taken the conservative approach of assuming that all of the FEI Vendors could be regarded as associates on the basis that, by undertaking the Acquisition, the FEI

Vendors are acting in concert in relation to the affairs of the Company. See Sections 7.4 and 7.5 for further details regarding the relationship of these entities.

The table above does not take into account the possible issue of the Earn-Out Shares, as these Shares will not be issued until around May 2017, but takes into account the proposed issue of Shares the subject of Resolutions 3 to 7. In respect of resolutions 5, 6 and 7, it assumes the August Facility, McDonald Facility and December Facility will be converted into Shares at a price of \$0.00948 per Share, and a total of A\$500,000 is raised under the December Facility.

## **1.8 Financial Information**

Schedule 2 sets out the pro forma balance sheet of the Company as at 30 September 2016 assuming completion of the Acquisition and the issue of Shares the subject of Resolutions 3 to 7 of FEI had occurred that day. See the capital structure table in Section 1.6 for details of how the number of Shares to be issued has been calculated.

The pro forma balance sheet has been prepared on the basis of the Company's unaudited and FEI's audited balance sheet as at 30 September 2016, and has been prepared in accordance with standard accounting concepts.

Specifically, the pro forma balance sheet has been prepared on the assumption that WSG is the parent entity and accounting acquirer for the purposes of AASB 3 relating to the accounting treatment for business combinations. WSG has made this assumption taking into account all relevant factors in the circumstances, in particular the following:

- (a) the number of Consideration Shares to be issued to the FEI Vendors will depend on a number of factors, but in any event, no one FEI Vendor will have a controlling interest in WSG. AASB 10 notes that where an assumption must be made that two or more investors (ie the FEI Vendors) must act together in concert for control to be achieved, no control is achieved;
- (b) Under the SPA, the FEI Vendors will have the right to appoint two directors to the Board of WSG, which will lead to a Board of six Directors. Accordingly the non-FEI Vendor directors will continue to comprise the majority of the Board and be in a position to pass or block resolutions (ie the Board will not be controlled by the FEI Vendor nominee directors);
- (c) FEI will contribute 2 members of senior management being TK Shim and Mel Stewart and will report to WSG's Managing Director Ian Bailey. All existing WSG senior management will remain in place, which means WSG will still have the majority of senior management in the combined entity;
- (d) The consolidated balance sheet of the combined group discloses a significant amount of goodwill. This goodwill represents the amount WSG is paying for FEI in excess of the book value of its net tangible assets, showing WSG is paying a premium over FEI's Net Tangible Asset value;
- (e) On completion of the Acquisition, the substantive business of WSG will not change, nor, as noted above, will its Managing Director and other senior management. The key rationale for the Acquisition is to lower WSG's cost of funding to enable it to build a more robust and sustainable business model, which in turn will allow it to continue its acquisition strategy to grow its rental business; and
- (f) WSG has communicated to shareholders and the market a desire to vertically integrate the technology rental value chain and grow via undertaking acquisitions,

particularly where those acquisitions contain a rental book or leasing customer base.

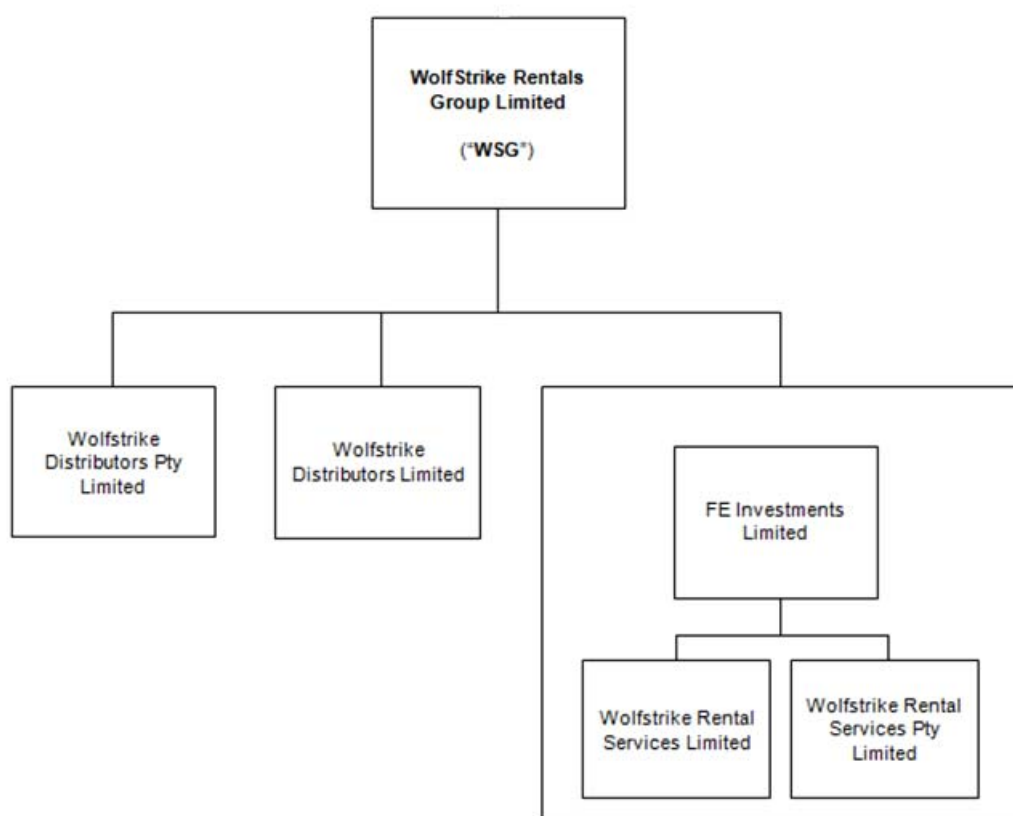
The pro forma balance sheet should be read in conjunction with the notes to the pro forma balance sheet set out in Schedule 2.

WolfStrike has not included prospective financial information on the post-Acquisition group as the Board believes, given the early stage nature of the Company and the need to integrate the two businesses, it does not have a reasonable basis to publish such information.

Following completion of the Acquisition, the Company intends to change its tax and reporting balance date to 31 March to enable all entities of the Company group to operate to the same reporting date.

### 1.9 Post-transaction corporate structure

As noted in Section 1.4(a), post completion of the Acquisition, the Company intends to restructure its operations such that its main operating subsidiaries are rolled down under FEI. The following sets out the structure of the Company group post completion of the Acquisition and the proposed restructure:



### 1.10 WSG Board of Directors

The Board of Directors currently comprises:

- (a) Ian Bailey (Managing Director)

- (b) Quentin Olde (Non-Executive Independent Director)
- (c) John Seton (Independent Director and Acting Chairman)
- (d) Tom McDonald (Non-Executive Independent Director)

As noted in Section 1.5, under the SPA, FEI will be entitled to appoint two nominees to the WSG Board on completion of the Acquisition, and it is intended that Messrs TK Shim and Mel Stewart will be invited to fill those positions. Profiles of Messrs TK Shim and Mel Stewart are set out in Section 7.5(m).

Other than as noted above, there is no intention to make any changes to the WSG Board or senior management as a result of the Acquisition.

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## 2 Resolutions

### 2.1 Overview of the Resolutions

A summary of the Resolutions to be put to Shareholders at the Meeting is as follows:

- (a) Resolution 1 seeks Shareholder approval under ASX Listing Rule 11.1.2 and for all other purposes for the Company to proceed with the Acquisition which will result in a significant change to the scale of the Company's business and will diversify the Company's operations;
- (b) Resolution 2 seeks Shareholder approval under item 7, section 611 of the Corporations Act and for all other purposes for the issue of the Consideration Shares to the FEI Vendors (or their nominees);
- (c) Resolution 3 seeks Shareholder approval under ASX Listing Rule 7.1 and for all other purposes for the issue of Deferred Consideration Shares to Kingfisher (or its nominee);
- (d) Resolution 4 seeks Shareholder approval under ASX Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes for the issue of Deferred Consideration Shares to River Horse (or its nominee);
- (e) Resolution 5 seeks Shareholder approval under ASX Listing Rule 7.1 and for all other purposes to approve the conversion rights of the August Facility;
- (f) Resolution 6 seeks Shareholder approval under ASX Listing Rule 10.11 and for all other purposes to approve the conversion rights of the McDonald Facility;
- (g) Resolution 7 seeks Shareholder approval under ASX Listing Rule 7.1 and for all other purposes to approve the conversion rights of the December Facility;
- (h) Resolution 8 seeks Shareholder approval under ASX Listing Rule 7.1 and for all other purposes for the issue of Attaching Options to the investors under the August Facility (or their nominees);
- (i) Resolution 9 seeks Shareholder approval under ASX Listing Rule 10.11 and for all other purposes for the issue of Attaching Options to Roslyn McDonald (or her nominee);

- (j) Resolution 10 seeks Shareholder approval under ASX Listing Rule 7.1 and for all other purposes for the issue of Attaching Options to the investors under the December Facility (or their nominees); and
- (k) Resolution 11 seeks Shareholder approval under section 254H of the Corporations Act, the Company's Constitution and for all other purposes for the Consolidation.

## 2.2 Conditionality of Resolutions 1 and 2

Shareholders should note that Resolutions 1 and 2 are inter-conditional. That is, these Resolutions will only be effective if the other Resolution is passed. The Acquisition will only proceed if Resolutions 1 and 2 are passed. If Shareholders want the Acquisition to proceed, they should vote in favour of each of Resolutions 1 and 2.

Resolutions 3 to 11 are not conditional on the other Resolutions.

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## 3 Advantages and Disadvantages of the Acquisition

### 3.1 Key Advantages of the Acquisition

The Directors are of the view the following non-exhaustive list of advantages to the Company and non-associated Shareholders of completing the Acquisition may be relevant to a Shareholder's decision on how to vote on Resolutions 1 and 2:

- (a) the Acquisition is expected to deliver the Company certainty and sustainability of finance at a cost of funds only available to financial institutions, achievable by having access to retail deposits, and therefore allow it to build a more robust and sustainable business model. WSG has a strategy for growth by acquisitions and also organic growth. The ability to access funds, at lower interest rates than current, will allow the company to continue its acquisition strategy;
- (b) the Acquisition will significantly increase the assets of the WSG group. Other than WSG, FEI operates similar leasing funding facilities with other entities and therefore, acquiring FEI will immediately increase the asset value of the WSG business;
- (c) the addition of TK Shim and Mel Stewart to the WSG Board will add valuable experience and skills which can help the Company to grow and develop;
- (d) the Acquisition provides WSG with access to a wider range of funding products it can offer its customers which may increase revenue per customer and provide opportunities to service new customers;
- (e) the Acquisition provides a platform for the Company to have surety of financing in place to support and grow its rental book at cost of funds available normally to financial institutions;
- (f) the Acquisition provides diversification of business activities by expanding the revenue base to a wider range of leasing and lending opportunities; and
- (g) the potential increase in market capitalisation and scale of the Company following completion of the Acquisition is in the interests of all Shareholders and may lead to coverage from investment analysts and access to improved equity and debt capital market opportunities.

### 3.2 Key Disadvantages of the Acquisition

Whilst the Directors are of the view that overall, the advantages of the Acquisition outweigh the disadvantages, the Directors consider that there are potential disadvantages to the Acquisition that Shareholders should be aware of in deciding how to vote on Resolutions 1 and 2, including:

- (a) the Acquisition will change the scale of the Company's business, and provide exposure to the lending market. This may not be consistent with the investment objectives of all Shareholders;
- (b) completion of the Acquisition requires the issue of the Consideration Shares to the FEI Vendors, which will have a dilutionary effect on holdings of Shareholders. This will affect the ability of Shareholders to influence decisions. Further information on the impact of the Acquisition on the voting power of existing Shareholders is set out in Section 7;
- (c) completion of the Acquisition will expose the Company and its Shareholders to additional risks. A summary of the key risks are set out in Section 4 below; and
- (d) there is no guarantee of the market value of the Company's Shares upon completion of the Acquisition.

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## 4 Key Risks if the Acquisition proceeds

Shareholders should be aware that if Resolutions 1 and 2 are approved and the Acquisition completes, the Company will be exposed to additional risks in the operation of its business.

Currently, WSG and its Shareholders are subject to risks relating to the Company's business and operating in the technology rental market. Additionally, WSG and its Shareholders are subject to general market and investment risks, many of which may be beyond the control of the Company and the Directors. A summary of the risks noted above are set out in section 6 of the Company's re-listing prospectus dated 25 December 2015 which was released on ASX on 29 December 2015 (**Prospectus**). WSG and its Shareholders will continue to be subject to these risks regardless of whether the Acquisition completes.

The Acquisition itself carries risk. A summary of key risks in this regard are set out in Section 4.1.

If the Acquisition completes, WSG and its Shareholders will be subject to additional risks relating to the business and operations of FEI. A summary of key risks in this regard are set out in Section 4.2. The Company will also be subject to risks relating to the integration of FEI into the business, and the execution of the Company's strategy (as a combined group) moving forward. Key risks in this regard are set out in Section 4.3.

Shareholders should note that the risks set out below and in the Prospectus are not intended to be an exhaustive list of the risk factors to which the Company may be exposed.

### 4.1 Risks relating to the Acquisition

- (a) Completion risk

Completion under the SPA is subject to the satisfaction or waiver of various conditions precedent, a number of which remain outstanding as at the date of this Notice of Meeting (refer to Section 1.5). Some of these conditions are outside the control of the Company. Under the SPA, the conditions must be met or waived by 31 March 2017 for completion

to occur. If all of the conditions are not met (or waived by the party entitled to waive the condition) by this date, the party with the benefit of any condition that is not satisfied or waived may terminate the SPA, (provided that party is not in breach of a material obligation under the agreement), and, completion will not occur.

(b) Dilution risk

There are currently 842,775,340 (pre Consolidation) Shares on issue. If Resolutions 1 and 2 are approved, up to a maximum of 2,216,549,223 (pre Consolidation) new Shares will be issued, and there will be approximately 3,059,324,563 (pre Consolidation) Shares on issue as a result of the Acquisition. This will dilute existing Shareholders (who are not issued any Shares the subject of Resolutions 1 or 2) by approximately 72.45%.

However, it should be noted that if Resolutions 3 to 7 are passed, the Company will also issue the Deferred Consideration Shares the subject of Resolutions 3 and 4, and the Shares on conversion of the August Facility, McDonald Facility and December Facility the subject of Resolutions 5 to 7. Assuming these Shares are issued, and assuming a conversion price of \$0.00948 for the August Facility, McDonald Facility and December Facility (refer to Sections 10, to 12 for further details of the conversion price of the facilities) and a total of \$500,000 is raised under the December Facility, the effect would be to dilute existing Shareholders by approximately 77.69%.

(c) Trading risk

The Consideration Shares and the Deferred Consideration Shares the subject of Resolutions 3 and 4 will be subject to escrow restrictions as described in sections 1.5, 8 and 9. Should any of the holders of these Shares seek to sell those shares on market following the expiry of escrow restrictions, this may place downward pressure on the market price of WolfStrike Shares.

## 4.2 Risks relating to the operation of FEI's business

As a Non-Bank Deposit Taker operating in the New Zealand market, FEI is required to file a Product Disclosure Statement (**PDS**). The key risks for FEI's business as disclosed in FEI's PDS are set out below. It should be noted that on completion of the Acquisition, the Company will also be subject to the risks below.

(a) Significant loan write offs

FEI has historically been subject to loan portfolio concentration risk, where a small number of its borrowers (particularly WolfStrike) represents a significant proportion of its entire loan portfolio. This means that FEI would suffer a material credit loss in the event that FEI has to write off any loans from any of these particular borrowers.

FEI seeks to manage this risk through a policy of maintaining a capital ratio of at least 1% to 2% above the statutory mandated capital of 8% (**Minimum Capital Ratio**). This gives FEI some buffer to cushion any credit losses from its loan portfolio. FEI had an average capital ratio of 9.67% for the financial year to 31 March 2016.

(b) Property Development Loans

FEI provides property development loans on the basis of assessed completion value of projects. Some of FEI's property development loans are secured by securities ranking behind a bank or other lender. Delays in completion or cost overruns would increase the credit risk of a property development loan to FEI.

If credit losses from any of the property development loans become material, FEI would end up with reduced cash reserves to repay term deposits when due. Its capital ratio would also deteriorate to the level where it would not be able to meet the Minimum Capital Ratio. On the other hand, if the credit loss is greater than its entire share capital, then amounts available to meet FEI's commitments to depositors could be reduced by such level of losses in excess of its share capital. In such eventuality, FEI would be required to bolster its shareholders' funds to meet the Minimum Capital Ratio and to augment its cash reserves to meet its commitments to depositors.

However, it is noted that FEI intends to reduce its property lending exposure to below 10% by mid-2017.

(c) Capitalisation of interest and fees

FEI recognizes income (both interest and fee income) which is capitalising in nature. Capitalised income means that FEI does not receive the cash component of the income until the end of the loan term. FEI's property development loans are normally capitalising loans.

If credit losses from any of these capitalising loans become material, FEI would end up with reduced funds to repay term deposits when due and its capital ratio would also deteriorate to the level where it would not be able to meet the Minimum Capital Ratio required under its Trust Deed. Alternatively, if the credit loss is greater than its entire share capital, then amounts due to depositors could be reduced by such level of losses in excess of its share capital. In such eventuality, FEI would be required to bolster its shareholders' funds to meet the Minimum Capital Ratio and to augment its cash reserves to meet its commitments to depositors.

(d) Liquidity risk

FEI is subject to liquidity risk, being the risk of FEI, for whatever reason, not having enough cash reserves or not being able to raise funds in time to redeem term deposits or pay interest thereon when these amounts are due (**liquidity crunch**).

The likelihood of a liquidity crunch having an adverse impact on FEI's ability to repay its term deposits is low due to FEI's policy of holding or targeting a minimum of 4% to 5% of its total assets in cash reserves on its balance sheet at all times, its loyal depositor base with satisfactory renewal rates, its securitization and syndication programmes with its wholesale investors and its loan portfolio of rental/subsorption contracts.

FEI monitors liquidity using certain formulas to measure liquidity cover and potential mismatches in the ability to meet repayments from available assets. Under the Trust Deed, FEI has to maintain a mismatch ratio (as defined in the Trust Deed) of 0.45 times over a rolling 12-month period. FEI also maintains a Liquidity Coverage Ratio of 1X times, using the same formula as the mismatch ratio (as set out in the Trust Deed), but measured on a three-month rolling basis.

(e) Capital adequacy

Under its Trust Deed, FEI is required to maintain a Minimum Capital Ratio of 8% of its total assets at all times. Capital adequacy risk is the risk that FEI's capital ratio would fall below the Minimum Capital Ratio resulting in a breach of its Trust Deed and the New Zealand Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

A material credit loss emanating from any of the risks described above could reduce FEI's capital ratio to below the Minimum Capital Ratio causing FEI to be in breach of its

Trust Deed and the New Zealand Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

The Directors consider the likelihood of FEI's capital ratio falling below the Minimum Capital Ratio is low due to FEI's policy of maintaining its capital ratio at least 1% or 2% above the Minimum Capital Ratio, accretion of part of its income as retained earnings and planned capital injections to support total asset growth and provide buffer against credit losses.

#### **4.3 Risks relating to the combined group**

(a) Integration risk

As detailed above, the Company expects the integration of FEI's business with the Company to have synergistic benefits. However, these businesses have not been operated together and the integration of the businesses may take a longer time and be more disruptive and costly than anticipated. Any delay, disruption or additional costs is likely to adversely affect the Company's operational and financial performance.

(b) Risks relating to the execution of the Company's strategy

As detailed in Section 1.4(b), part of the Company's strategy moving forward is to grow via acquisitions. There is no guarantee that suitable opportunities will be identified, or that if such opportunities are identified, the Company will be able to convert the opportunities into completed acquisitions.

Further, as noted in Section 1.4(b), FEI is also seeking to obtain a licence to obtain deposit funds from Australian residents, which will allow expansion into the Australian market. There can be no guarantee that FEI will be able to obtain this licence.

(c) Future dilution risk

In the future, the Company may elect to issue Shares in connection with future capital raisings or as consideration for acquisitions. In addition, as detailed in Section 4.2(e), FEI is required to maintain the Minimum Capital Ratio of 8% of total assets at all times.

While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

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## **5 Directors Recommendations on Resolutions**

All of the Directors (except Ian Bailey in relation to Resolution 4 and Tom McDonald in relation to Resolutions 6 and 9) are of the opinion that all of the Resolutions are in the best interests of Shareholders, and accordingly, the Directors unanimously (except Ian Bailey in relation to Resolution 4 and Tom McDonald in relation to Resolutions 6 and 9) recommend that Shareholders vote in favour of these Resolutions. The Directors' recommendations are based on the reasons outlined in this Explanatory Memorandum, including Section 2 in respect of the advantages and disadvantages of the Acquisition in relation to Resolutions 1 and 2.

Ian Bailey does not make a recommendation in relation to Resolution 4 as he has a material personal interest in the Resolution as it relates to the issue of Deferred Consideration Shares to River Horse, an entity controlled by him.

Tom McDonald does not make a recommendation in relation to Resolutions 6 and 9 as he has a material personal interest in the Resolutions as Resolution 6 relates to the approval of conversion of rights of the McDonald Facility which is held by Roslyn McDonald his wife, and Resolution 9 relates to the issue of Attaching Options to Roslyn McDonald.

Subject to applicable voting restrictions, each of the Directors intend to vote all of their Shares in favour of the Resolutions.

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## **6 Resolution 1 – Approval for the Acquisition**

### **6.1 Background**

Completion of the Acquisition will result in a significant change to the scale of the Company's business and will diversify the Company's operations. Resolution 1 seeks approval under ASX Listing Rule 11.1.2 for the Company to proceed with the Acquisition. A summary of ASX Listing Rule 11.1 is provided below.

### **6.2 ASX Listing Rule 11.1**

In summary, ASX Listing Rule 11.1 provides that a listed company that proposes to make a significant change to the nature or scale of its activities must provide full details to ASX as soon as practicable and:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares to the change (ASX Listing Rule 11.1.2); and
- (c) if ASX requires, meet the requirements in Chapters 1 and 2 of the ASX Listing Rules as if the Company were applying for admission to the official list of ASX (ASX Listing Rule 11.1.3).

ASX may also suspend quotation of the shares until the company has satisfied the requirements of ASX Listing Rule 11.1.

As noted in Section 1.2, the Company has consulted with ASX as to the application of ASX Listing Rule 11.1 to the Acquisition, and ASX has confirmed that the Company should seek Shareholder approval for the Acquisition under ASX Listing Rule 11.1.2, but that ASX Listing Rule 11.1.3 does not apply and therefore it is not required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Resolution 1 seeks Shareholder approval for the Company to proceed with the Acquisition for the purposes of ASX Listing Rule 11.1.2. Detailed information on FEI and the effect of the Acquisition on the Company is set out in Section 1 of this Explanatory Memorandum.

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## **7 Resolution 2 – Issue of Shares to FEI Vendors**

### **7.1 General**

Resolution 2 seeks Shareholder approval pursuant to and in accordance with item 7 of section 611 of the Corporations Act to issue up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors, in accordance with the terms of the SPA and otherwise on the terms and conditions in this Explanatory Memorandum. As detailed in

Section 1.5, the Consideration Share comprise 1.65 billion (pre Consolidation) Shares to be issued on completion of the Acquisition, plus a maximum of (pre Consolidation) 566,549,223 Earn-Out Shares subject to the performance of FEI in the financial year ending 31 March 2017 and, if applicable, the financial performance of the Company group in the financial year ending 31 March 2018. If the performance criteria in FY17 are satisfied the Earn-Out Shares would be issued in around May 2017 otherwise they will be issued, if at all, around May 2018. As detailed in Section 16, if the Consolidation is approved and proceeds, the number of Earn Out Shares to be issued will be reduced in the same proportion as the Consolidation ratio.

A summary of item 7 Section 611 of the Corporations Act is set out in Section 7.4. Shareholder approval is required as the issue of Consideration Shares to the FEI Vendors will result in the FEI Vendors holding more than 20% of the Company on completion of the Acquisition. Schedule 4 sets out the voting power of the FEI Vendors assuming completion of the Acquisition (assuming the maximum number of Earn-Out Shares is issued) and the Shares the subject of Resolutions 3 to 7 are issued.

## **7.2 Independent Expert Report**

In order to assist Shareholders to assess and consider whether to vote in favour of Resolution 2, the Company appointed RSM Australia Pty Ltd (**Independent Expert**) as an independent expert and commissioned it to prepare a report (**Independent Expert's Report**) to provide an opinion as to whether or not the issue of the Consideration Shares to the FEI Vendors, is fair and reasonable to non-associated Shareholders.

The Independent Expert's Report was prepared to satisfy the recommendations of the ASIC Regulatory Guide 74. The FEI Vendors will acquire a relevant interest in more than 20% in the Company if Resolution 2 is approved and up to 2,216,549,223 (pre Consolidation) Consideration Shares are issued to the FEI Vendors.

The Independent Expert has concluded that the issue of up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors as consideration of the Acquisition under the SPA is fair and reasonable to Shareholders.

The Directors recommend that you read the Independent Expert's Report in full, a copy of which is in Schedule 3.

## **7.3 Basis of the Independent Expert Report**

In coming to this view, the Independent Expert considered the advantages and disadvantages of issuing up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors, and other significant factors, which are set out in summary form only below.

The advantages identified by the Independent Expert are:

- (a) the Acquisition is fair as the value of Shares post completion of the Acquisition is above the range of the value of Shares pre the Acquisition;
- (b) WSG will benefit from substantial synergies from the integration of the two businesses over time, including access to retail cost of funds and new business and funding products which it can offer to existing and new customers;
- (c) FEI will provide the Company with added surety of financing to grow its rent book and at costs of funds available to normal financial institutions;

- (d) the Company will increase its assets through FEI's funding facilities held with customers other than WSG;
- (e) new Directors will add relevant experience, skills and networks to the Company; and
- (f) the acquisition may encourage new investors in the Company which may lead to increased liquidity and greater trading depth than currently experienced by Shareholders.

The disadvantages identified by the Independent Expert are:

- (a) the non-associated Shareholders' interests in the Company will be significantly diluted from 100% to 22.3% (21.6% fully diluted); and
- (b) the Acquisition will change the risk profile of the Company.

The Independent Expert's assessment of the issue of up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors is based on a number of assumptions.

Shareholders are strongly encouraged to read the Independent Expert's Report.

#### **7.4 Section 606 and section 611 item 7 of the Corporations Act**

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in the issued voting shares of a company if, because of the acquisition, that person's or another person's voting power in the company increases from:

- (a) 20% or below to more than 20%; or
- (b) a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined by reference to section 610 of the Corporations Act. A person's voting power in a company is the total of the votes attaching to the shares in the company in which that person and that person's Associates have a relevant interest.

Under section 608 of the Corporations Act a person will have a relevant interest in shares if:

- (a) the person is the registered holder of the shares; or
- (b) the person has the power to exercise or control the exercise of votes or disposal of the shares.

Further, if a body corporate has a relevant interest in securities, any person who controls or has voting power of more than 20% in the body corporate is deemed to have a relevant interest in those securities.

For the purpose of determining who is an Associate it is necessary to consider section 12 of the Corporations Act.

Broadly, under section 12 of the Corporations Act, a person (**second person**) will be an Associate of the other person (**first person**) in relation to the affairs of a Company if:

- (a) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
- (ii) a body corporate that controls the first person: or
- (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the Company; or
- (c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the Company.

Associates are determined as a matter of fact.

In preparing this Notice, the Company has taken the conservative approach of assuming that all of the FEI Vendors could be regarded as associates for the purposes of section 606 of the Corporations Act on the basis that, by undertaking the Acquisition, the FEI Vendors are acting in concert in relation to the affairs of the Company.

On the assumption that the FEI Vendors are associates under the Corporations Act, the aggregate voting power of all of the FEI Vendors will be combined in order to determine their increase in voting power under section 606 of the Corporations Act.

The FEI Vendors are listed in Schedule 4, and a diagram showing the ownership structure of FEI is set out in Section 7.5(a).

As set out in the diagram, Mel Stewart's family trust and TK Shim's family trust each hold 50% of Pigeon Capital Limited (**Pigeon**), which holds all of the issued Shares in First Eastern Holdings Limited (**First Eastern**). First Eastern holds shares in FEI itself and also holds all of the issued shares in the FEI Vendors (excluding Parkiri Limited). Accordingly, Mel Stewart's family trust, TK Shim's family trust and Pigeon will be deemed to have a relevant interest in the Consideration Shares to be issued to the FEI Vendors.

Nicholas Harvey holds all of the shares in the Parkiri Trust, and will be deemed to have a relevant interest in the Consideration Shares to be issued to the Parkiri Trust.

Section 611 of the Corporations Act has exceptions to the prohibition in section 606 of the Corporations Act. Item 7 of section 611 of the Corporations Act provides a mechanism by which shareholders of a company may approve an issue of shares to a person which results in that person's or another person's voting power in the company increasing beyond the thresholds ordinarily prohibited by section 606 of the Corporations Act as detailed above.

The FEI Vendors do not currently have a relevant interest in any Shares. Resolution 2 seeks Shareholder approval for the issue of up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors under the SPA pursuant to item 7 section 611 of the Corporations Act as the issue of these Consideration Shares will increase the collective voting power of the FEI Vendors to a maximum of 72.45%. This does not take into account the Shares proposed to be issued by the Company the subject of Resolutions 3 to 7.

It should be noted that if Resolutions 3 to 7 are passed, the Company will also issue the Deferred Consideration Shares the subject of Resolutions 3 and 4, and the Shares on conversion of the August Facility, McDonald Facility and December Facility the subject of Resolutions 5 to 7. Assuming these Shares are issued, and assuming a conversion price of \$0.00948 for the August Facility, McDonald Facility and December Facility (refer to

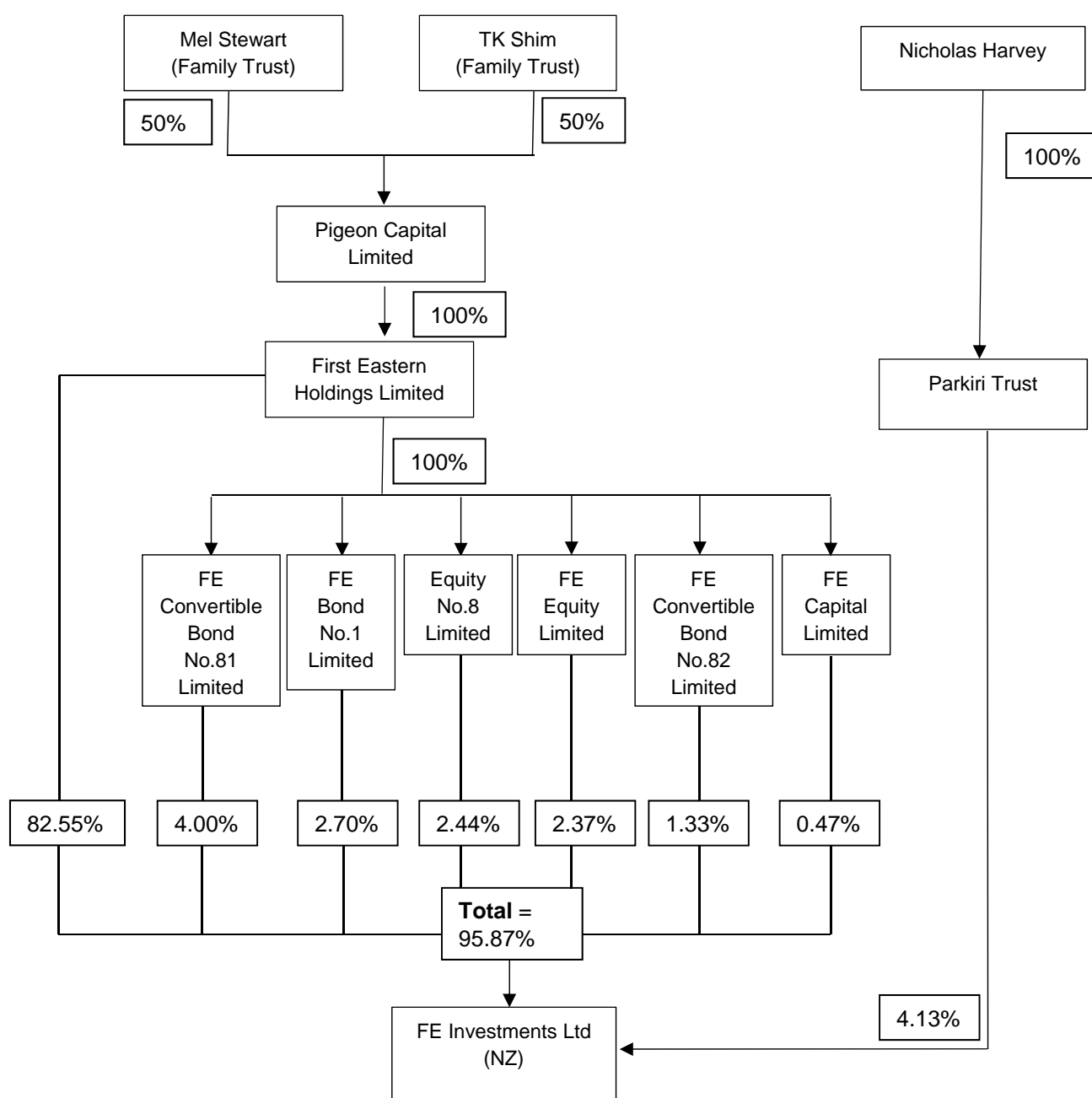
Sections 10 to 12 for further details of the conversion price of the facilities) and a total of A\$500,000 is raised under the December Facility, the FEI Vendors' aggregate voting power in the Company will be 58.67%.

## 7.5 Information required by item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following information is provided to Shareholders in accordance with item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74:

- (a) The identity of the person proposing to make the Acquisition and their Associates.

The acquisition of the Consideration Shares will be made by the FEI Vendors, whose identities are outlined in Schedule 4. Details of the FEI Vendors and their associates are set out in Section 7.4. The following sets out the ownership structure of the FEI group pre-completion of the Acquisition:



- (b) The maximum extent of the increase in that person's voting power in the company.

The FEI Vendors do not currently own any Shares in the Company. If Resolutions 1 and 2 are passed and 2,216,549,223 (pre Consolidation) Consideration Shares are issued to the FEI Vendors, the FEI Vendors' maximum voting power in the Company will be 72.45%(assuming no other Resolutions are passed).

However, it should be noted that if Resolutions 3 to 7 are passed, the Company will also issue the Deferred Consideration Shares the subject of Resolutions 3 and 4, and the Shares on conversion of the August Facility, McDonald Facility and December Facility the subject of Resolutions 5 to 7. Assuming these Shares are issued, and assuming a conversion price of \$0.00948 for the August Facility, McDonald Facility and December Facility (refer to Sections 10 to 12 for further details of the conversion price of the facilities) and a total of A\$500,000 is raised under the December Facility, the FEI Vendors' aggregate voting power in the Company will be 58.67%.

Accordingly, the FEI Vendors voting power in the Company could, depending on the outcome of the various resolutions proposed, vary between 58.67% and 72.45%. Further details of this are outlined in Schedule 4.

- (c) The voting power that person would have as a result of the Acquisition.

See (b) above.

- (d) The maximum extent of the increase in the voting power of each of the acquirer's Associates that would result from the acquisition.

The maximum extent of the increase in the voting power of the Associates of the FEI Vendors will be equivalent to the increase in voting power of the FEI Vendors.

- (e) The voting power that each of the acquirer's Associates would have as a result of the acquisition.

The voting power that the FEI Vendors' Associates would acquire will be equivalent to the voting power that the FEI Vendors' would acquire.

- (f) An explanation of the reasons for the proposed Acquisition.

As detailed in Section 1.5, the Company has agreed (subject to the satisfaction or waiver of specified conditions precedent) to issue up to 2,216,549,223 (pre Consolidation) Consideration Shares to the FEI Vendors as consideration for the Acquisition by the Company of FEI under the SPA.

The Acquisition is expected to deliver the Company certainty and sustainability of finance at a cost of funds only available to financial institutions, achievable by having access to retail deposits, and therefore allow it to build a more robust and sustainable business model. WSG has a strategy for growth by acquisitions and also organic growth. The ability to access funds, at lower interest rates than current, will allow the Company to continue its acquisition strategy. At the same time, the merger of WSG with FEI provides a significant opportunity for both parties as a combined entity to grow and consolidate their position in the leasing market in Australia and New Zealand. FEI have advised they intend to apply to ASIC for a license to accept deposits in the Australian market.

See Section 1.2 for further details on the rationale for the Acquisition.

- (g) When the proposed Acquisition is to occur.

The parties intend to complete the Acquisition on or around 3 April 2017. An indicative timetable for the Acquisition is set out on page 1 of the Notice of Meeting.

- (h) The material terms of the proposed Acquisition.

See Section 1.5 for a summary of the terms of the SPA.

- (i) Details of any other relevant agreement between the acquirer and the target entity or vendor (or any of their Associates) that is conditional on (or directly or indirectly depends on) members' approval of the proposed Acquisition.

As detailed in Section 1.5, it is intended that on completion of the Acquisition, TK Shim and Mel Stewart will be appointed to the WSG Board, and will also enter into two year executive services or employment agreements with FEI which will include restraint of trade provisions for a period of one year following the cessation of those agreements.

Under voluntary escrow provisions agreed with the FEI Vendors, absent a takeover bid or merger or board consent, all of the Consideration Shares must be held for two years from their respective issue dates, following which if the FEI Vendors wish to dispose of any Consideration Shares, they agree to do so in a manner which promotes an orderly market for Shares.

- (j) A statement of the acquirer's intentions regarding the future of the target entity if members approve the Acquisition and, in particular:

- (i) Any intention to change the business of the entity

On Completion, the Company will have an expanded range of business activities as detailed in Section 1.4. Save for this, the FEI Vendors have advised the Company that they do not have any current intention to make any significant change to the existing business of the Company.

- (ii) Any intention to inject further capital into the entity

The FEI Vendors have advised the Company that they do not have any current intentions to inject further capital in the Company. Post-Acquisition, the Company will continue to monitor its capital requirements, and in the future, the Company may require additional funding for working capital, capital expenditure, further acquisition or to ensure it meets RBNZ capital adequacy ratio requirements.

- (iii) The future employment of present employees of the entity

The FEI Vendors have advised the Company that they do not have any current intentions to vary the employment arrangements of the current employees of the Company.

- (iv) Any proposal where assets will be transferred between the entity and the acquirer or vendor or their Associates

The FEI Vendors have advised the Company that they do not have any current intentions for any property be transferred between the Company and the FEI Vendors or any person associated with the FEI Vendors.

- (v) Any intention to otherwise redeploy the fixed assets of the entity

The FEI Vendors have advised the Company that they do not have any current intentions to redeploy the fixed assets of the Company.

- (k) Any intention of the acquirer to significantly change the financial or dividend distribution policies of the entity

The FEI Vendors have advised the Company that the FEI Vendors have no current intention to change the financial or dividend policies of the Company.

- (l) The interests that any director has in the acquisition or any relevant agreement disclosed under paragraph (i) above

The Directors do not have any direct interest in the Acquisition or the agreements disclosed in paragraph (i) above. However, as detailed in Section 8.3, the Acquisition will trigger a "Change Event" under the Earn Out Deed, and the Company will issue 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse, an entity controlled by Ian Bailey, and 200,000,000 (pre Consolidation) Deferred Consideration Shares to Kingfisher.

- (m) Details about any person who is intended to become a director if members approve the Acquisition

As detailed in Section 1.5, it is proposed that Messrs TK Shim and Mel Stewart will be appointed to the WSG Board if the Acquisition completes. The following details about Messrs TK Shim and Mel Stewart are provided.

- (i) Name

TK Shim and Mel Stewart

- (ii) Qualifications and relevant professional or commercial experience

**TK Shim:** 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:** 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.

- (iii) Any associations that the proposed Director has with the acquirer, vendor or any of their Associates

Mel Stewart's family trust and TK Shim's family trust each hold 50% of Pigeon, which holds all of the issued Shares in the FEI Vendors (excluding Parkiri Limited). Each of Mel's and TK's family trusts are separate trusts with distinct beneficiaries with the right to require Pigeon to transfer their respective shares to their respective family trusts. See Section 7.4 for further details.

- (iv) Any interest that the proposed Director has in the acquisition or any relevant agreement disclosed in paragraph (i) above.

As detailed in Section 1.5, it is intended that on completion of the Acquisition, TK Shim and Mel Stewart will be appointed to the WSG Board, and will also enter into two year executive services or employment agreements with FEI which will include restraint of trade provisions for a period of one year following the cessation of those agreements. In addition, the FEI Vendors will also enter into the voluntary escrow agreements referred to in Section 1.5.

## **7.6 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

Under the Corporations Act, a director of a company (or an entity controlled by a director) is a related party of the company. Further, under section 228(6) of the Corporations Act, if a company reasonably believes that a person will become a director of the company in the future, that person (and any entity controlled by that person) will be a related party of the company.

As detailed in Section 1.5, the SPA contemplates that TK Shim and Mel Stewart will be appointed to the WSG Board. Accordingly, the FEI Vendors who are controlled by TK Shim and Mel Stewart are considered to be related parties of the Company. The issue of the Consideration Shares to these FEI Vendors constitutes the giving of a financial benefit which requires Shareholder approval under Chapter 2E of the Corporations Act unless a relevant exception applies.

Section 210 of the Corporations Act broadly provides that Shareholder approval under Chapter 2E is not required where the financial benefit provided by the public company to the related party is on arm's length terms (or less favourable for the related party).

The Directors have resolved that the arm's length exception in section 210 of the Corporations Act applies to the proposed issue of the Consideration Shares to the FEI Vendors as the SPA was negotiated at arm's length.

Accordingly, Shareholder approval under Chapter 2E of the Corporations Act for the issue of up to 2,216,549,223 (pre Consolidation) Consideration Shares is not required.

## 7.7 Application of ASX Listing Rules 7.1 and 10.11

ASX Listing Rule 7.1 broadly provides that the Company must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period, without shareholder approval.

ASX Listing Rule 7.2, exception 16 states that ASX Listing Rule 7.1 does not apply to an issue of securities approved by shareholders for the purposes of item 7 of section 611 of the Corporations Act. Accordingly, if Resolution 2 is passed, the up to 2,216,549,223 (pre Consolidation) Consideration Shares that are issued to the FEI Vendors will fall within ASX Listing Rule 7.2 exception 16.

ASX Listing Rule 10.11 broadly provides that prior shareholder approval is required for the Company to issue securities to a related party of the Company.

ASX Listing Rule 10.12, exception 6 states that ASX Listing Rule 10.11 does not apply if the person is a related party of the Company by reason only of the transaction which is the reason for the issue of the securities and the application to it of section 228(6). As the FEI Vendors controlled by TK Shim and Mel Stewart are related parties only because of the proposed appointment of TK Shim and Mel Stewart to the Board in connection with the Acquisition, the issue of the Consideration Shares to the FEI Vendors will fall within ASX Listing Rule 10.12 exception 6.

## 7.8 Voting prohibition statement

In accordance item 7 section 611 of the Corporations Act, none of the FEI Vendors and their Associates are permitted to vote in favour of Resolution 2.

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# 8 Resolution 3 – Issue of Shares to Kingfisher

## 8.1 Background

As detailed in the Company's relisting prospectus dated 24 December 2015 (**Prospectus**), the Company is party to various share sale agreements with the WolfStrike Vendors under which the Company acquired the WolfStrike group of companies (**WSG Acquisition Agreements**).

The consideration payable by the Company to the WolfStrike Vendors under the WSG Acquisition Agreements comprises:

- (a) an initial issue of 404,329,000 Shares which were issued to the WolfStrike Vendors on completion under the WSG Acquisition Agreements on 18 March 2016;
- (b) subject to Shareholder approval, an additional 297,835,500 Shares on the first anniversary of completion under the WSG Acquisition Agreements to Kingfisher and River Horse, subject to the satisfaction of performance conditions to be agreed between the Company, Kingfisher and River Horse; and
- (c) subject to Shareholder approval, an additional 297,835,500 Shares on the second anniversary of completion under the WSG Acquisition Agreements to Kingfisher and River Horse, subject to the satisfaction of performance conditions to be agreed between the Company, Kingfisher and River Horse.

On 7 December 2016, the Company announced that it had entered into an earn out deed (**Earn Out Deed**) with Kingfisher and River Horse under which the parties agreed the

deferred consideration referred to in (b) and (c) above will now be for the maximum issue of 500,000,000 (pre Consolidation) Shares (**Deferred Consideration Shares**) and shall be issued in 2 tranches of 250,000,000 Shares, subject to the satisfaction of various performance hurdles split over the 12 month period commencing on the date of shareholder approval for the issue of the Deferred Consideration Shares (**First Performance Period**) and the 12 month period following the First Performance Period (**Second Performance Period**). The maximum number of Deferred Consideration Shares which could be issued is 500,000,000 (pre Consolidation).

Under the Earn Out Deed, if Shareholder approval is not obtained within 4 months of the date River Horse and Kingfisher become entitled to Deferred Consideration Shares, the Company will pay River Horse and Kingfisher an amount equal to the number of Deferred Consideration Shares that would have been issuable to them, multiplied by the 90 day VWAP of Shares prior to the date River Horse and Kingfisher became entitled to the relevant Deferred Consideration Shares.

## 8.2 Description of Performance Conditions

Under the Earn Out Deed, the performance conditions for the Deferred Consideration Shares are as follows:

- (a) if the gross rental book value of the Company group including any acquisitions which are earnings accretive increases by 20% or more (**First Performance Condition**) during the First Performance Period, subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T1 Shares**) as soon as practicable after the First Performance Period;
- (b) if the First Performance Condition is not satisfied in the First Performance Period but is satisfied in the Second Performance Period, subject to necessary approvals the Company shall issue the T1 Shares as soon as practicable after the Second Performance Period;
- (c) if the EBITDA of the Company (including any acquisitions) for the First Performance Period is equal to or greater than \$NZ3 million (**Second Performance Condition**), subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T2 Shares**) as soon as practicable after the First Performance Period;
- (d) if the Second Performance Condition is not satisfied in the First Performance Period but is satisfied in the Second Performance Period, subject to necessary approvals the Company shall issue the T2 Shares as soon as practicable after the Second Performance Period;
- (e) if the revenue of the Company's Australian business (including any acquisitions) is at least \$1 million at the end of the First Performance Period (**Third Performance Condition**), subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T3 Shares**) as soon as practicable after the First Performance Period;
- (f) if the Third Performance Condition is not satisfied in the First Performance Period but is satisfied in the Second Performance Period, subject to necessary approvals the Company shall issue the T3 Shares as soon as practicable after the Second Performance Period;
- (g) if the Company acquires a business or asset that has a value of at least 20% of the Company's market capitalisation at the time of the acquisition which is forecast to

deliver pro forma EBITDA of at least \$1 million (**Material Transaction**) (**Fourth Performance Condition**), subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T4 Shares**) as soon as practicable after the First Performance Period;

- (h) if the Fourth Performance Condition is not satisfied in the First Performance Period but is satisfied in the Second Performance Period, subject to necessary approvals the Company shall issue the T4 Shares as soon as practicable after the Second Performance Period;
- (i) if the Company implements the sales agency model referred to in its 20 August 2016 ASX announcement including generating combined sales of NZ\$5 million and cost savings of NZ\$2.2 million, subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T5 Shares**) as soon as practicable after the Second Performance Period;
- (j) if the Company's EBITDA for the Second Performance Period is at least NZ\$4 million, subject to necessary approvals the Company shall issue Kingfisher and River Horse a total of 62,500,000 Shares (**T6 Shares**) as soon as practicable after the Second Performance Period;
- (k) if the revenue generated by any Material Transaction between completion of the Material Transaction and the end of the Second Performance Period is at least A\$3 million with EBITDA of at least \$2.2 million, the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T7 Shares**) as soon as practicable after the Second Performance Period; and
- (l) if the gross rental book value of the Company has increased by 50% from commencement of the First Performance Period to the end of the Second Performance Period, the Company shall issue Kingfisher and River Horse a total of 62,500,000 (pre Consolidation) Shares (**T8 Shares**) as soon as practicable after the Second Performance Period.

As noted in the Prospectus, the Deferred Consideration Shares to be issued to Kingfisher and River Horse will be subject to escrow until 24 March 2018 under ASX's mandatory escrow regime.

The following table sets out, on a pre Consolidation basis, the number of Shares Kingfisher and River Horse currently hold and their voting power, the maximum number of Deferred Consideration Shares proposed to be issued to them, and their total shareholding and voting power in the Company assuming all of the Deferred Consideration Shares are issued:

| WolfStrike Vendor        | Number of Shares currently held and voting power | Current voting power | Maximum Number of Deferred Consideration Shares to be issued | Total       | Voting power |
|--------------------------|--|----------------------|--|-------------|--------------|
| Kingfisher               | 28,000,000                                       | 3.32                 | 200,000,000  | 228,000,000 | 6.04         |
| River Horse <sup>1</sup> | 63,000,000                                       | 7.48%                | 300,000,000  | 363,000,000 | 9.61         |

Notes:

1. River Horse is controlled by Ian Bailey, the Managing Director of the Company. Ian Bailey holds 18,000,000 shares and also has a relevant interest in a further 45,000,000 shares held by Venice Trustee Limited. Venice Trustee Limited is controlled by Ian Bailey and his wife Kathryn Kennedy.

Resolution 3 seeks Shareholder approval to issue 200,000,000 (pre Consolidation) Deferred Consideration Shares to Kingfisher. This excludes the 300,000,000 (pre Consolidation) Deferred Consideration Shares proposed to be issued to River Horse, which is the subject of Resolution 4.

### **8.3 Change Event**

Under the Earn Out Deed, upon the occurrence of a “Change Event”, the entitlement to the Deferred Consideration Shares will vest immediately. Among other things, it is a Change Event if a person acquires a relevant interest of 30% or more of the voting shares in WolfStrike.

If the Acquisition is approved by Shareholders and is completed, a Change Event will be deemed to have occurred, and the Company will be required to issue all of the 500,000,000 (pre Consolidation) Deferred Consideration Shares to Kingfisher and River Horse.

### **8.4 ASX Listing Rules 7.1**

ASX Listing Rule 7.1 broadly provides that a company may issue or agree to issue Equity Securities up to 15% of its issued capital in any 12 month period without shareholder approval. Subject to certain exceptions, prior approval of shareholders is required for an issue of Equity Securities if the securities will, when aggregated with the securities issued by the company without shareholder approval during the previous 12 months, exceed the 15% limit.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 3 will be to allow the Directors to issue the Shares the subject of Resolution 3 during the period of three months after the Meeting (or a longer period if allowed by ASX), without using the Company’s 15% placement capacity under ASX Listing Rule 7.1.

As noted in Section 8.3, completion of the Acquisition will trigger the occurrence of a “Change Event” which will give rise to the need for the Company to issue all of the Deferred Consideration Shares. If the Acquisition does not proceed for any reason, a “Change Event” will not be triggered and the Company will be required to issue the Deferred Consideration Shares pursuant to the Earn Out Deed at the times and subject to satisfaction of the performance criteria as detailed in Section 8.1. If the obligation to issue Deferred Consideration Shares arises more than 3 months after the Meeting, it is likely the Company will have to seek fresh Shareholder approval to issue the Shares due to the three month rule referred to above.

### **8.5 Technical information required by ASX Listing Rules 7.1 and 7.3**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Shares the subject of Resolution 3:

- (a) the maximum number of securities to be issued pursuant to Resolution 3 is 200,000,000 (pre Consolidation);
- (b) the Deferred Consideration Shares will (in the event the Acquisition proceeds) be issued not later than three months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);

- (c) the Deferred Consideration Shares will be issued as part consideration under the WSG Acquisition Agreements. No issue price will be payable for the Deferred Consideration Shares;
- (d) the Deferred Consideration Shares will be issued to Kingfisher (or its nominee). Kingfisher is not a related party of the Company;
- (e) the Deferred Consideration Shares to be issued are fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares;
- (f) the Deferred Consideration Shares will be issued as part consideration under the WSG Acquisition Agreements. Accordingly, no funds will be raised from the issue of the Deferred Consideration Shares; and
- (g) it is anticipated that the issue of the Deferred Consideration Shares will (in the event the Acquisition proceeds) occur on the one date.

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## 9 Resolution 4 – Issue of Shares to River Horse

### 9.1 Background

As noted in Section 8.1, River Horse is an entity controlled by Ian Bailey, the Managing Director of the Company. As such, River Horse is a related party of the Company for the purposes of the Corporations Act and ASX Listing Rules.

Under the WSG Acquisition Agreements and the Earn Out Deed, subject to the satisfaction of performance conditions or the occurrence of a "Change Event", River Horse is entitled to up to 300,000,000 (pre Consolidation) Deferred Consideration Shares.

As detailed in Section 8.3, completion of the Acquisition will trigger a "Change Event" under the Earn Out Deed, and River Horse's entitlement to the 300,000,000 (pre Consolidation) Deferred Consideration Shares will vest immediately.

Resolution 4 seeks Shareholder approval for the issue of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse (or its nominee).

As noted in the Prospectus, the Deferred Consideration Shares to be issued to River Horse will be subject to escrow until 24 March 2018 under ASX's mandatory escrow regime.

Under the Earn Out Deed, if Shareholder approval is not obtained within 4 months of the date River Horse and Kingfisher become entitled to Deferred Consideration Shares, the Company will pay River Horse and Kingfisher an amount equal to the number of Deferred Consideration Shares that would have been issuable to them, multiplied by the 90 day VWAP of Shares prior to the date River Horse and Kingfisher became entitled to the relevant Deferred Consideration Shares.

### 9.2 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or

- (b) shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

River Horse is a related party of the Company, and the proposed issue of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to them constitutes the giving of a financial benefit which requires Shareholder approval under Chapter 2E of the Corporations Act unless a relevant exception applies.

Section 210 of the Corporations Act broadly provides that Shareholder approval under Chapter 2E is not required where the financial benefit provided by the public company to the related party is on arm's length terms (or worse for the related party).

The Directors (in the absence of Ian Bailey) have resolved that the arm's length exception in section 210 of the Corporations Act applies to the proposed issue of Deferred Consideration Shares to River Horse as the WSG Acquisition Agreements and the Earn Out Deed were negotiated at arm's length, and the number of Deferred Consideration Shares to be issued to River Horse is proportionate to the Deferred Consideration Shares being issued to Kingfisher (having regard to their previous holdings in the WolfStrike group of companies).

However, in the interests of transparency and good governance, the Company is seeking approval for the issue of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse under Chapter 2E of the Corporations Act.

#### **Information Requirements – Chapter 2E of the Corporations Act**

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

##### ***The related parties to whom the proposed Resolutions would permit the financial benefit to be given and the nature of the financial benefit***

Subject to Shareholder approval, the proposed financial benefit to be given is the issue of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse (or its nominee).

##### ***The details of the financial benefit including reasons for giving the type and quantity of the benefit***

The Company is proposing to issue up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse. The Deferred Consideration Shares will be fully paid ordinary shares in the Company ranking equally with existing Shares.

The Company is proposing to issue the Deferred Consideration Shares pursuant to its obligations under the WSG Acquisition Agreements as detailed in the Prospectus and in Section 8.1, and the Earn Out Deed.

#### ***Current Holdings***

As at the date of this Notice, Ian Bailey has a relevant interest in 63,000,000 (pre Consolidation) Shares, comprising 18,000,000 Shares by way of his controlling interest in River Horse and 45,000,000 by virtue of his association with Venice Trustee Limited (an entity controlled by Ian Bailey and his wife Kathryn Kennedy). Ian Bailey does not have a relevant interest in any Options in the Company.

##### ***Dilution effect of grant of Deferred Consideration Shares on existing members' interests***

If passed, Resolution 4 will give the Directors power to grant a total of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse. A table showing the current capital structure of the Company and the structure if the Shares and Options the subject of Resolutions 1 to 10 are passed is set out in Section 1.6.

If 300,000,000 (pre Consolidation) Deferred Consideration Shares are issued, and assuming all of the Shares the subject of Resolutions 1 to 7 are issued and no Options are exercised, the effect would be to dilute the shareholding of Shareholders (including the persons to be issued Shares the subject of Resolutions 1 to 7 but not including River Horse) by 7.94%.

#### ***Related Party's total remuneration package***

Ian Bailey's fees per annum (including superannuation) and the total financial benefit to be received by him in this current period, as a result of the grant of the Deferred Consideration Shares the subject of Resolution 4 is as follows:

| Director   | Fees p.a. (A\$) | Value of Deferred Consideration Shares(A\$) | Total Financial Benefit (A\$) |
|------------|-----------------|---|-------------------------------|
| Ian Bailey | 250,000         | 3,900,000                                   | 4,150,000                     |

The value of the Deferred Consideration Shares is the market price of the Shares. The Company's Share price as at close on 15 December 2016 was \$0.013.

#### ***Valuation of Deferred Consideration Shares***

As noted above, the value of the Deferred Consideration Shares is the market price of the Shares. The Company's Share price as at 15 December 2016 was \$0.013.

Shareholders should note that the Company's Share price may rise or fall after the date of this Notice and before the date of the Meeting. Any rise or fall in the value of Shares will affect the value of the Deferred Consideration Shares to be provided to River Horse.

#### ***Company's historical Share price***

The following table gives details of the highest, lowest and latest trading prices of the Company's Shares trading on ASX over the past 12 months ending on 15 December 2016:

| Highest Price (A\$)/Date | Lowest Price (A\$)/Date | Latest Price (A\$)/Date  |
|--------------------------|-------------------------|--------------------------|
| \$0.02/29 March 2016     | \$0.007/23 June 2016    | \$0.013/15 December 2016 |

#### ***Other Information***

Under the Australian Equivalent of the International Financial Reporting Standards (IFRS), the Company is required to expense the value of the Deferred Consideration Shares in its statement of financial performance.

Other than as disclosed in this Explanatory Memorandum, the Directors (in the absence of Ian Bailey) do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Deferred Consideration Shares to River Horse pursuant to Resolution 4.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 4.

### ***Directors' recommendation***

All of the Directors (except Ian Bailey) (who have no interest in the outcome of Resolution 4) recommend that Shareholders vote in favour of Resolution 4. Ian Bailey declines to make a recommendation about Resolution 4 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Deferred Consideration Shares to River Horse, being an entity controlled by him. The Board (other than Mr Bailey) is not aware of any other information that would reasonably be required by the Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 4.

### ***Voting***

Note that a voting exclusion applies to Resolution 4 in the terms set out in the Notice of Meeting.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

## **9.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that shareholder approval is required for an entity to issue or agree to issue equity securities to a related party.

Resolution 4 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11 for the issue of up to 300,000,000 (pre Consolidation) Deferred Consideration Shares to River Horse (or its nominee) as detailed above.

## **9.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 4:

- (a) the Deferred Consideration Shares will be issued to River Horse (or its nominee);
- (b) the maximum number of Deferred Consideration Shares to be issued to River Horse is 300,000,000 (pre Consolidation);
- (c) ASX Listing Rule 10.13.3 requires this Notice of Meeting to state the issue price of the Deferred Consideration Shares which must not be more than 1 month after the date of the Meeting. ASX has granted a waiver from ASX Listing Rule 10.13.3 to allow this Notice of Meeting to state that the Company will issue the Deferred Consideration Shares no later than 3 months after the date of the Meeting unless otherwise further extended by way of ASX granting a waiver to the ASX Listing Rules;
- (d) the Deferred Consideration Shares will be issued to River Horse, an entity controlled by Ian Bailey, the Managing Director of the Company (or its nominee);
- (e) the Deferred Consideration Shares are being issued as part consideration under the WSG Acquisition Agreements. No issue price will be payable for the issue of the Deferred Consideration Shares;
- (f) the Deferred Consideration Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and

- (g) no funds will be raised from the issue of the Deferred Consideration Shares.

If approval is given for the grant of the Deferred Consideration Shares under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

As noted in Section 8.3, completion of the Acquisition will trigger the occurrence of a “Change Event” which will give rise to the need for the Company to issue all of the Deferred Consideration Shares. If the Acquisition does not proceed for any reason, a “Change Event” will not be triggered and the Company will be required to issue the Deferred Consideration Shares pursuant to the Earn Out Deed at the times and subject to satisfaction of the performance criteria as detailed in Section 8.1. If the obligation to issue Deferred Consideration Shares arises more than 3 months after the Meeting, it is likely the Company will have to seek a further waiver from ASX Listing Rule 10.3.3 or seek fresh Shareholder approval to issue the Shares.

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## 10 Resolution 5 – Approval of conversion rights of the August Facility

### 10.1 Background

On 30 August 2016, the Company announced that it had entered into facility deeds with various sophisticated and professional investors in respect of a facility to raise \$1.56 million (**August Raising**). Of this amount, \$1,530,000 was raised from unrelated parties of the Company (**August Facility**), and \$30,000 was raised from Roslyn McDonald, the wife of Director Tom McDonald (**McDonald Facility**). Resolution 5 seeks Shareholder approval for the conversion rights of the August Facility and Resolution 6 seeks Shareholder approval for the conversion rights of the McDonald Facility.

Funds raised from the August Raising were and will be used by the Company to reduce the rental book debt, provide funding for targeted value accretive acquisitions, provide ongoing funding for the growth of the Company’s rental book and provide general working capital.

The key terms of the August Facility are set out below:

- (a) **Security:** the August Facility is unsecured.
- (b) **Maturity date:** 2 years from the date of issue.
- (c) **Interest:** 10.5% per annum payable monthly in arrears.
- (d) **Early repayment:** the Company has the right to repay the August Facility in full upon 90 days’ notice, but if it elects to do so, the holder shall have a prior right to convert the August Facility into Shares (subject to Shareholder approval the subject of Resolution 5).
- (e) **Conversion:** subject to Shareholder approval the subject of Resolution 5, the August Facility will become convertible into Shares, and will be converted into an Equity Security for the purposes of the ASX Listing Rules as it will be a convertible security. The August Facility is convertible into Shares:
  - (i) at the holder’s election at any time 12 months after the issue of the August Facility; and

- (ii) at the Company's election, if a "Major Transaction" occurs. Broadly, a Major Transaction means any acquisition or agreement by the Company to acquire an asset whose enterprise value or consideration payable by the Company would, in the Company's reasonable opinion, be equal to or more than 20% of the market capitalisation of the Company as determined immediately before completion of the Major Transaction.
- (f) **Conversion price:** the August Facility is convertible into Shares at the lower of:
- (i) a 20% discount to the 30 day VWAP of Shares as at the date of conversion; and
  - (ii) 2 cents.

The Company has determined that the Acquisition of FEI will constitute a Major Transaction under the August Facility terms, and subject to Shareholder approval, if the Acquisition proceeds, the Company intends to exercise its rights to convert the August Facility in full.

The 30 day VWAP of Shares on the 30 days prior to 14 December 2016 was \$0.01185. If the August Facility was converted on this day, a conversion price of \$0.00948 would be used and 162,525,928 (pre Consolidation) Shares would be issued on conversion of the August Facility.

The terms of the August Facility also provide that subject to Shareholder approval the subject of Resolution 8, the Company will issue 756,055 (pre Consolidation) Attaching Options to the holders of the August Facility for no additional cash consideration.

Resolution 5 seeks Shareholder approval to approve the conversion rights of the August Facility and into an Equity Security for the purposes of the ASX Listing Rules. The number of Shares to be issued, if the August Facility is subsequently converted into Shares, will depend on the conversion price at the time of conversion, as detailed above.

## 10.2 ASX Listing Rules 7.1

A summary of ASX Listing Rule 7.1 is set out in Section 8.4.

The effect of Resolution 5 will be to approve the conversion rights of the August Facility, and into an Equity Security for the purposes of the ASX Listing Rules, without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

## 10.3 Technical information required by ASX Listing Rules 7.1 and 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 5:

- (a) the August Facility will become Equity Securities. The maximum number of Shares to be issued if the August Facility is converted will depend on the conversion price of the August Facility at the time of conversion, as detailed in Section 10.1 above;
- (b) the August Facility will be converted into an Equity Security for the purposes of the ASX Listing Rules as it will be a convertible security at the time Shareholder approval is obtained. This means that the August Facility will become convertible into Shares in accordance with its terms as detailed in Section 10.1. If the August Facility is later converted, Shares issued on conversion will fall into exception 4 of ASX Listing Rule 7.2 and therefore be issued outside of the Company's 15% placement capacity under ASX Listing Rule 7.1;

- (c) the issue price of the August Facility was effectively the amount raised, being \$1,530,000. No additional funds will be raised if the August Facility is converted into Shares. The conversion price of the August Facility is set out in Section 10.1 above. ASX has granted a waiver from ASX Listing Rule 7.3.3 to allow this Notice of Meeting to not include a fixed price or a minimum price for the conversion of the August Facility into Shares;
- (d) the August Facility was issued to various sophisticated or professional investors none of whom are related parties of the Company. If the August Facility is converted, Shares issued on conversion will be issued to the holders of the August Facility;
- (e) the key terms of the August Facility are set out in Section 10.1. Any Shares issued on conversion of the August Facility will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's issued Shares;
- (f) funds raised from the August Facility were and will be used for the purposes set out in Section 10.1. No additional funds will be raised if the August Facility is converted into Shares; and
- (g) if Resolution 5 is approved, the conversion rights of the August Facility will be approved and the August Facility will become an Equity Security for the purposes of the ASX Listing Rules upon approval.

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## **11 Resolution 6 – Approval of conversion rights of the McDonald Facility**

### **11.1 Background**

As detailed in Section 10.1, in August 2016, the Company raised \$1,560,000 in the August Raising which comprised the August Facility for \$1,530,000 and the McDonald Facility for \$30,000.

The McDonald Facility was part of the August Raising, and funds raised were and will be used by the Company for purposes set out in Section 10.1.

The terms of the McDonald Facility are exactly the same as the August Facility, as detailed in Section 10.1.

As noted in Section 10.1, the Company has determined that the Acquisition of FEI will constitute a Major Transaction under the McDonald Facility terms, and subject to Shareholder approval, intends to exercise its rights to convert the McDonald Facility in full.

The 30 day VWAP of Shares on the 30 days prior to 14 December 2016 was \$0.01185. If the McDonald Facility was converted on this day, a conversion price of \$0.00948 would be used and 3,165,761 (pre Consolidation) Shares would be issued on conversion of the McDonald Facility.

The terms of the McDonald Facility also provide that subject to Shareholder approval the subject of Resolution 9, the Company will issue 15,000 (pre Consolidation) Attaching Options to Roslyn McDonald for no additional cash consideration.

Resolution 6 seeks Shareholder approval to approve the conversion rights of the McDonald Facility into an Equity Security for the purposes of the ASX Listing Rules. The

number of Shares to be issued, if the McDonald Facility is subsequently converted into Shares, will depend on the conversion price at the time of conversion, as detailed above.

## **11.2 Chapter 2E of the Corporations Act**

A summary of Chapter 2E of the Corporations Act is set out in Section 7.6. Under the Corporations Act, the spouse of a director of a public company is considered to be a related party of the company. Roslyn McDonald is the wife of Tom McDonald, a Director, and accordingly Roslyn McDonald is a related party of WSG.

The proposed approval of the conversion rights of the McDonald Facility constitutes the giving of a financial benefit to Roslyn McDonald which requires Shareholder approval under Chapter 2E of the Corporations Act unless a relevant exception applies.

Section 210 of the Corporations Act broadly provides that Shareholder approval under Chapter 2E is not required where the financial benefit provided by the public company to the related party is on arm's length terms (or worse for the related party).

The Directors have resolved (in the absence of Mr McDonald) that the arm's length exception in section 210 of the Corporations Act applies to the proposed approval of the conversion rights of the McDonald Facility, as the McDonald Facility is part of the August Raising and the terms of the McDonald Facility is exactly the same as the August Facility which was raised from unrelated parties.

Accordingly, Shareholder approval under Chapter 2E of the Corporations Act for the approval of conversion rights under the McDonald Facility is not required.

## **11.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that shareholder approval is required for an entity to issue or agree to issue equity securities to a related party.

Resolution 6 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11 to approve the conversion rights of the McDonald Facility. As noted above, the McDonald Facility has the same terms as the August Facility. Key terms of the August Facility (including conversion rights) are set out in Section 10.1. If Resolution 6 is passed, the McDonald Facility will become convertible into Shares in accordance with its terms, and will become an equity security for the purposes of the ASX Listing Rules.

## **11.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

- (a) the McDonald Facility was issued to Roslyn McDonald;
- (b) the McDonald Facility will be converted into an Equity Security for the purposes of the ASX Listing Rules at the time Shareholder approval is obtained as it will be a convertible security. This means that the McDonald Facility will become convertible into Shares in accordance with its terms as detailed in Section 10.1. The conversion price of the McDonald Facility is set out in Section 10.1. If the McDonald Facility is later converted, Shares issued on conversion will fall into exception 7 of ASX Listing Rule 10.12 and therefore be issued outside of the Company's 15% placement capacity under ASX Listing Rule 7.1;
- (c) the McDonald Facility will be converted into an Equity Security for the purposes of the ASX Listing Rules at the time the approval is obtained;

- (d) Roslyn McDonald is the wife of Tom McDonald, a Director, and therefore a related party of the Company;
- (e) the issue price of the McDonald Facility was effectively the amount raised, being \$30,000. No issue price is payable for the approval of the conversion rights of the McDonald Facility. The conversion price of the McDonald Facility is set out in Section 10.1. ASX has granted a waiver from ASX Listing Rule 10.13.5 to allow this Notice of Meeting to not include a fixed price or a minimum price for the conversion of the McDonald Facility into Shares. The key terms of the McDonald Facility are set out in Section 10.1.
- (f) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (g) funds raised from the McDonald Facility were and will be used for the purposes set out in Section 10.1. No additional funds will be raised if the McDonald Facility is converted into Shares.

If approval is given for the grant of the Shares under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

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## 12 Resolution 7 – Approval of conversion rights of the December Facility

### 12.1 Background

On [22] December 2016, the Company announced that it had entered into facility deeds with various sophisticated and professional investors in respect of a facility to raise \$NZ430,000 (**December Facility**). Additional amounts may be raised under the December Facility, up to a limit of A\$500,000.

Resolution 7 seeks Shareholder approval for the conversion rights of the December Facility.

Funds raised from the December Facility were and will be used by the Company to cover costs related to the Acquisition and for working capital.

The key terms of the December Facility are set out below (and are substantially the same as the August Facility):

- (a) **Security:** the December Facility is unsecured.
- (b) **Maturity date:** 2 years from the date of issue.
- (c) **Interest:** 10.5% per annum payable monthly in arrears.
- (d) **Early repayment:** the Company has the right to repay the December Facility in full upon 90 days' notice, but if it elects to do so, the holder shall have a prior right to convert the December Facility into Shares (subject to Shareholder approval the subject of Resolution 7).
- (e) **Conversion:** subject to Shareholder approval the subject of Resolution 7, the December Facility will become convertible into Shares, and into an Equity Security for the purposes of the ASX Listing Rules. The December Facility is convertible into Shares:

- (i) at the holder's election at any time 12 months after the issue of the December Facility; and
  - (ii) at the Company's election, if a "Major Transaction" occurs. Broadly, a Major Transaction means any acquisition or agreement by the Company to acquire an asset whose enterprise value or consideration payable by the Company would, in the Company's reasonable opinion, be equal to or more than 20% of the market capitalisation of the Company as determined immediately before completion of the Major Transaction.
- (f) **Conversion price:** the December Facility is convertible into Shares at the lower of
- (i) a 20% discount to the 30 day VWAP of Shares as at the date of conversion; and
  - (ii) 2 cents.

The Company has determined that the Acquisition of FEI will constitute a Major Transaction under the December Facility terms, and subject to Shareholder approval, if the Acquisition proceeds, the Company intends to exercise its rights to convert the December Facility in full.

The 30 day VWAP of Shares on the 30 days prior to 14 December 2016 was \$0.01185. If the December Facility was converted on this day, a conversion price of \$0.00948 would be used and assuming a total of \$500,000 is raised under the December Facility, 52,762,677 Shares would be issued on conversion of the December Facility.

The terms of the December Facility also provide that subject to Shareholder approval the subject of Resolution 10, the Company will issue up to 250,000 (pre Consolidation) Attaching Options to the holders of the December Facility for no additional cash consideration.

Resolution 7 seeks Shareholder approval to approve the conversion rights of the December Facility and into an Equity Security for the purposes of the ASX Listing Rules. The number of Shares to be issued, if the December Facility is subsequently converted into Shares, will depend on the conversion price at the time of conversion, as detailed above.

## 12.2 ASX Listing Rules 7.1

A summary of ASX Listing Rule 7.1 was provided in Section 8.4.

The effect of Resolution 7 will be to approve the conversion rights of the December Facility, and into an Equity Security for the purposes of the ASX Listing Rules, without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

## 12.3 Technical information required by ASX Listing Rules 7.1 and 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 7:

- (a) the December Facility will become an Equity Security. The maximum number of Shares to be issued if the December Facility is converted will depend on the conversion price of the December Facility at the time of conversion, as detailed in Section 12.1 above;

- (b) the December Facility will be converted into an Equity Security for the purposes of the ASX Listing Rules at the time Shareholder approval is obtained as it will be a convertible security. This means that the December Facility will become convertible into Shares in accordance with its terms as detailed in Section 12.1. If the December Facility is later converted, Shares issued on conversion will fall into exception 7 of ASX Listing Rule 10.12 and therefore be issued outside of the Company's 15% placement capacity under ASX Listing Rule 7.1;
- (c) the issue price of the December Facility was effectively the amount raised.. No additional funds will be raised if the December Facility is converted into Shares. The conversion price of the December Facility is set out in Section 12.1 above. ASX has granted a waiver from ASX Listing Rule 7.3.3 to allow this Notice of Meeting to not include a fixed price or a minimum price for the conversion of the December Facility into Shares;
- (d) the December Facility was issued to various sophisticated or professional investors none of whom are related parties of the Company. If the December Facility is converted, Shares issued on conversion will be issued to the holders of the December Facility;
- (e) the key terms of the December Facility are set out in Section 12.1. Any Shares issued on conversion of the December Facility will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's issued Shares;
- (f) funds raised from the December Facility were and will be used for the purposes set out in Section 12.1. No additional funds will be raised if the December Facility is converted into Shares; and
- (g) if Resolution 7 is approved, the conversion rights of the December Facility will be approved and the December Facility will become an Equity Security for the purposes of the ASX Listing Rules upon approval.

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## 13 Resolution 8 – Proposed issue of Attaching Options to the investors under the August Facility

### 13.1 Background

As noted in Section 10.1, in connection with the August Facility, the Company agreed, subject to Shareholder approval, to issue one Attaching Option for every \$2 loaned to the Company, each Attaching Option having an exercise price of \$0.02 and an expiry date of 24 months from the date of issue, and on the terms further outlined in Schedule 5.

Resolution 8 seeks Shareholder approval for the purpose of Listing Rule 7.1 and for all other purposes for the issue of a maximum of 756,055 (pre Consolidation) Attaching Options.

### 13.2 ASX Listing Rules 7.1

A summary of ASX Listing Rule 7.1 was provided in Section 8.4.

The effect of Resolution 8 will be to allow the Company to issue the Attaching Options, the subject of Resolution 8 during the period of 3 months after the Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

### 13.3 Technical information required by ASX Listing Rules 7.1 and 7.3

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3:

- (a) the maximum number of Attaching Options the Company can issue is 756,055 (pre Consolidation);
- (b) the Company will issue the Attaching Options no later than three months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (c) the Attaching Options will be issued in connection with the August Facility. No additional consideration will be payable for the issue of the Attaching Options;
- (d) the Attaching Options will be issued to the investors under the August Facility, all of whom are sophisticated or professional investors, and none of whom are related parties of the Company;
- (e) the Attaching Options have an exercise price of \$0.02 and expire on the date 24 months from the date of issue. The full terms of the Attaching Options are set out in Schedule 5;
- (f) no funds will be raised by the issue of the Attaching Options. If the Attaching Options are exercised the intended use of funds will be used for working capital; and
- (g) it is anticipated that the Attaching Options will be issued on one date.

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## 14 Resolution 9 – Proposed issue of Attaching Options to Roslyn McDonald

### 14.1 Background

As detailed in Section 11.1, in connection with the McDonald Facility, the Company agreed, subject to Shareholder approval, to issue one Attaching Option for every \$2 loaned to the Company, each Attaching Option having an exercise price of \$0.02 and an expiry date of 24 months from the date of issue, and on the terms further outlined in Schedule 5.

Resolution 10 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11 and for all other purposes for the issue of a maximum of 15,000 (pre Consolidation) Attaching Options.

### 14.2 Chapter 2E of the Corporations Act

A summary of Chapter 2E of the Corporations Act is set out in Section 7.6. As noted above, Roslyn McDonald is a related party of WSG.

The proposed issue of Attaching Options to Roslyn McDonald constitutes the giving of a financial benefit to Roslyn McDonald which requires Shareholder approval under Chapter 2E of the Corporations Act unless a relevant exception applies.

Section 210 of the Corporations Act broadly provides that Shareholder approval under Chapter 2E is not required where the financial benefit provided by the public company to the related party is on arm's length terms (or worse for the related party).

The Directors have resolved (in the absence of Mr McDonald) that the arm's length exception in section 210 of the Corporations Act applies to the proposed issue of Attaching Options to Roslyn McDonald given the entitlement to the Attaching Options arises under the McDonald Facility which was part of the August Raising and the investors under the August Facility (who are unrelated to the Company) have the same pro rata entitlement to Attaching Options.

Accordingly, Shareholder approval under Chapter 2E of the Corporations Act for the issue of Attaching Options to Roslyn McDonald is not required.

#### **14.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that shareholder approval is required for an entity to issue or agree to issue equity securities to a related party.

Resolution 9 seeks Shareholder approval for the purposes of ASX Listing Rule 10.11 to issue 15,000 (pre Consolidation) Attaching Options to Roslyn McDonald.

#### **14.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 9:

- (a) the Attaching Options will be issued to Roslyn McDonald or her nominees;
- (b) the maximum number of Attaching Options the Company can issue is 15,000 (pre Consolidation);
- (c) the Company will issue the Attaching Options no later than 1 month after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (d) Roslyn McDonald is the wife of Tom McDonald, a Director, and therefore a related party of the Company;
- (e) the Attaching Options have an exercise price of \$0.02 and expire on the date 24 months from the date of issue. The full terms of the Attaching Options are set out in Schedule 5; and
- (f) no funds will be raised by the issue of the Attaching Options. If the Attaching Options are exercised the intended use of funds will be used for working capital.

If approval is given for the grant of the Shares under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

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## **15 Resolution 10 – Proposed issue of Attaching Options to the investors under the December Facility**

### **15.1 Background**

As noted in Section 12.1, in connection with the December Facility, the Company agreed, subject to Shareholder approval, to issue one Attaching Option for every \$2 loaned to the Company, each Attaching Option having an exercise price of \$0.02 and an expiry date of 24 months from the date of issue, and on the terms further outlined in Schedule 5.

Resolution 10 seeks Shareholder approval for the purpose of Listing Rule 7.1 and for all other purposes for the issue of a maximum of 250,000 (pre Consolidation) Attaching Options.

### **15.2 ASX Listing Rules 7.1**

A summary of ASX Listing Rule 7.1 was provided in Section 8.4.

The effect of Resolution 10 will be to allow the Company to issue 250,000 (pre Consolidation) Attaching Options, the subject of Resolution 10 during the period of 3 months after the Meeting (or a longer period if allowed by ASX), without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

### **15.3 Technical information required by ASX Listing Rules 7.1 and 7.3**

The following information in relation to the Shares to be issued is provided to Shareholders for the purposes of Listing Rule 7.3:

- (a) the maximum number of Attaching Options the Company can issue is 250,000 (pre Consolidation);
- (b) the Company will issue the Attaching Options no later than three months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (c) the Attaching Options will be issued in connection with the December Facility. No additional consideration will be payable for the issue of the Attaching Options;
- (d) the Attaching Options will be issued to the investors under the December Facility, all of whom are sophisticated or professional investors, and none of whom are related parties of the Company;
- (e) the Attaching Options have an exercise price of \$0.02 and expire on the date 24 months from the date of issue. The full terms of the Attaching Options are set out in Schedule 5;
- (f) no funds will be raised by the issue of the Attaching Options. If the Attaching Options are exercised the intended use of funds will be used for working capital; and
- (g) it is anticipated that the Attaching Options will be issued on one date.

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## 16 Resolution 11 – Consolidation of capital

### 16.1 Background

Resolution 11 seeks approval for the Company to consolidate the Company's issued capital by consolidating every 30 Shares into 1 Share (**Consolidation**).

The Company currently has 842,775,340 Shares on issue, and as detailed in Section 1.6, if Resolutions 1 to 7 are passed and all Shares the subject of these Resolutions are issued, it will have approximately 3,777,778,928 Shares on issue (using a conversion price of \$0.00948 for the August Facility, McDonald Facility and December Facility and assuming a total of \$500,000 is raised under the December Facility).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward.

If Resolution 11 is passed, the Company will have obtained Shareholder approval to implement the Consolidation with effect on or from the Effective Date (defined below).

### 16.2 Effective Date of the Consolidation

If Shareholders approve Resolution 11, the Consolidation will take effect on a date to be announced by the Company with at least 7 business days' notice (**Effective Date**). The Directors intend to implement the Consolidation post completion of the Acquisition and the issue of Shares the subject of Resolutions 3 to 7, and issue of Attaching Options the subject of Resolutions 8 to 10, but prior to the issue of any Earn-Out Shares which is expected to be in May 2017.

An indicative timetable for the Consolidation is set out on page 1.

### 16.3 Corporations Act requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed at a general meeting, convert all or any of its securities into a larger or smaller number of securities. The result of the Consolidation is that each member's security holding will be reduced to one thirtieth of its current level.

### 16.4 Fractional entitlements

Fractions of a security resulting from the Consolidation will be cancelled and extinguished. Each member's proportional interest in the Company's issued capital will, however, remain unchanged as a result of the Consolidation (other than minor variations resulting from rounding).

### 16.5 Rights attaching to Shares

Shareholders will hold the same proportion of the Company's share capital and net assets before and after the Consolidation. The current rights attaching to the Shares will not be affected by the Consolidation.

### 16.6 Taxation

It is not considered that any taxation implications will exist for Shareholders arising from the Consolidation. However, Shareholders are advised to seek their own tax advice on the effect of the Consolidation and the Company does not accept any responsibility for the individual taxation implications arising from the Consolidation.

## 16.7 Holding statements

As from the effective date of the Consolidation, all holding statements for Shares will cease to have any effect except as evidence of entitlement to a certain number of pre-Consolidation Shares.

After the Consolidation becomes effective, the Company will despatch a notice to Shareholders advising them of the number of Shares held by each Shareholder both before and after the Consolidation. The Company will also arrange for new holding statements to be issued to Shareholders.

## 16.8 Options

ASX Listing Rule 7.22.1 requires that if a company consolidates its capital, the number of options it has on issue must be consolidated in the same ratio as the shares and their exercise prices be amended in inverse proportion to that ratio. The expiry dates of options do not change.

## 16.9 Effect on capital structure

As noted above, it is intended that the Consolidation will take place post completion of the Acquisition and the issue of Shares the subject of Resolutions 3 to 7, and issue of Attaching Options the subject of Resolutions 8 to 10, but prior to the issue of any Earn-Out Shares.

On this basis, if the Consolidation is implemented, the number of Shares in the Company will reduce from 3,211,229,705 to 107,040,990 and if the maximum number of Earn-Out Shares is issued, the number of Shares in the Company at that point will be 125,925,964.

The table below sets out the Company's existing Options and the Attaching Options the Company proposes to issue if Resolutions 9 to 12 are passed:

|                   | Number      | Exercise Price | Expiry Date                      |
|-------------------|-------------|----------------|----------------------------------|
| Existing Options  | 125,000,000 | \$0.02         | 17 March 2018                    |
| Existing Options  | 25,000,000  | \$0.025        | 24 months from date of issue     |
| Attaching Options | 1,021,055   | \$0.02         | 24 months from the date of issue |

If Resolution 11 is passed and the Consolidation proceeds, the number and exercise price of the Options will be reorganised in accordance with ASX Listing Rule 7.22.1 such that the number of total number of Options following the Consolidation will be as follows:

|                   | Number    | Exercise Price | Expiry Date                      |
|-------------------|-----------|----------------|----------------------------------|
| Existing Options  | 4,166,667 | \$0.6          | 17 March 2018                    |
| Existing Options  | 833,333   | \$0.75         | 24 months from the date of issue |
| Attaching Options | 34,035    | \$0.6          | 24 months from the date of issue |

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## Schedule 1      Glossary

In this Explanatory Memorandum the following words have the following meaning:

|                                      |   |
|--------------------------------------|---|
| <b>Accounting Standards</b>          | has the meaning given to that term in the Corporations Act.   |
| <b>ACN</b>                           | Australian Company Number.  |
| <b>Acquisition</b>                   | The meaning given in Section 1.2.   |
| <b>AEST</b>                          | Australian Eastern Standard Time.   |
| <b>ASIC</b>                          | Australian Securities and Investments Commission.   |
| <b>Associate</b>                     | The meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the “designated body” for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established. |
| <b>ASX</b>                           | ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.   |
| <b>ASX Listing Rules</b>             | The official listing rules of ASX as amended from time to time.   |
| <b>Attaching Options</b>             | Options with the terms of which are set out in Schedule 5.  |
| <b>August Facility</b>               | The meaning given in Section 10.1.  |
| <b>August Raising</b>                | The meaning given in Section 10.1.  |
| <b>Board</b>                         | Board of Directors.   |
| <b>Business Day</b>                  | A day on which trading takes place on the stock market of ASX.  |
| <b>Company or WSG</b>                | WolfStrike Rentals Group Ltd ACN 107 745 095 and where the context required includes its subsidiaries.  |
| <b>Consolidation</b>                 | The meaning given in Section 16.1.  |
| <b>Constitution</b>                  | The Constitution of the Company.  |
| <b>Consideration Shares</b>          | The Shares to be issued to the FEI Vendors or their nominees under the SPA should the Acquisition proceed, as defined in Section 1.5.   |
| <b>Corporations Act</b>              | The <i>Corporations Act</i> 2001 (Cth).   |
| <b>December Facility</b>             | The meaning given in Section 12.1.  |
| <b>December Raising</b>              | The meaning given in Section 12.1.  |
| <b>Deferred Consideration Shares</b> | The meaning given in Section 8.1.   |
| <b>Director</b>                      | A director of the Company.  |
| <b>Earn Out Deed</b>                 | The earn out deed between the Company, Kingfisher and River Horse dated 5 December 2016, as further described in Sections 8.1 and 8.2.  |
| <b>Earn-Out Shares</b>               | The meaning given in Section 1.5.   |
| <b>EBITDA</b>                        | Earnings before interest, tax, depreciation and amortisation.   |

|                                      |  |
|--------------------------------------|--|
| <b>Effective Date</b>                | The meaning given in Section 16.2.   |
| <b>Equity Securities</b>             | The meaning given to that term in the ASX Listing Rules.   |
| <b>Explanatory Memorandum</b>        | Explanatory Memorandum accompanying the Notice of Meeting.   |
| <b>FEI or FE Investments Limited</b> | FE Investments Limited, a New Zealand company with registration number 1353487.  |
| <b>FEI Vendors</b>                   | The current shareholders of FEI, as detailed in Schedule 4.  |
| <b>GDP</b>                           | Gross domestic product.  |
| <b>GFC</b>                           | Global financial crisis.   |
| <b>IER</b>                           | The Independent Expert's Report prepared by the Independent Expert and annexed as Schedule 3.  |
| <b>Independent Expert</b>            | RSM Corporate Australia Pty Ltd.   |
| <b>Kingfisher</b>                    | Kingfisher Corporate Trustee Limited, a New Zealand company with registration number 4531758 and a WolfStrike Vendor.                      |
| <b>Lease Tech</b>                    | Lease Tech Limited   |
| <b>Major Transaction</b>             | The meaning given in Section 10.1.   |
| <b>McDonald Facility</b>             | The meaning given in Section 11.1.   |
| <b>Meeting</b>                       | The general meeting of the Company convened by the Notice of Meeting.  |
| <b>Minimum Capital Ratio</b>         | The meaning given in Section 4.2(a).   |
| <b>Notice of Meeting</b>             | The notice convening the Meeting, which accompanies this Explanatory Memorandum.   |
| <b>NPBTBD</b>                        | Net profit before tax and bad debts.   |
| <b>Options</b>                       | An option to acquire a Share.  |
| <b>Optionholder</b>                  | A holder of an Option.   |
| <b>Prospectus</b>                    | The Company's relisting prospectus dated 24 December 2015.   |
| <b>Proxy Form</b>                    | Proxy Form attached to the Notice of Meeting.  |
| <b>RBNZ</b>                          | The Reserve Bank of New Zealand.   |
| <b>relevant interest</b>             | The meaning given to that term in section 608 of the Corporations Act.   |
| <b>Resolution</b>                    | A resolution in the Notice of Meeting.   |
| <b>River Horse</b>                   | River Horse Trustee Limited, a New Zealand company with registration number 2140601, and controlled by Ian Bailey and a WolfStrike Vendor. |
| <b>S&amp;P</b>                       | Standard and Poor's Financial Services LLC.  |
| <b>Section</b>                       | A section in this Explanatory Memorandum.  |
| <b>Security</b>                      | A Share, Option or Performance Right (as applicable).  |
| <b>Share</b>                         | A fully paid ordinary share in the capital of the Company.   |
| <b>Shareholder</b>                   | The registered holder of a Share.  |
| <b>SME</b>                           | Small and medium sized enterprises.  |
| <b>SPA</b>                           | The share purchase agreement between the Company and the FEI Vendors entered into on or about 30 November 2016, for the                    |

|                                   |  |
|-----------------------------------|--|
| <b>Supervisor</b>                 | Company to acquire all of the issued shares in FEI.<br>Trustees Executors Limited.   |
| <b>Trust Deed</b>                 | Deed of Amendment and Restatement of Trust Deed between the Supervisor and FEI dated 18 November 2016  |
| <b>VWAP</b>                       | Volume weighted average price.   |
| <b>WolfStrike Vendors</b>         | The owners of the WolfStrike group of entities prior to their acquisition by the Company, being Kingfisher, River Horse, Travel Fund Limited ATF Travel Fund Trust, Boat Farer Limited ATF Boat Farer Trust, Retirement Limited ATF Retirement Trust, Alpine Tern Limited ATF Alpine Tern Trust, Artemis Superannuation Limited ATF Artemis Trust, Venice Trustee Limited, Kingbird Limited. |
| <b>WSG Acquisition Agreements</b> | The agreements under which the Company acquired the WolfStrike group of companies from the WolfStrike Vendors, as detailed in the Prospectus.  |

## Schedule 2 Pro forma balance sheet

### Pro Forma Merged Entity Balance Sheet as at 30 September 2016 (A\$ '000)<sup>1</sup>

| PROFORMA BALANCE SHEET                | FEI<br>pre transaction | WSG<br>pre transaction | Proforma<br>Adjustments <sup>3</sup> | WSG proforma<br>Consolidated |
|---------------------------------------|------------------------|------------------------|--------------------------------------|------------------------------|
| <b><u>ASSETS</u></b>                  |                        |                        |                                      |                              |
| <b><u>Current Assets</u></b>          |                        |                        |                                      |                              |
| Cash & Bank balances                  | 3,218                  | 566                    | 698                                  | 4,481                        |
| Finance Receivables                   | 15,504                 | 0                      | (2,525)                              | 12,979                       |
| 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                           |
| <b>Total Current Assets</b>           | <b>19,338</b>          | <b>4,446</b>           | <b>(1,828)</b>                       | <b>21,956</b>                |
| <b><u>Non-Current Assets</u></b>      |                        |                        |                                      |                              |
| Finance Receivables                   | 19,691                 | 0                      | (6,333)                              | 13,357                       |
| 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                          |
| <b>Total Non-Current Assets</b>       | <b>20,458</b>          | <b>10,297</b>          | <b>1,620</b>                         | <b>32,374</b>                |
| <b>TOTAL ASSETS</b>                   | <b>39,795</b>          | <b>14,743</b>          | <b>(208)</b>                         | <b>54,330</b>                |
| <b><u>LIABILITIES</u></b>             |                        |                        |                                      |                              |
| <b><u>Current Liabilities</u></b>     |                        |                        |                                      |                              |
| 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                       | 73                     | 0                      | 0                                    | 73                           |
| Provisions                            | 0                      | 13                     | 0                                    | 13                           |
| <b>Total Current Liabilities</b>      | <b>18,924</b>          | <b>3,774</b>           | <b>(2,525)</b>                       | <b>20,173</b>                |
| <b><u>Non-Current Liabilities</u></b> |                        |                        |                                      |                              |
| 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                       | 116                    | 0                      | 0                                    | 116                          |
| <b>Total Non-Current Liabilities</b>  | <b>12,325</b>          | <b>7,464</b>           | <b>(7,184)</b>                       | <b>12,605</b>                |
| <b>TOTAL LIABILITIES</b>              | <b>31,248</b>          | <b>11,239</b>          | <b>(9,709)</b>                       | <b>32,778</b>                |
| <b>NET ASSETS</b>                     | <b>8,547</b>           | <b>3,504</b>           | <b>9,501</b>                         | <b>21,552</b>                |
| <b><u>Shareholders Equity</u></b>     |                        |                        |                                      |                              |
| 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)                     |
| <b>TOTAL EQUITY</b>                   | <b>8,547</b>           | <b>3,504</b>           | <b>9,501</b>                         | <b>21,552</b>                |

**Notes:**

1. The Pro-forma Merged Entity Balance Sheet has been prepared in accordance with standard accounting concepts utilising the unaudited balance sheet of WSG and audited balance sheet of 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.
2. Major Assumptions
  - WSG is taken to be the parent entity and accounting acquirer for the purposes of AASB 3 (see section 1.8 for further information)
  - As it is the acquired entity, FEI's retained earnings and share capital are eliminated on acquisition.
  - Under the December Facility, WSG raises \$500,000 through the issue of convertible loans on the same terms as the August Facility. These funds are used to meet the transaction costs associated with the Acquisition.
  - The 150,000,000 unlisted options currently on issue are assumed not to convert and to remain on issue.
  - All the Deferred Consideration 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 December Facility is expensed as transaction costs.
  - All convertible loans (total \$2,048,380) are converted at a price of A\$0.00948 per share.
  - Initial Consideration Shares (1,650,000,000) are issued at a deemed price of A\$0.01 per share.
  - Deferred Consideration 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 initial Consideration Shares is recorded as an intangible asset.

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## **Schedule 3      Independent's Expert Report**



# WOLFSTRIKE RENTALS GROUP LIMITED

Financial Services Guide and Independent Expert's Report

31 January 2017

*We have concluded that the Proposed Transaction is Fair and Reasonable to Shareholders of WolfStrike Rentals Group Limited*

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AUDIT | TAX | CONSULTING





# FINANCIAL SERVICE GUIDE

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 ("RSM Corporate Australia Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

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

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing you under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

## Financial services we will provide

For the purposes of our report and this FSG, the financial service we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

## General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

## Benefits that we may receive

We charge various fees for providing different financial services. However, in respect of the financial service being provided to you by us, fees will be agreed, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

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

## Remuneration or other benefits received by our employees

All our employees receive a salary.

## Referrals

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

## Associations and relationships

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Corporate Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM Australia related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

## **Complaints Resolution**

### **Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Corporate Australia Pty Ltd, P O Box R1253, Perth, WA, 6844.

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

### **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact Details**

You may contact us using the details set out at the top of our letterhead on page 1 of this report.

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31 January 2017

The Directors  
WolfStrike Rentals Group Limited  
Level 32  
101 Miller Street  
North Sydney NSW 2060

Dear Directors

## INDEPENDENT EXPERT'S REPORT ("REPORT")

### 1. Introduction

- 1.1 This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to be provided to shareholders for a General Meeting of WolfStrike Rentals Group Limited ("WolfStrike" or "the Company") to be held in early 2017, at which shareholder approval will be sought for a number of resolutions, including Resolution 2 for the following transaction.

#### Resolution 2 – Issue of Shares to FEI Vendors

*"That, subject to the passing of Resolution 1, for the purposes of section 611 (item 7) of the Corporations Act, and for all other purposes, approval is given for the Directors to issue up to 2,216,549,223 Consideration Shares (on a pre Consolidation basis) to the FEI Vendors (or their nominees) to increase their voting power to a maximum of 58.67% (if Resolutions 3 to 7 are passed and the relevant Shares issued) or 72.45% (if Resolutions 3 to 7 are not passed) as consideration for the acquisition by the Company of all of the issued shares in FE Investments Limited on the terms and conditions set out in the Explanatory Memorandum".*

- 1.2 Resolution 1 (referred to above) is in respect of obtaining Shareholder approval for the acquisition of all the issued shares in FE Investments Limited ("FEI") pursuant to the Share Purchase Agreement dated 30 November 2016 between the FEI Vendors and WolfStrike ("SPA"). Resolution 2 is contingent on Resolution 1 being approved by the Shareholders (collectively the "Proposed Transaction").
- 1.3 The Directors of the Company have requested that RSM Corporate Australia Pty Ltd ("RSM"), being independent and qualified for the purpose, express an opinion as to whether Resolution 2 is fair and reasonable to shareholders not associated with the Proposed Transaction (the "Non-Associated Shareholders").

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RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- 1.4 The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

## 2. Summary and Conclusion

### Opinion

- 2.1 In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders of WolfStrike.

### Approach

- 2.2 In assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have considered Australian Securities and Investment Commission (“ASIC”) Regulatory Guide 111 – *Content of Expert Reports* (“RG 111”), which provides specific guidance as to how an expert is to appraise transactions.
- 2.3 Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.
- 2.4 Therefore we have considered whether or not the Proposed Transaction is “fair” to the Non-Associated Shareholders by assessing and comparing:
- The Fair Value of a Share in WolfStrike on a control basis prior to the Proposed Transaction; with
  - The Fair Value of a Share in WolfStrike on a non-control basis immediately post completion of the Proposed Transaction,
- and, considered whether the Proposed Transaction is “reasonable” to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision as to whether or not to approve the Proposed Transaction.
- 2.5 Further information of the approach we have employed in assessing whether the Proposed Transaction is “fair and reasonable” is set out at Section 4 of this Report.

### Fairness

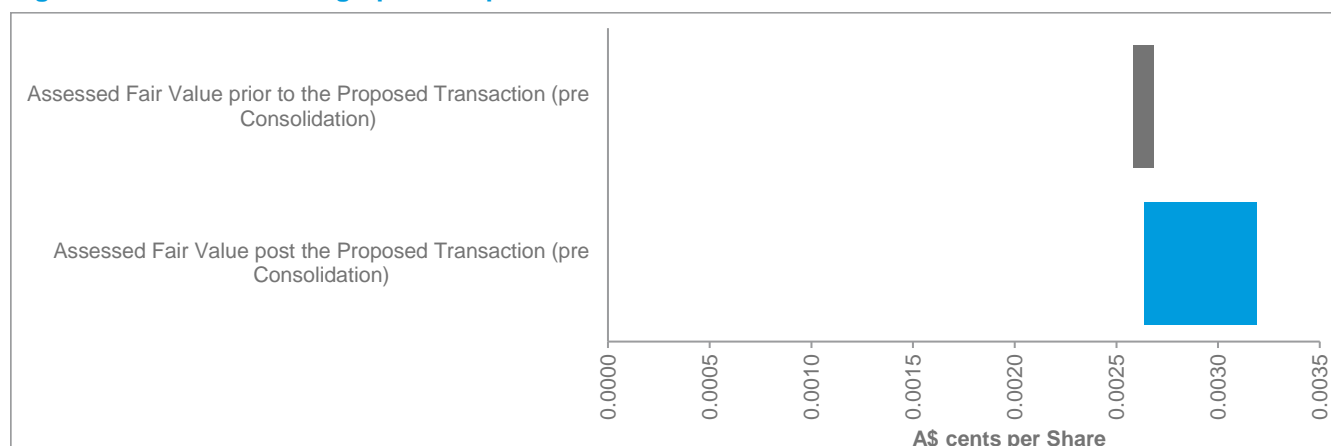
- 2.6 Our assessed values of a WolfStrike Share prior to and immediately after the Proposed Transaction are summarised in the table and figure below.

**Table 1 Assessed values of a WolfStrike Share prior to and post the Proposed Transaction**

| Assessment of fairness<br>A\$   | Ref. | Value     |           |
|---|------|-----------|-----------|
|   |      | Low       | High      |
| Assessed Fair Value prior to the Proposed Transaction (pre Consolidation) | 8.2  | \$ 0.0026 | \$ 0.0026 |
| Assessed Fair Value post the Proposed Transaction (pre Consolidation)     | 9.2  | \$ 0.0026 | \$ 0.0032 |

Source: RSM analysis

**Figure 1 Share valuation graphical representation**



Source: RSM analysis

- 2.7 The chart above indicates that the range of values post the Proposed Transaction are equal to or above the range of the values prior to the Proposed Transaction.
- 2.8 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Act, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of WolfStrike. We have reached this conclusion based on the analysis of prior to and post Proposed Transaction values.

## Reasonableness

- 2.9 RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:
- The future prospects of the Company if the Proposed Transaction does not proceed; and
  - Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.
- 2.10 If the Proposed Transaction does not proceed the Board will continue to look for other strategic opportunities for companies or assets that may complement WolfStrike's existing business; with a view to adding greater shareholder value in line with the Company's growth through acquisition strategy.
- 2.11 The key advantages of the Proposed Transaction are:
- The Proposed Transaction is Fair;
  - WolfStrike will benefit from substantial synergies from the integration of the two businesses over time, including access to retail cost of funds and new business and funding products which it can offer to existing and new customers;
  - FEI will provide the Company with added surety of financing to grow its rent book and at costs of funds available to normal financial institutions;
  - The Company will increase its assets through FEI's funding facilities held with customers other than WolfStrike;
  - New directors will add relevant experience, skills and networks to the Company.

- The acquisition may encourage new investors in the Company which may lead to increased liquidity and greater trading depth than currently experienced by Shareholders.

2.12 The key disadvantages of the Proposed Transaction are:

- The Non-Associated Shareholders' interests in the Company will be significantly diluted from 100% to 22.3% (21.5% fully diluted).
- Change in risk profile of the Company.

2.13 We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of WolfStrike at this time.

2.14 In our opinion, the position of the Non-Associated Shareholders of WolfStrike if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of WolfStrike.

### 3. Summary of Transaction

#### Overview

- 3.1 The Company has entered into a conditional SPA to acquire 100% of the issued capital of FEI ("Proposed Transaction").
- 3.2 In consideration for the acquisition of FEI, WolfStrike will issue a total of up to 2,216,549,223 (pre Consolidation) fully paid ordinary WolfStrike Shares comprising:
  - An initial upfront issue of 1,650,000,000 (pre Consolidation) Shares ("Consideration Shares"); and
  - Up to an additional 566,549,223 (pre Consolidation) Shares ("Earn-Out Shares") subject to FEI achieving 90% of FEI's projected Net Profit before tax and bad debts/loan provisions ("NPBTBD") for FEI's financial year ending 31<sup>st</sup> March 2017 as per the projections provided to WolfStrike board ("Projections"). Should the first year Projections not be achieved, the number of Earn-Out Shares to be issued will reduce proportionately, with any remaining Earn-Out Shares to be issued should the combined WolfStrike group ("Group") achieve at least 75% of the group's NPBTBD for the year ended 31 March 2018. It is assumed that if the Proposed Transaction proceeds, all of the Earn-Out Shares will be issued.
- 3.3 Following completion of the Proposed Transaction, subject to shareholder approval, it is anticipated that a consolidation of the Company's issued capital will occur by consolidating every 30 Shares into every 1 Share ("Consolidation").
- 3.4 If the Proposed Transaction proceeds FEI will become a wholly owned subsidiary of the Company and FEI will be entitled to appoint two nominees, TK Shim and Mel Stewart, to the WolfStrike Board.

#### Key conditions of the Proposed Transaction

- 3.5 Completion of the Proposed Transaction is subject to and conditional upon a number of conditions precedent, including:
  - WolfStrike being satisfied with the diligence investigation of FEI's business and operations;
  - WolfStrike and the FEI Vendors being satisfied with Standard & Poors' evaluation of WolfStrike's credit rating assuming the Acquisition completes;
  - WolfStrike obtaining all necessary internal WolfStrike Board, shareholder, regulatory and ASX approvals;
  - The Proposed Transaction being deemed fair and reasonable to Non-Associated WolfStrike Shareholders in this Report;
  - The approval of the Reserve Bank of New Zealand ("RBNZ") under the New Zealand Non-bank Deposit Takers Act 2013 ("NBDT Act") and regulations thereunder being obtained on terms which are satisfactory to WolfStrike and FEI;
  - The approval of Trustees Executors Limited (the "Trustee") being obtained on terms which are satisfactory to WolfStrike and FEI; and
  - The financial statements of WolfStrike to 30 June 2016 and its quarterly results to 30 September 2016 being acceptable to the FEI Shareholders.

#### Rationale for the Proposed Transaction

- 3.6 The acquisition of FEI, a major lender to the Company, could deliver WolfStrike with greater access to funding lines at a reduced interest rate than currently received, which would provide the Company with greater financial certainty and sustainability to execute its growth through acquisitions strategy. In addition, the Company could achieve substantial synergies from integrating with FEI, including the potential for a combined entity to grow its position in the leasing market in Australia and New Zealand.

## Impact of Proposed Transaction on WolfStrike's Capital Structure

3.7 The following table sets out a summary of the capital structure of WolfStrike prior to and post the Proposed Transaction.

**Table 2 Share structure of WolfStrike prior to and post the Proposed Transaction**

|  | Ref. | Prior to Proposed Transaction |             | Post Proposed Transaction |             |
|--|------|-------------------------------|-------------|---------------------------|-------------|
| <b>Pre Consolidation Shares on issue:</b>                |      |                               |             |                           |             |
| Non-Associated Shareholders                              | 5.27 | 842,775,340                   | 100%        | 842,775,340               | 22.3%       |
| FEI Shareholders   | 3.2  | -                             | 0%          | 1,650,000,000             | 43.7%       |
| FEI Earn-out Shares                                      | 3.2  | -                             | 0%          | 566,549,223               | 15.0%       |
| Performance Shares                                       | 3.8  | -                             | 0%          | 500,000,000               | 13.2%       |
| Convertible Facility Shares                              | 3.9  | -                             | 0%          | 218,454,365               | 5.8%        |
| <b>Total pre Consolidation undiluted Shares on issue</b> |      | <b>842,775,340</b>            | <b>100%</b> | <b>3,777,778,928</b>      | <b>100%</b> |
| <b>Pre Consolidation Options</b>                         |      |                               |             |                           |             |
| Existing Options   | 3.13 | 150,000,000                   | 100%        | 150,000,000               | 99.3%       |
| Attaching Options  | 3.12 | -                             | 0%          | 1,021,055                 | 0.7%        |
| <b>Total pre Consolidation Options on issue</b>          |      | <b>150,000,000</b>            | <b>100%</b> | <b>151,021,055</b>        | <b>100%</b> |
| <b>Fully diluted position:</b>                           |      |                               |             |                           |             |
| Non-Associated Shareholders                              |      | 842,775,340                   | 85%         | 842,775,340               | 21.5%       |
| FEI Shareholders   |      | -                             | 0%          | 2,216,549,223             | 56.4%       |
| Others   |      | 150,000,000                   | 15%         | 869,475,420               | 22.1%       |
| <b>Total pre Consolidation diluted Shares on issue</b>   |      | <b>992,775,340</b>            | <b>100%</b> | <b>3,928,799,983</b>      | <b>100%</b> |

Source: Company Estimates

### *Performance Shares*

3.8 Under the terms of the sale agreements in which the Company acquired the WolfStrike group of companies on 18 March 2016, up to 595,671,000 (pre Consolidation) deferred consideration shares are issuable by the Company to certain WolfStrike vendors subject to the achievement of performance criteria to be agreed ("Deferred Consideration Shares"). On 7 December 2016, the Company announced that it had agreed with the relevant WolfStrike vendors that the Company's obligation to issue Deferred Consideration Shares will be to issue up to a maximum of 500,000,000 Deferred Consideration Shares (on a pre Consolidation basis) subject to shareholder approval and the achievement of specified performance criteria as detailed in the Notice of Meeting. Under this agreement, if the Proposed Transaction proceeds a "Change Event" will be deemed to have occurred, whereby if a person acquires a relevant interest of 30% or more of the voting Shares in WolfStrike, all 500,000,000 (pre Consolidation) Shares will become issuable immediately.

### *Convertible Facility Securities*

3.9 On 30 August 2016, the Company announced that it had entered into facility deeds to raise A\$1.56 million from sophisticated and professional investors ("August Raising"). Of this amount, A\$1.53 million was raised from unrelated parties of the Company ("August Facility") and A\$30,000 was raised from Roslyn McDonald, the wife of Director Tom McDonald ("McDonald Facility"). The Company is subsequently proposing to raise a

further A\$500,000 via facility deeds from sophisticated and professional investors (“December Facility”) (together the “Convertible Facility”)

3.10 The key terms of the Convertible Facility are:

- Maturity date is 24 months from the date of issue;
- Interest rate is 10.5% per annum payable monthly in arrears;
- Conversion price is at the lower of a 20% discount to the 30 day VWAP of Shares as at the date of conversion and \$0.02.
- Convertible at the holder’s election at any time 12 months after issue of the facility and at the Company’s election if a “Major Transaction” occurs. The Company has determined that the Proposed Transaction will constitute a Major Transaction.

3.11 The 30 day VWAP as at 14 December 2016 was \$0.01185. Consequently, for the purposes of our Report, we have calculated the number of Shares to be issued under the Convertible Facility based on a 20% discount to this price and a NZD/AUD exchange rate of \$0.9626, being \$0.00948 each, as 218,454,365 Shares.

3.12 In addition, the Company is seeking Shareholder approval to issue one attaching option for every \$2 loaned to the Company under the August Facility, McDonald Facility and December Facility for nil consideration (“Attaching Options”). The 1,021,055 (pre Consolidation) Attaching Options will have an exercise price of \$0.02 each and expire on the date 24 months from the date of issue (“Attaching Options”).

3.13 We note that WolfStrike also has 150,000,000 (pre Consolidation) options exercisable at \$0.02 and expiring on 17 March 2018 in addition to the 1,021,055 (pre Consolidation) Attaching Options noted above. As these options are out of the money, we have assumed that they will not be exercised for the purposes of our Report.

## 4. Scope of the Report

### Corporations Act

- 4.1 Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is below 20% to an interest that is above 20%. There are 26,743,567 shares in FEI. 95.87% of these shares are held equally by entities associated with TK Shim and Mel Stewart, and the remaining 4.13% of FEI shares are held by entities associated with Parkiri Limited. Completion of the Proposed Transaction is expected to result in the FEI Vendors acquiring an interest in WolfStrike of up to 58.7% on an undiluted basis (56.4% fully diluted) assuming resolutions 1 to 7 in the Notice are passed by Shareholders.
- 4.2 Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.
- 4.3 Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolution 2 under Item 7 of Section 611 of the Act.
- 4.4 Item 7 Section 611 of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. ASIC Regulatory Guide 111 ("RG 111") advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

### Basis of Evaluation

- 4.5 In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by the ASIC in RG 111.
- 4.6 RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.
- 4.7 RG 111 states that the expert's report should focus on:
  - the issues facing the security holders for whom the report is being prepared; and
  - the substance of the transaction rather than the legal mechanism used to achieve it.
- 4.8 Furthermore, RG 111 states that the expert's assessment of fair and reasonable should not be applied on a composite test – that is, there should be a separate assessment of whether the transaction is "fair" and "reasonable".
- 4.9 The guidance in RG 111 states that a transaction where an entity obtains control should be assessed as if it were a takeover for the purposes of considering fairness.
- 4.10 Consistent with the guidelines in RG 111, in assessing whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, the analysis undertaken is as follows:
  - Whether the value of a WolfStrike Share prior to the Proposed Transaction (on a control basis) is less than the value of an WolfStrike Share following the Proposed Transaction (on a non-control basis) – fairness; and
  - A review of other significant factors which Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.
- 4.11 The other significant factors to be considered include:
  - Other future prospects of the Company if the Proposed Transaction does not proceed; and

- any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4.12 Our assessment of the Proposed Transaction is based on economic, market and other conditions prevailing at the date of this report.

## 5. Profile of WolfStrike Rentals Group Limited

### Background

- 5.1 WolfStrike listed on the ASX on 29 March 2016, following a “reverse takeover” of CFT Energy Ltd. The core business of WolfStrike was acquired by the Company on 18 March 2016 (“Acquisition Date”).
- 5.2 WolfStrike hires technology products to retailers, businesses and merchants primarily in New Zealand, with a focus on the hospitality sector.
- 5.3 The technology products currently rented by WolfStrike include point of sales systems, payment terminals, software, hardware, CCTV systems, security systems and similar products of that nature that a merchant or retailer would need to operate their business. Typically, all products are purchased by WolfStrike and then hired to customers on a long-term rental contract with a fixed monthly fee.
- 5.4 Previously WolfStrike marketed its products via an in-house sales team. In August 2016 WolfStrike strategically divested its sales model and transitioned to an external agency model (“Agency Model”) whereby the Company utilises independent and commission only sales staff to source rental contracts for direct and larger customer relationships. The Agency Model is intended to provide WolfStrike with access to a wider network of third parties to whom it can market its rental services beyond its own agent network, thus expanding its customer base and cross-selling other services available from WolfStrike.
- 5.5 Operations in Australia remain in the start-up phase, however, the Company has plans to develop its Australian footprint through organic sales growth and earnings accretive acquisitions.
- 5.6 On 27 October 2016, WolfStrike announced that it had entered into a heads of Agreement to acquire Lease Tech Limited (“Lease Tech”) for NZ\$360,000 cash and the assumption of NZ\$40,000 in creditors. The agreement will result in WolfStrike acquiring the assets, brand and business of Lease Tech and provide WolfStrike with access to more than 5,000 new customers and an enhanced reseller network in New Zealand. As announced by the Company on 6 December 2016, completion of this agreement has occurred.
- 5.7 FEI is a substantial financier of WolfStrike with an outstanding facility balance of \$9.7m as at 30 June 2016. FEI provides the discounting facility for the rental/leasing contracts signed up by WolfStrike as well as acquisition or working capital financing. Interest rates payable by the Company under the facilities with FEI vary between 12% and 15% with an average cost of funds of 14.8%.

### Industry overview

- 5.8 The strength of the banking sector has contributed to a challenging environment for the equipment leasing industry over the past five years. The competition and scale of bank lenders have made it difficult for industry operators to grow their loan books and customer bases. Sluggish growth in lending volumes from the business sector has also stifled industry revenue growth.
- 5.9 Trading conditions for finance companies are anticipated to improve over the next five years. Stronger economic growth is expected to bolster lending volumes and industry assets. Much of this growth is anticipated to come from stronger household spending and demand for financing, on the back of an expected fall in the unemployment and savings rates. A forecast rise in interest rates over the next five years is also expected to provide a much needed boost to industry revenue, despite the potential for it to weigh on profitability through higher funding costs.
- 5.10 Competition from banks and other finance providers is likely to remain strong over the next five years. This is expected to force some smaller industry operators to consolidate to remain competitive. Due to projected weaker mining investment, the industry is expected to increase its focus on service industries, such as professional services and administration services. Developments in mobile and online platforms are expected

to help financiers in expanding their geographic reach, while also increasing the accessibility of their services for consumers and businesses.

## Directors

5.11 The directors of WolfStrike are summarised in the table below.

**Table 3 WolfStrike Directors**

| Name                   | Title                                       | Experience   |
|------------------------|---|--|
| <b>Mr Ian Bailey</b>   | Managing Director                           | <p>Mr. Bailey is the founder and Managing Director of the WolfStrike group in New Zealand.</p> <p>Mr. Bailey has a background in technology, management, sales and marketing, with experience in both the NZ and Australian markets, particularly in payments (EFTPOS), merchant Point of Sale (POS) technology (both hardware and software) and telecommunications sectors. In addition, Mr. Bailey has been involved in the listing and management of two companies listed on the New Zealand Securities Exchange ("NZX").</p>       |
| <b>Mr John Seton</b>   | Non-Executive Director and interim Chairman | <p>Mr. Seton is an Auckland based solicitor with business experience in technology, mining, wine and investment companies with both listed and private directorships and chairmanships, including ASX, NZX and TSX listed entities.</p> <p>Mr. Seton is also a Chartered Fellow of the New Zealand Institute of Directors and is experienced in IPOs, mergers and acquisitions, transaction negotiations, asset acquisitions and divestment including fund raising, and steering businesses through significant change and growth.</p> |
| <b>Mr Quentin Olde</b> | Non-Executive Director                      | <p>Mr. Olde has over 20 years' experience as a Chartered Accountant and adviser to financiers, corporates and investors. He is currently Senior Managing Director at FTI Consulting, a global restructuring and crisis management firm. Mr. Olde has expertise advising Public and ASX listed companies on financial and operational matters, and brings experience and contacts in the financial services, banking and corporate sectors.</p>   |
| <b>Ms Eryn Kestel</b>  | Company Secretary                           | <p>Ms. Kestel acts as company secretary for a number of small ASX listed companies. She holds a Bachelor of Business Degree majoring in Accounting and is a Certified Practising Accountant.</p>   |
| <b>Mr Tom McDonald</b> | Independent Director                        | <p>Tom McDonald is a Fellow of the Certified Practising Accountants and a member of the Governance Institute of Australia, with a background in senior management, CFO and COO roles. He has over 20 years' experience in ASX listed companies and international business. In particular Tom brings a degree of expertise in the areas of financial and ASX disciplines; strategy; governance and risk. Mr McDonald is also member &amp; past presenter of the Australian Institute of Company Directors.</p>                          |

Source: Annual report

## Financial Information of WolfStrike

- 5.12 The information in the following section provides a summary of the financial performance and financial position of WolfStrike for the years' ended 30 June 2016, 30 June 2015 and 30 June 2014 extracted from the audited financial statements of the Company.
- 5.13 The auditor of WolfStrike, William Buck, issued a qualified opinion on the financial statements for the year ended 30 June 2016 due to the application of AASB 2 Share Based Payments in accounting for the acquisition of WolfStrike, whereas in the auditor's opinion AASB 3 Business Combinations should have been applied. The auditor expressed an emphasis of matter opinion on the year ended 30 June 2016 financial statements, citing the net loss before tax of \$12.6 million and net working capital deficit of \$2.7 million and net cash outflow from operations of \$2,017,396, casting doubt on the consolidated entity's ability to continue as a going concern.

## Financial Performance

5.14 The following table sets out a summary of the financial performance of WolfStrike for the years' ended 30 June 2016, 2015 and 2014.

**Table 4 WolfStrike Historical Financial Performance**

| A \$000  | Ref. | Year ended<br>30-Jun-16<br>Audited | Year ended<br>30-Jun-15<br>Audited | Year ended<br>30-Jun-14<br>Audited |
|--|------|------------------------------------|------------------------------------|------------------------------------|
| Revenue from operations  | 5.15 | 1,216                              | -                                  | -                                  |
| Other income   |      | 157                                | 174                                | -                                  |
| Costs of goods sold  |      | (937)                              | -                                  | -                                  |
| <b>Gross Profit</b>  |      | <b>436</b>                         | <b>174</b>                         | -                                  |
| Sales and marketing related expenses                               |      | (483)                              | -                                  | -                                  |
| Administrative related expenses                                    |      | (429)                              | (433)                              | (276)                              |
| Other operations expenses  |      | (583)                              | -                                  | -                                  |
| Amortisation of intangibles  |      | (166)                              | -                                  | -                                  |
| Depreciation   |      | (71)                               | -                                  | -                                  |
| <b>Loss before financing costs, transaction expenses and taxes</b> |      | <b>(1,296)</b>                     | <b>(259)</b>                       | <b>(276)</b>                       |
| Transaction costs associated with the WolfStrike acquisition       | 5.16 | (10,040)                           | (646)                              | -                                  |
| Impairment of goodwill   | 5.16 | (1,073)                            | -                                  | -                                  |
| Net financing costs  |      | (223)                              | (99)                               | -                                  |
| <b>Loss before income tax expense</b>                              |      | <b>(12,632)</b>                    | <b>(1,004)</b>                     | <b>(276)</b>                       |
| Income tax expense   |      | -                                  | -                                  | -                                  |
| <b>Loss for the period</b>   |      | <b>(12,632)</b>                    | <b>(1,004)</b>                     | <b>(276)</b>                       |
| Foreign currency translation                                       |      | 54                                 | -                                  | -                                  |
| <b>Total comprehensive loss for the period</b>                     |      | <b>(12,578)</b>                    | <b>(1,004)</b>                     | <b>(276)</b>                       |

Company financial statements

5.15 The New Zealand rental book acquired by WolfStrike is the main business operation and contributor to the \$1.2 million revenue reported to 30 June 2016. This represents revenue earned in the period 29 March 2016 to 30 June 2016 following the reverse takeover of the Company by CFT Energy Ltd.

5.16 The substantial increase in losses incurred to 30 June 2016 were predominately the result of the reverse acquisition transaction costs, and non-cash impairment charges to goodwill relating to the acquisition of the WolfStrike group of companies.

### **Historical Financial Performance**

- 5.17 Following the acquisition of the Wolfstrike group of companies on 18 March 2016 ("Acquisition Date"), WolfStrike changed its accounting policy relating to lease income and expenses from accounting for their leases to customers as operating leases to accounting for their leases to customers as finance leases. This change in accounting policy had a fundamental impact on the results of this business and makes the historical financial information of WolfStrike prior to the Acquisition Date not an appropriate measure for assessing the financial information of WolfStrike following the Acquisition Date.
- 5.18 The historical profitability displayed in the pro-forma combined income statements of WolfStrike that were included in the Offer under Replacement Prospectus dated 18 March 2016 is, therefore, not considered to be an appropriate indication of the Company's current or future results given the change in accounting policy and has not been considered further in this Report.
- 5.19 A review of the Company's unaudited management accounts for the three months to 30 September 2016 showed operating revenue of approximately \$1.6 million, gross profit of \$0.7 million and an EBITDA (loss) of (\$148k).

## Financial Position

5.20 The table below sets out a summary of the financial position of WolfStrike as at 30 June 2016, 2015 and 2014.

**Table 5 WolfStrike Historical Financial Position**

| A \$000                              | Ref.        | 30-Jun-16<br>Audited | 30-Jun-15<br>Audited | 30-Jun-14<br>Audited |
|--------------------------------------|-------------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |             |                      |                      |                      |
| Cash and cash equivalents            |             | 796                  | 655                  | 1                    |
| Finance lease receivables            |             | 2,303                | -                    | -                    |
| Trade and other receivables          |             | 78                   | 83                   | -                    |
| Inventories                          | 5.22        | 1,024                | -                    | -                    |
| Other assets                         |             | 102                  | 60                   | -                    |
| <b>Total current assets</b>          |             | <b>4,304</b>         | <b>798</b>           | <b>1</b>             |
| Finance lease receivables            |             | 4,095                | -                    | -                    |
| Plant and equipment                  |             | 217                  | -                    | -                    |
| Intangible assets                    | 5.22        | 5,670                | -                    | -                    |
| <b>Total non-current assets</b>      |             | <b>9,982</b>         | <b>-</b>             | <b>-</b>             |
| <b>Total assets</b>                  |             | <b>14,286</b>        | <b>798</b>           | <b>1</b>             |
| <b>LIABILITIES</b>                   |             |                      |                      |                      |
| Trade and other payables             |             | 954                  | 93                   | 446                  |
| Convertible notes                    |             | -                    | 2,099                | -                    |
| Interest bearing borrowings          | 5.24        | 4,628                | -                    | -                    |
| Other loans                          | 5.25        | 1,072                | -                    | -                    |
| Provisions                           |             | 366                  | -                    | -                    |
| <b>Total current liabilities</b>     |             | <b>7,020</b>         | <b>2,192</b>         | <b>446</b>           |
| Interest bearing borrowings          | 5.24        | 5,090                | -                    | -                    |
| <b>Total non-current liabilities</b> |             | <b>5,090</b>         | <b>-</b>             | <b>-</b>             |
| <b>Total liabilities</b>             |             | <b>12,110</b>        | <b>2,192</b>         | <b>446</b>           |
| <b>Net assets / (liabilities)</b>    | <b>5.21</b> | <b>2,176</b>         | <b>(1,394)</b>       | <b>(445)</b>         |
| <b>EQUITY</b>                        |             |                      |                      |                      |
| Issued capital                       |             | 20,716               | 5,217                | 5,163                |
| Reserves                             |             | 704                  | -                    | -                    |
| Accumulated losses                   |             | (19,244)             | (6,612)              | (5,608)              |
| <b>Total equity</b>                  |             | <b>2,176</b>         | <b>(1,394)</b>       | <b>(445)</b>         |

Company financial statements

5.21 At 30 June 2016 the Company reported net assets of approximately \$2.2 million. The Company had a net working capital deficit of approximately \$2.7 million with the current component of interest bearing borrowings being approximately \$2.3 million greater than the current component of finance lease receivables.

- 5.22 Inventory comprises technology products and hardware such as CCTV and payment systems that are purchased by WolfStrike and hired to customers.
  
- 5.23 Intangible assets of \$5.6 million at 30 June 2016 represent the Company's customer list. The customer list is recognised as an intangible asset with a finite life and is amortised over its useful life, deemed to be 10 years. As part of its impairment review at 30 June 2016, the Company assessed goodwill generated on acquisition of the Wolfstrike group of companies to be impaired and was fully written down, while the customer list was deemed to be not impaired.
  
- 5.24 Interest bearing borrowings of \$9.7 million at 30 June 2016 represents financing facilities from FEI. The average cost of funds for WolfStrike under the FEI facilities is 14.8%. If the Proposed Transaction proceeds, the Company will gain access to the retail funding rates FEI receives under the terms of its Reserve Bank of New Zealand (RBNZ) license. FEI offers term deposits to the New Zealand public at deposit rates between 4% per annum for a 6 month term through to 6.3% per annum for a 36 month term.
  
- 5.25 Included in other loans at 30 June 2016 was \$420,000 owing to Familia Nominees Pty Ltd which has been settled subsequent to year end.
  
- 5.26 As discussed in Section 3, subsequent to year end on 30 August 2016, the Company announced that it had raised \$1.56 million through a series of convertible facilities issued to sophisticated and professional investors to provide short-term funding for the Company to reduce debt, for value accretive acquisitions, for the growth of the rent book and for general working capital. The Company is proposing to raise a further \$0.5 million to fund the costs associated of the Proposed Transaction. Refer to Paragraph 3.10 for terms of Convertible Facility.

## Capital Structure

5.27 WolfStrike has 842,775,340 (pre Consolidation) ordinary shares on issue as at 14 November 2016. The top 20 shareholders of WolfStrike as at 14 November 2016 held 82.36% of the issued share capital and are set out below.

**Table 6 WolfStrike Top 20 shareholders**

| Rank                             | Name                                      | Total Units        | % Issued Share Capital |
|----------------------------------|---|--------------------|------------------------|
| 1                                | Kingbird Ltd                              | 164,329,000        | 19.50%                 |
| 2                                | Ecometrix Pty Ltd                         | 62,500,000         | 7.42%                  |
| 3                                | YNWA Nominees Pty Ltd                     | 50,000,000         | 5.93%                  |
| 4                                | Venice Trustee Ltd                        | 45,000,000         | 5.34%                  |
| 5                                | Artemis Superannuation Ltd                | 40,000,000         | 4.75%                  |
| 6                                | Alpine Tern Ltd                           | 40,000,000         | 4.75%                  |
| 7                                | Supermax Pty Ltd                          | 31,250,000         | 3.71%                  |
| 8                                | Newquest Property Pty Ltd                 | 62,256,111         | 7.39%                  |
| 9                                | Kingfisher Corporate Trustee Ltd          | 28,000,000         | 3.32%                  |
| 10                               | Travel Fund Ltd                           | 25,000,000         | 2.97%                  |
| 11                               | Retirement Ltd                            | 22,000,000         | 2.61%                  |
| 12                               | Boat Farer Ltd                            | 22,000,000         | 2.61%                  |
| 13                               | Saint-Emillion Enterprises Pty Ltd        | 18,750,000         | 2.22%                  |
| 14                               | River Horse Trustee Ltd                   | 18,000,000         | 2.14%                  |
| 15                               | Mr Matthew James Hayne                    | 12,500,000         | 1.48%                  |
| 16                               | Karantzias Investments Pty Ltd            | 12,500,000         | 1.48%                  |
| 17                               | Carol Macdonald                           | 12,500,000         | 1.48%                  |
| 18                               | DM Capital Management Pty Ltd             | 10,105,890         | 1.20%                  |
| 19                               | Familia Nominees Pty Ltd                  | 10,000,000         | 1.19%                  |
| 20                               | ABN AMRO Clearing Sydney Nominees Pty Ltd | 7,431,000          | 0.88%                  |
| <b>Total Top 20 Shareholding</b> |   | <b>694,122,001</b> | <b>82.36%</b>          |
| <b>Others</b>                    |   | <b>148,653,339</b> | <b>17.64%</b>          |
| <b>Total Issued Capital</b>      |   | <b>842,775,340</b> | <b>100.0%</b>          |

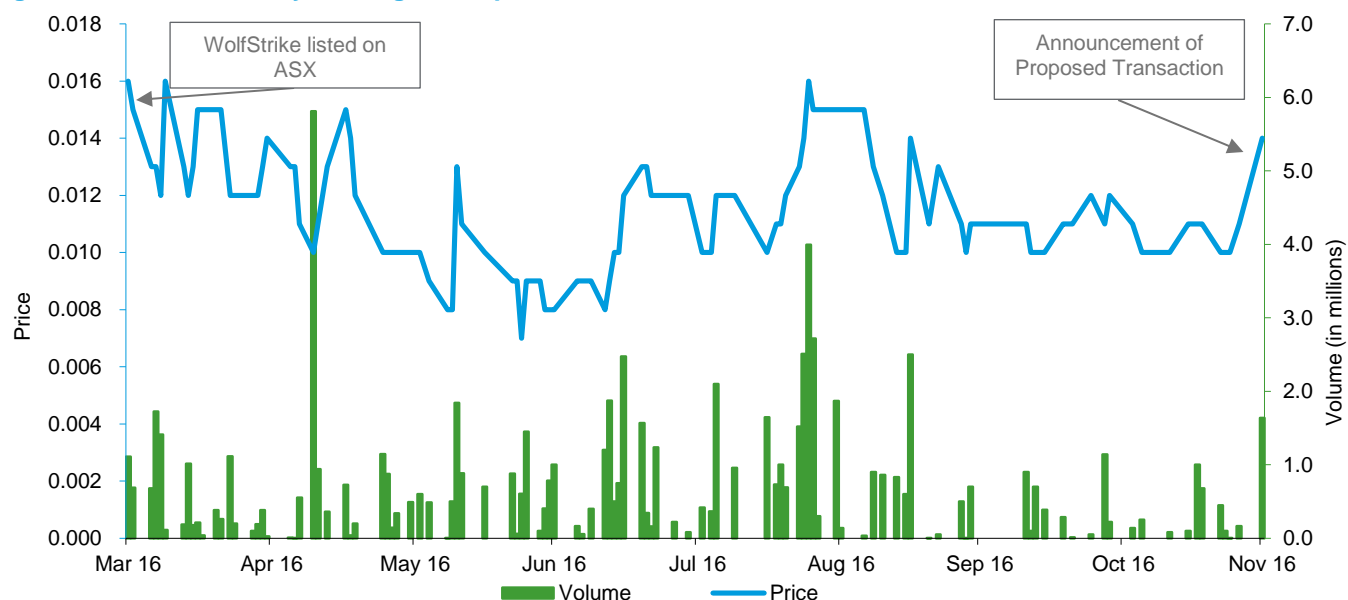
Source: Company

5.28 The above capital structure does not include the Convertible Facility.

## Share price performance

5.29 The figure below sets out a summary of WolfStrike closing share prices and traded volumes for the period from listing on the ASX to 28 November 2016 when the Company's securities were placed in a trading halt in connection with the Proposed Transaction.

**Figure 2 WolfStrike daily closing share price and traded volumes**



Source: S&P Capital IQ/ ASX

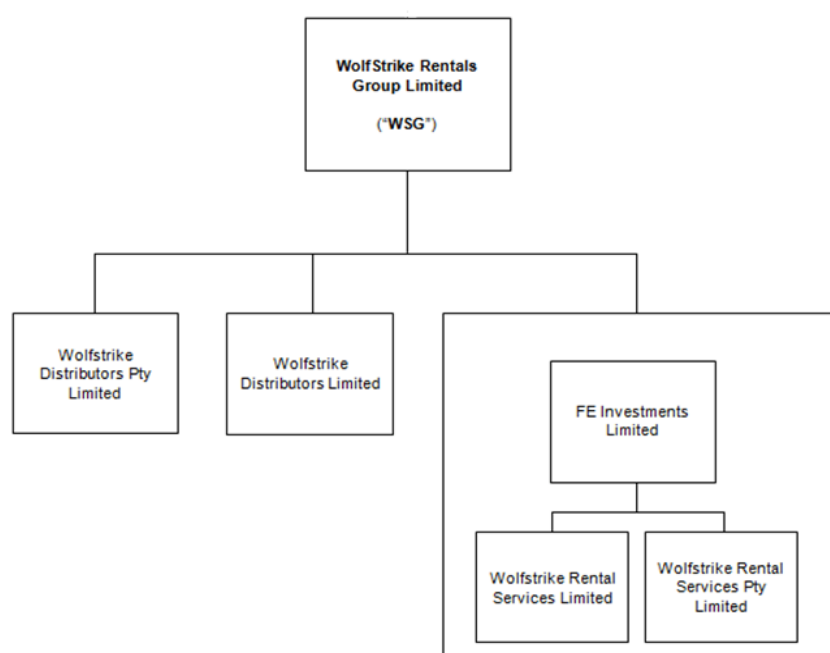
- 5.30 WolfStrike listed on the ASX on 29 March 2016 via a reverse takeover of CFT Energy following a prospectus offer at \$0.02 per Share and closed its first day of trading at a price of \$0.016 per Share. Since listing, WolfStrike's Shares have traded infrequently and at low volumes, particularly in the three months prior to the announcement of the Proposed Transaction on 30 November 2016, with the exception of certain isolated periods of activity.
- 5.31 On 9 May 2016 WolfStrike's Shares experienced elevated trade volumes and a fall in price to \$0.010 per Share following the announcement of a claim against WolfStrike for repayment of moneys in relation to a \$420,000 loan from Familiar Nominees Pty Ltd.
- 5.32 WolfStrike's Shares also experienced an increase in volume on 24 August 2016 following the announcement of the Agency Model on 22 August 2016 and the subsequent release of published commissioned commentary on the Company by equity research firm Beer & Co.
- 5.33 WolfStrike's share price performance is discussed in more detail in Paragraph 8.5.

## 6. Profile of FEI Investments Limited

### Background

- 6.1 FEI Investments Limited ("FE") is a private company that was incorporated in New Zealand in July 2003 as First Eastern Finance Limited, before changing its name to FEI Investments Limited in May 2005.
- 6.2 FEI is a non-bank deposit taker ("NBDT"), Licensed by the Reserve Bank of New Zealand, that lends money for the operation of lease books and provides financial support to enterprises primarily in the business sector. As at 30 September 2016 FEI had a credit rating of "B Stable" from Standard and Poor's.
- 6.3 Products that FEI offers include:
- Working capital funding
  - Stock funding
  - Rental book funding
  - Receivables funding
  - Business loans
  - Property development loans
- 6.4 FEI also provides finance to the property market but its intention is to reduce its exposure to the property sector to no greater than 10% of its loan book by mid-2017, while focussing on the growth of its leasing and business financing divisions.
- 6.5 FEI's immediate parent in the FEI Group is First Eastern Holdings Limited and its ultimate parent is Pigeon Capital Limited.

**Figure 3 FEI Group Structure**



Source: Company Notice of Meeting

6.6 FEI is the major lender to the Company, and the Company's business represents a large portion of the FEI loan book. At 30 September 2016 WolfStrike represented approximately 25% of FEI's total loan receivables and approximately 69% of FEI's lease book funding facilities.

## Directors

6.7 The directors of FEI are summarised in the following table.

**Table 7 FEI Directors**

| Name                      | Title                | Experience  |
|---------------------------|----------------------|---|
| <b>Mr Mel Stewart</b>     | Director             | Mr Stewart has experience in financing in the rural, residential, commercial and industrial sectors throughout Australia and Oceania. Mr Stewart's previous involvement in the Rural Bank and Elders Finance Limited provides exposure to issues related to commercial and credit requirements.   |
| <b>Mr TK Shim</b>         | Director             | Mr Shim has experience in corporate advisory services and corporate finance covering small to medium enterprises. Mr Shim 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. |
| <b>Mr Jerome Davids</b>   | Independent Director | Mr Davids is a director of SCSG, a tax, accounting and business advisory firm based in Kuala Lumpur and is an enrolled Barrister and Solicitor of the High Court of New Zealand.  |
| <b>Mr Andrew Schnauer</b> | Independent Director | Mr Schnauer is an enrolled Barrister and Solicitor of the High Court of New Zealand and is a director of Schnauer and Co Limited, a law firm located in Auckland. Mr Schnauer acts for a varied range of businesses and has in-depth experience with commercial and residential property.   |
| <b>Mr Marcus Ritchie</b>  | Independent Director | Mr Ritchie is currently a Global Director of Energy, Infrastructure & Utilities at ANZ Bank in Australia. Mr Ritchie with over 15 years' investment banking experience in mergers & acquisitions.   |

Source: FEI Investments Limited's Prospectus for Term Deposits, dated 12 September 2016

## Capital Structure

6.8 As at 5 December 2016 FEI had 26,743,567 ordinary shares on issue as detailed in the table below. 95.87% of these shares are held equally by entities associated with TK Shim and Mel Stewart, and the remaining 4.13% of FEI shares are held by entities associated with Parkiri Limited.

**Table 8 FEI Capital Structure**

| FEI Vendors                   | %              | #                 |
|-------------------------------|----------------|-------------------|
| First Eastern Holdings        | 82.56%         | 22,079,489        |
| FE Convertible Bond 81        | 4.00%          | 1,069,743         |
| FE Bond no 1                  | 2.70%          | 722,076           |
| Equity No 8                   | 2.44%          | 652,543           |
| FE Equity                     | 2.37%          | 633,823           |
| FE Convertible Bond 82        | 1.33%          | 355,689           |
| FE Capital                    | 0.47%          | 125,695           |
| Parkiri Limited               | 4.13%          | 1,104,509         |
| <b>Total shareholding FEI</b> | <b>100.00%</b> | <b>26,743,567</b> |

Source: Company / RSM analysis



## Financial Information of FEI

- 6.9 The information in the following section provides a summary of the financial performance and financial position of FEI extracted from the audit reviewed financial statements of FEI for the six months ended 30 September 2016 and from the audited financial statements of FEI for the years' ended 31 March 2016 and 31 March 2015.
- 6.10 The auditor of FEI, DFK Oswin Griffiths Carlton, issued an unqualified opinion on the financial statements for each of the years ended 31 March 2016 and 31 March 2015 and for the six months ended 30 September 2016.

## Financial Performance

- 6.11 The following table sets out a summary of the financial performance of FEI for the six months ended 30 September 2016 and the years' ended 31 March 2016 and 31 March 2015.

**Table 9 FEI Historical Financial Performance**

| NZ \$000                                    | Ref         | Six months ended 30-Sep-16 | 31-Mar-16    | 31-Mar-15    |
|---|-------------|----------------------------|--------------|--------------|
|   |             | Reviewed                   | Audited      | Audited      |
| Operating revenue                           | 6.13        | 3,643                      | 5,041        | 3,206        |
| Interest expense                            | 6.14        | (1,132)                    | (1,924)      | (1,205)      |
| Foreign exchange gain / (loss)              |             | (39)                       | 28           | (38)         |
| Other expenses                              |             | (0)                        | (1)          | (9)          |
| <b>Gross Profit</b>                         |             | <b>2,471</b>               | <b>3,143</b> | <b>1,954</b> |
| Administrative and other expenses           |             | (1,307)                    | (1,994)      | (1,334)      |
| <b>Operating profit / (loss) before tax</b> | <b>6.12</b> | <b>1,164</b>               | <b>1,149</b> | <b>620</b>   |
| Tax benefit / (expense)                     |             | (330)                      | 995          | -            |
| <b>Profit / (loss) for the year</b>         |             | <b>834</b>                 | <b>2,143</b> | <b>620</b>   |

Source: FEI financial statements

- 6.12 FEI generated an operating profit before tax of \$1.164 million for the six months ended 30 September 2016 and \$1.149 million for the year ended 31 March 2016
- 6.13 Operating income is primarily made up of interest income on FEI's customer loan book, plus fees and other interest income. The effective interest rate derived on finance receivables for the year ended 30 September 2016 as per the audit reviewed financial statements was 16.06%.
- 6.14 Interest expense represents the interest on debentures FEI sources to finance its loan book. The effective interest rate on secured debentures in the six months ended 30 September 2016 as per the audit reviewed financial statements was 7.35%.

## Financial Position

6.15 The table below sets out a summary of the financial position of FEI as at 30 September 2016, 31 March 2016 and 31 March 2015.

**Table 10 FEI Historical Financial Position**

| NZ \$000                             | Ref         | 30-Sep-16<br>Reviewed | 31-Mar-16<br>Audited | 31-Mar-15<br>Audited |
|--------------------------------------|-------------|-----------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |             |                       |                      |                      |
| Finance receivables                  | 6.17        | 16,255                | 19,398               | 9,526                |
| Cash and bank balances               |             | 3,374                 | 7,265                | 3,039                |
| Sundry assets                        |             | -                     | -                    | 29                   |
| Assets held for sale                 |             | -                     | -                    | 468                  |
| Other receivables                    |             | 620                   | 482                  | 205                  |
| Income tax refund                    |             | 26                    | 26                   | 26                   |
| <b>Total current assets</b>          |             | <b>20,274</b>         | <b>27,172</b>        | <b>13,292</b>        |
| Finance receivables                  | 6.17        | 20,644                | 8,906                | 9,859                |
| Property, plant & equipment          |             | 33                    | 31                   | 22                   |
| Deferred tax asset                   |             | 772                   | 1,102                | 107                  |
| <b>Total non-current assets</b>      |             | <b>21,449</b>         | <b>10,039</b>        | <b>9,988</b>         |
| <b>Total assets</b>                  |             | <b>41,723</b>         | <b>37,210</b>        | <b>23,280</b>        |
| <b>LIABILITIES</b>                   |             |                       |                      |                      |
| Payables                             |             | 406                   | 325                  | 158                  |
| First ranking debenture stock        | 6.18        | 19,358                | 17,148               | 15,229               |
| Deferred Income                      |             | 76                    | 217                  | 142                  |
| <b>Total current liabilities</b>     |             | <b>19,840</b>         | <b>17,689</b>        | <b>15,528</b>        |
| First ranking debenture stock        | 6.18        | 12,800                | 12,319               | 3,648                |
| Deferred Income                      |             | 121                   | 182                  | 92                   |
| <b>Total non-current liabilities</b> |             | <b>12,922</b>         | <b>12,501</b>        | <b>3,741</b>         |
| <b>Total Liabilities</b>             |             | <b>32,762</b>         | <b>30,191</b>        | <b>19,269</b>        |
| <b>Net Assets</b>                    | <b>6.16</b> | <b>8,961</b>          | <b>7,020</b>         | <b>4,011</b>         |
| <b>EQUITY</b>                        |             |                       |                      |                      |
| Shareholders' capital                |             | 10,403                | 9,296                | 8,431                |
| Retained earnings                    |             | (1,442)               | (2,277)              | (4,420)              |
| <b>Total equity</b>                  |             | <b>8,961</b>          | <b>7,020</b>         | <b>4,011</b>         |

Source: FEI financial statements

6.16 As at 30 September 2016 FEI had net assets of \$9.0 million and a surplus of current assets over current liabilities of around \$0.4 million.

- 6.17 Finance receivables represent loans made to third party customers on commercial terms and are the principal assets of FEI. These loans comprise of non-derivative assets with fixed or determinable payments that are initially measured at fair value including loan fees, then subsequently at amortised cost using the effective interest rate. At 30 September 2016 the amount loaned to WolfStrike totalled approximately NZ\$ 9.3 million.
- 6.18 First ranking debenture stock (being term deposits) represent FEI borrowings taken from the public under the terms of its prospectus (and under Product Disclosure Statement from 1<sup>st</sup> December 2016). The debenture stock bears interest at rates between 1.5% to 8.65% pa and nearly all debenture stock are due for repayment in less than 2 years. FEI has no other borrowings.

## 7. Valuation Approach

### Basis of Valuation

- 7.1 The valuation of WolfStrike prior to and post the Proposed Transaction has been prepared on the basis of Fair Market Value being the value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.

### Valuation methodologies

- 7.2 In assessing the Fair Market Value of an ordinary WolfStrike share prior to and immediately following the Proposed Transaction, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

- 7.3 We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

#### *Market based methods*

- 7.4 Market based methods estimate the Fair Market Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

- 7.5 The recent quoted price for listed securities method provides evidence of the Fair Market Value of a company's securities where they are publicly traded in an informed and liquid market.

- 7.6 Industry specific methods usually involve the use of industry rules of thumb to estimate the Fair Market Value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

#### *Income based methods*

- 7.7 Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

- 7.8 The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised

based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

- 7.9 The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

#### *Asset based methods*

- 7.10 Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:
- orderly realisation of assets method;
  - liquidation of assets method; and
  - net assets on a going concern basis.
- 7.11 The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.
- 7.12 The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame. The liquidation of assets method will result in a value that is lower than the orderly realisation of assets method, and is appropriate for companies in financial distress or where a company is not valued on a going concern basis.
- 7.13 The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

### **Selection of Valuation Methodologies**

#### *Valuation of a WolfStrike Share prior to the Proposed Transaction (control basis)*

- 7.14 In assessing the value of a WolfStrike share prior to the Proposed Transaction we have utilised the net assets on a going concern basis. We note that the net assets valuation is inclusive of a premium for control.
- 7.15 We have also utilised the quoted market price methodology as a secondary valuation method prior to the Proposed Transaction. WolfStrike's Shares are listed on the ASX which means there is a regulated and observable market for its Shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method.
- 7.16 In our opinion, the DCF methodology cannot be used as future revenue and expenses cannot be forecast with sufficient reasonable basis to meet the requirements of RG 111.
- 7.17 We do not consider the FME methodology to be appropriate due to an insufficient history of profitable trading that would support using the FME method, giving particular consideration to:
- The historical results of WolfStrike prior to listing not being comparable to the current business results due to the change in accounting policy which precluded the Company from reporting pro-forma consolidated results for the year ended 30 June 2016;

- The Company still being an early stage growth company by nature, which typically poses greater inherent risks and volatility of earnings;
- The current listed structure of WolfStrike having less than 12 months trading history to draw on.

*Valuation of a WolfStrike Share post the Proposed Transaction (minority basis)*

- 7.18 In assessing the value of a WolfStrike Share post the Proposed Transaction we have selected capitalisation of FME as our primary methodology.
- 7.19 We have also utilised the net asset basis as our secondary valuation, which acts as a cross-check to our assessed value under the capitalisation of FME method.
- 7.20 Our valuation methodologies were selected on the following basis:
- FEI has a history of earnings;
  - There is an adequate number of publicly listed companies with operations sufficiently similar to WolfStrike and FEI to provide meaningful analysis; and
  - There are no long term cash flow projects available which we regard as sufficiently robust to enable a DCF valuation to be undertaken.
- 7.21 Our valuation of a WolfStrike Share post the Proposed Transaction has been performed on a minority basis.

## 8. Valuation of WolfStrike Prior to the Proposed Transaction

- 8.1 As stated at paragraph 7.14 we have assessed the value of a WolfStrike share prior to the Proposed Transaction on a net assets on a going concern basis and have also considered the market price of its listed securities. In both valuations we have included a premium for control.

### Net assets on a going concern valuation (primary method)

- 8.2 We have assessed the value of a WolfStrike Share on a control basis to be approximately \$0.0026 per (pre Consolidation) share based on the net assets on a going concern method, as summarised in the table below.

**Table 11 Assessed Fair Value of a WolfStrike Share**

| A\$ 000   | Ref  | 30-Jun-16    | Valuation       |
|---|------|--------------|-----------------|
| Cash  | 5.20 | 796          | 796             |
| Other assets and liabilities  | 5.20 | 1,380        | 1,380           |
| <b>Net assets (sum of parts)</b>  |      | <b>2,176</b> | <b>2,176</b>    |
| Number of Pre Consolidation Shares on issue at date of this Report ('000) | 3.7  |              | 842,775         |
| <b>Value per share (undiluted)</b>  |      |              | <b>\$0.0026</b> |

Source: Company financial statements / RSM analysis

- 8.3 Our assessment is based on the audited net assets of WolfStrike as at 30 June 2016. We do not consider that there have been any significant changes to the net asset position since 30 June 2016 and accordingly, we do not consider there to be any further adjustments required to the audited net assets of the Company as at 30 June 2016.

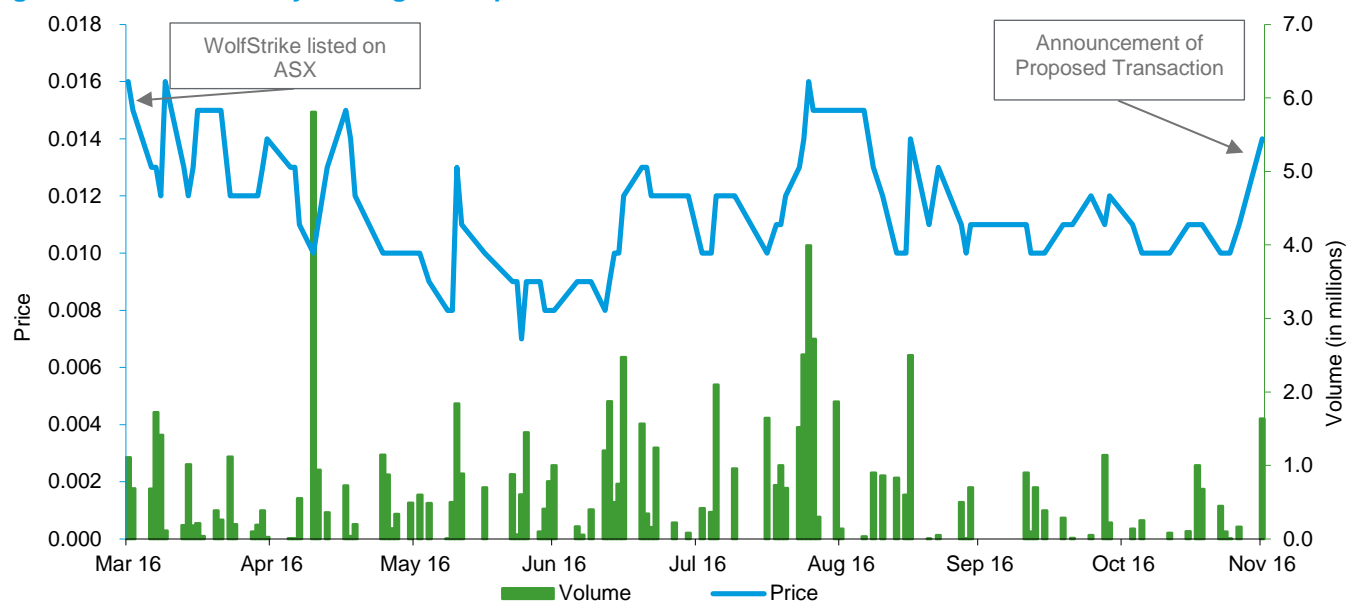
### Quoted Price of Listed Securities (secondary method)

- 8.4 In order to provide a comparison and cross check to our net assets valuation of WolfStrike, we have considered the recent quoted market price for WolfStrike shares on the ASX prior to the announcement of the Proposed Transaction.

#### Analysis of recent trading in WolfStrike Shares

- 8.5 The figure below sets out a summary of WolfStrike's closing share price and volume of WolfStrike Shares traded in the period from WolfStrike listing on the ASX on 29 March 2016 to 28 November 2016 when the Company's securities were placed in a trading halt in connection with the Proposed Transaction. This assessment only reflects the trading prior to the announcement in order to avoid the influence of any price movement that may have occurred as a result of the announcement.

**Figure 4 WolfStrike daily closing share price and traded volumes**



Source: S&P Capital IQ/ ASX

- 8.6 Over the trading period up to the Company's last day of trading on 27 November 2016 and the announcement of the Proposed Transaction, WolfStrike Shares traded at a high of \$0.017 and a low of \$0.007. Trade volumes over this period were low and infrequent, particularly in the three months immediately prior to the announcement.
- 8.7 To provide further analysis of the quoted market prices for WolfStrike's Shares, we have considered the VWAP over a number of trading day periods ending 30 November 2016. An analysis of the volume in trading in WolfStrike's Shares for the 1, 10, 30, 60, 90 and 180 day trading periods is set out in the table below:

**Table 12 Traded volumes of WolfStrike Shares to 30 November 2016**

| Number of Days                      | 1 Day | 5 Day | 10 Day  | 30 Day  | 60 Day   | 90 Day   | 120 Day  | 180 Day  |
|-------------------------------------|-------|-------|---------|---------|----------|----------|----------|----------|
| VWAP                                | 0.011 | 0.010 | 0.011   | 0.010   | 0.011    | 0.012    | 0.011    | 0.011    |
| Total Volume (000's)                | 163.3 | 713.2 | 2,492.6 | 4,673.7 | 13,741.9 | 35,003.0 | 52,595.3 | 77,680.4 |
| Total Volume as a % of Total Shares | 0.02% | 0.08% | 0.30%   | 0.55%   | 1.63%    | 4.15%    | 6.24%    | 9.22%    |
| Low Price                           | 0.011 | 0.010 | 0.010   | 0.010   | 0.010    | 0.010    | 0.007    | 0.007    |
| High Price                          | 0.011 | 0.011 | 0.011   | 0.012   | 0.015    | 0.017    | 0.017    | 0.017    |

Source: S&P Capital IQ/ ASX

- 8.8 The table shows that 9.22% of the Company's securities were traded in the 180 trading days prior to the announcement. This is indicative of an illiquid stock.

### Value of WolfStrike Share on a non-control minority basis

- 8.9 In our opinion, the weighted average share price of WolfStrike over the last 30 days is reflective of the underlying value of a WolfStrike Share. As such, we consider a range of values of between \$0.010 and \$0.011 (1 – 30 day VWAP) reflects the quoted market price valuation of a WolfStrike Share on a minority basis prior to the Proposed Transaction.

## Value of WolfStrike Share on a control basis

- 8.10 Our valuation of a WolfStrike Share, on the basis of the recent quoted market price including a premium for control is between \$0.0128 and \$0.0149 on a pre Consolidation basis as summarised in the table below.

**Table 13 Assessed value of a WolfStrike Share – Quoted Price of Listed Securities**

| A\$   | Ref. | Low             | High            |
|---|------|-----------------|-----------------|
| 30 day VWAP of a WolfStrike share at 30 November 2016 | 8.9  | \$0.010         | \$0.011         |
| Add premium for control                               | 8.12 | 25%             | 35%             |
| <b>Quoted market price controlling value</b>          |      | <b>\$0.0128</b> | <b>\$0.0149</b> |

Source: RSM Analysis

## Key Assumptions

### *Control Premium*

- 8.11 The value derived at paragraph 8.9 is indicative of the value of a marketable parcel of shares assuming the Shareholder does not have control of WolfStrike. RG 111.11 states that when considering the value of a company's Shares the expert should consider a premium for control.
- 8.12 In selecting a control premium we have given consideration to the RSM 2013 Control Premium Study and recent updates. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies was in the range of 25% to 35%. In valuing an ordinary WolfStrike Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

## Valuation summary and conclusion

- 8.13 A summary of our assessed values of an ordinary WolfStrike Share on a control basis prior to the Proposed Transaction, derived under the two methodologies, is set out in the table below.

**Table 14 WolfStrike Share valuation summary**

| A\$  | Ref. | Low             | High            |
|--|------|-----------------|-----------------|
| Net assets on a going concern                  | 8.2  | \$0.0026        | \$0.0026        |
| Quoted market price                            | 8.10 | \$0.0128        | \$0.0149        |
| <b>Preferred valuation (pre Consolidation)</b> |      | <b>\$0.0026</b> | <b>\$0.0026</b> |

Source: RSM Analysis

- 8.14 In our opinion, we consider the net assets on a going concern methodology provides a better indicator of the Fair Value of a WolfStrike Share than the quoted market price methodology.
- 8.15 We note that WolfStrike is an illiquid stock and there is no observable explanation in our assessment of the Company's value prior to the Proposed Transaction which might support the quoted market price valuation, which is considerably higher than our assessed value, other than that it may reflect speculation in the market as to the future growth prospects of the Company.

8.16 Therefore, in our opinion, the Fair Value of a WolfStrike Share prior to the Proposed Transaction is approximately \$0.0026 on a pre Consolidation, controlling and undiluted basis.

## 9. Valuation of WolfStrike Post the Proposed Transaction

- 9.1 For our valuation of a WolfStrike Share post the Proposed Transaction we have adopted the capitalisation of future maintainable earnings ("FME") methodology. We have also utilised the sum of parts methodology to provide a cross-check to our primary valuation.

### Capitalisation of future maintainable earnings (primary methodology)

- 9.2 We have assessed the value of a WolfStrike Share post the Proposed Transaction on a minority basis to be in the range of approximately \$0.0026 to \$0.0032 per Share (pre Consolidation) based on the capitalisation of FME methodology, as summarised in the table below.

**Table 15 Assessed value of WolfStrike post the Proposed Transaction**

| A\$000  | Ref. | Low              | High             |
|---|------|------------------|------------------|
| Assessed EBITDA (\$000)   | 9.7  | 2,000            | 2,200            |
| Assessed EBITDA Multiple  | 9.13 | 5.0              | 5.5              |
| <b>Enterprise value (minority basis)</b>                            |      | <b>10,000</b>    | <b>12,100</b>    |
| Number of Shares on issue prior to the Proposed Transaction ('000)  | 3.7  | 842,775          | 842,775          |
| Consideration Shares issued to FEI ('000)                           | 3.7  | 1,650,000        | 1,650,000        |
| Earn-Out Shares issued to FEI ('000)                                | 3.7  | 566,549          | 566,549          |
| Performance Shares issued to Wolfstrike vendors ('000)              | 3.7  | 500,000          | 500,000          |
| Convertible Facility Shares ('000)                                  | 3.7  | 217,382          | 217,382          |
| <b>Total pre Consolidation Shares post the Proposed Transaction</b> |      | <b>3,777,779</b> | <b>3,777,779</b> |
| <b>Minority value per Pre Consolidation Share (undiluted)</b>       |      | <b>\$0.0026</b>  | <b>\$0.0032</b>  |

Source: RSM analysis

- 9.3 The capitalisation of earnings methodology estimates the value of the equity of a company by capitalising the FME of the underlying business at an appropriate multiple, which reflects the underlying risk profile and growth prospects of the business applying a premium for control where necessary, adding the value of any surplus or non-operating assets (or deducting any excess or non-operating liabilities) and deducting net debt (or adding net cash). Accordingly, valuing WolfStrike using the capitalisation of maintainable earnings methodology requires the determination of the following variables:
- future maintainable earnings;
  - an appropriate capitalisation multiple;
  - an appropriate premium for control;
  - the current level of net debt or net cash; and
  - the value of surplus assets or excess liabilities.
- 9.4 Our considerations with regard to each of these factors is presented below:

## Future maintainable earnings

- 9.5 Our calculation of future maintainable earnings is based on WolfStrike's future maintainable EBITDA inclusive of FEI. We have used future maintainable EBITDA as it allows WolfStrike's earnings and therefore appropriate capitalisation rates to be compared to other companies as:
- A company's EBITDA is unaffected by capital structure (level of gearing), tax structure or income tax rates; and
  - EBITDA can be viewed as a better representation of the actual cash that flows through a company than earnings and depreciation and amortisation are non-cash charges against earnings.
- 9.6 In assessing the future maintainable earnings we have had regard to the following financial results of WolfStrike and FEI:
- Audited financial statements for the years' ended 30 June 2016 and 31 March 2016 for WolfStrike and FEI respectively;
  - Unaudited year to date management accounts to 30 September 2016 for WolfStrike (representing three months then ended);
  - Audit reviewed financial statements of FEI for the six months then ended 30 September 2016; and
  - The combined Group's forecast contained in the submission to Standard and Poor's for the forecast years' ending 31 March 2017, 2018 and 2019.
- 9.7 On an annualised basis the audit reviewed financial statements of FEI for the six months ended 30 September 2016 shows FEI generated approximately A\$1.1 million of Net Profit before depreciation and bad debts. The unaudited Management Accounts of WolfStrike for the three months ended 30 September 2016 indicate on an annualised basis a small loss or breakeven at the EBITDA level. These results are consistent with the combined Group forecast contained in the submission to Standard and Poor's for the year ending 31 March 2017.
- 9.8 We note that these figures have been provided on an aggregate basis and do not include any synergistic benefits that are likely to arise from the Proposed Transaction, as any increase in the earnings of WolfStrike as a result of a lower costs of funds from FEI will be offset by a fall in the earnings of FEI. As such, we do not consider there to be any need for further adjustment to the historical earnings in our valuation assessment.
- 9.9 On the basis of our review of the financial information above and from our discussions with management, we consider maintainable EBITDA in the region of \$2.0 million to \$2.2 million for the combined Group does not seem unreasonable for the year ending 31 March 2017.

## Assessment of Capitalisation Multiple

- 9.10 In selecting an appropriate capitalisation multiple to value WolfStrike we have considered the trading multiples of equities of companies which are listed on the ASX and New Zealand Stock Exchange ("NZSE") whose operations are the same as, or comparable to, WolfStrike and FEI.

## Comparable companies

- 9.11 The table below sets out a summary of the historic and forecast EBITDA multiples of entities listed on the ASX whose operations and activities are comparable to those of WolfStrike and FEI. A brief description of each of the comparable companies are set out at Appendix C.

**Table 16 Summary of comparable company enterprise values, FY16 EBITDA and EV/EBITDA multiples**

| Company  | Enterprise Value | Forecast EBITDA | Historic EV/EBITDA Multiple | Forecast EV/EBITDA Multiple |
|--|------------------|-----------------|-----------------------------|-----------------------------|
|  | 30-Nov-16        | FY17            | YE16                        | FY17                        |
|  | \$m              | \$m             | x                           | x                           |
| Pioneer Credit Limited                             | 89               | 21              | -                           | 4.3                         |
| Thorn Group Limited                                | 499              | 55              | 7.2                         | 9.1                         |
| Cash Converters International Limited              | 233              | 42              | 4.3                         | 5.5                         |
| OFX Group Limited                                  | 236              | 32              | 7.2                         | 7.3                         |
| Money3 Corporation Limited                         | 266              | 41              | 7.0                         | 6.5                         |
| IOOF Holdings Limited                              | 2,538            | 253             | 10.0                        | 10.0                        |
| Eclix Group Limited                                | 2,381            | 107             | 8.6                         | 22.3                        |
| Collection House Limited                           | 244              | 39              | 6.2                         | 6.3                         |
| Silver Chef Limited                                | 594              | 177             | 4.1                         | 3.4                         |
| Yellow Brick Road Holdings Limited                 | 46               | -               | 6.1                         | -                           |
| <b>Average (excluding Eclix Group<sup>1</sup>)</b> |                  |                 | <b>6.5</b>                  | <b>6.5</b>                  |
| <b>Median (excluding Eclix Group<sup>1</sup>)</b>  |                  |                 | <b>6.6</b>                  | <b>6.4</b>                  |

Source: S&P Capital IQ, RSM analysis

1. Eclix Group is considered an outlier and has been excluded from the above results

9.12 In relation to the above trading multiples, we note that the Share price of a listed company represents the market value of a non-controlling interest in that company and as such any earnings multiple derived from those Share prices are consequently non-controlling multiples and they do not reflect a premium for control.

## Conclusion on capitalisation multiple

9.13 Based on our analysis of comparable company multiples, we consider an appropriate non-controlling multiple for WolfStrike to be in the range of 5.0 to 5.5 times. In assessing this range, we have considered inter-alia:

- The relative small size and scale of WolfStrike compared to the comparable companies;
- The lack of a trading history of WolfStrike and the acquired businesses operating together; and
- The potential synergies and growth potential for the acquired businesses in the Australian and New Zealand market presented by the merger.

## Net Debt

9.14 We have not included Net Debt in our FME valuation as cash and borrowings could be considered working capital in nature for companies in the financial services industry, and, therefore, should not be added back to our maintainable earnings valuation.

## Surplus assets

9.15 Surplus assets and excess liabilities are those assets and liabilities not required to sustain the adopted level of earnings. WolfStrike and FEI had no surplus assets or liabilities at 30 June 2016 and 30 September 2016 respectively.

## Net Assets on a going concern (secondary methodology)

- 9.16 To provide a cross-check to our primary valuation, we have assessed the value of a WolfStrike Share post the Proposed Transaction on a minority basis using the net assets on a going concern methodology, as summarised in the table below.

**Table 17 Assessed Fair Value of a Wolfstrike Share - net assets on a going concern basis**

| A\$'000  | Ref. | Valuation        |
|--|------|------------------|
| Net assets value of Wolfstrike prior to the Proposed Transaction         | 8.2  | 2,176            |
| Add: Net Asset value of FEI at 30 September 2016                         | 6.15 | 8,531            |
| Add: Conversion of Convertible Facility Shares                           | 3.9  | 2,060            |
| less: costs associated with the Proposed Transaction                     | 3.9  | (500)            |
| <b>Value of Wolfstrike (undiluted)</b>                                   |      | <b>12,267</b>    |
| <b>Total pre Consolidation Shares post the Proposed Transaction</b>      |      | <b>3,777,779</b> |
| Value per Share on a pre Consolidation basis                             |      | \$0.0032         |
| Discount for minority interest   |      | -\$0.0006        |
| <b>Minority value per Share (undiluted) on a pre Consolidation basis</b> |      | <b>\$0.0026</b>  |

- 9.17 We consider that the minority value of a WolfStrike Share post the Proposed Transaction is approximately \$0.0026 on a pre Consolidation basis.

### *Net asset Value of WolfStrike*

- 9.18 We have assessed the Fair Market Value of WolfStrike on a control basis based on the audited Statement of Financial Position of WolfStrike as at 30 June 2016 to be approximately A\$2.2 million based on the net asset methodology.

### *Net asset value of FEI*

- 9.19 We have assessed the Fair Value of FEI on a control basis based on the audit reviewed statement of Financial Position of FEI as at 30 September 2016 to be approximately A\$8.5 million based on the net asset methodology.

### *Conversion of Convertible Facility*

- 9.20 We have included the impact of the conversion of the Convertible Facility as on conversion they represent equity rather than a liability, and WolfStrike proposes to convert the Convertible Facility on completion of the Proposed Transaction.

### **Minority interest discount**

- 9.21 In selecting a minority discount we have given consideration to our control premium applied in Paragraph 8.12, where we established a range for a control premium of between 25% and 35%. The resulting corresponding minority discount range based on said control premiums is between 20% and 25%.

## 10. Is the Proposed Transaction Fair to WolfStrike Shareholders?

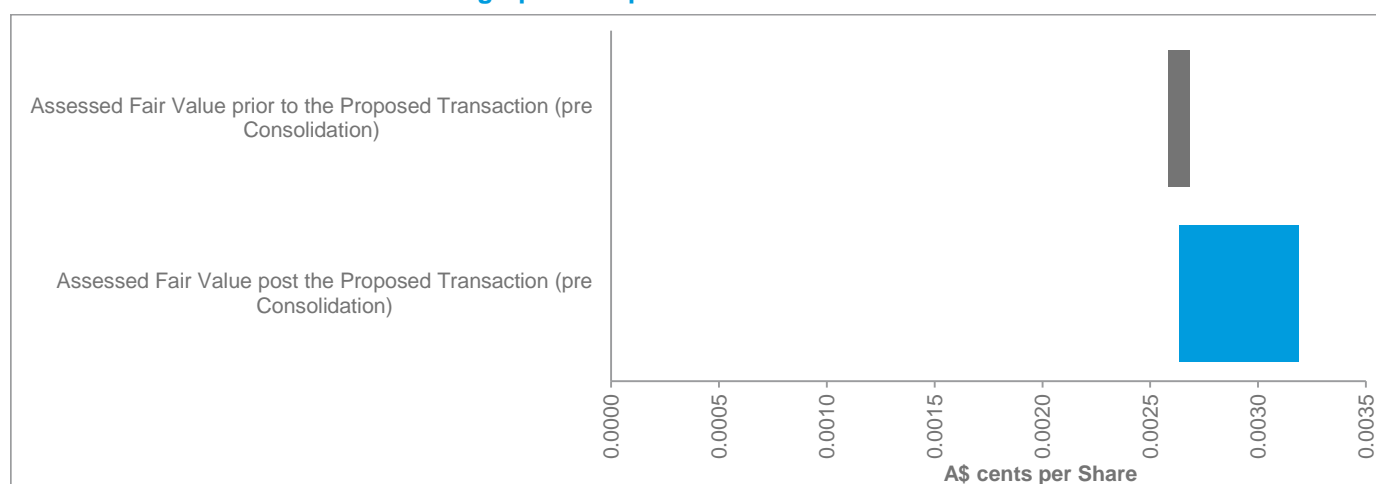
10.1 Our assessed values of a WolfStrike share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

**Table 18 Assessed values of a WolfStrike share pre and post the Proposed Transaction**

| Assessment of fairness<br>A\$   | Ref. | Value     |           |
|---|------|-----------|-----------|
|   |      | Low       | High      |
| Assessed Fair Value prior to the Proposed Transaction (pre Consolidation) | 8.2  | \$ 0.0026 | \$ 0.0026 |
| Assessed Fair Value post the Proposed Transaction (pre Consolidation)     | 9.2  | \$ 0.0026 | \$ 0.0032 |

Source: RSM analysis

**Table 19 WolfStrike Share valuation graphical representation**



Source: RSM Analysis

10.2 In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of complying with s611 of the Act, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of WolfStrike as the value of a WolfStrike Share post the Proposed Transaction is equal to or above the range of the value of a WolfStrike Share prior to the Proposed Transaction.

## 11. Is the Proposed Transaction Reasonable?

11.1 RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of WolfStrike if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

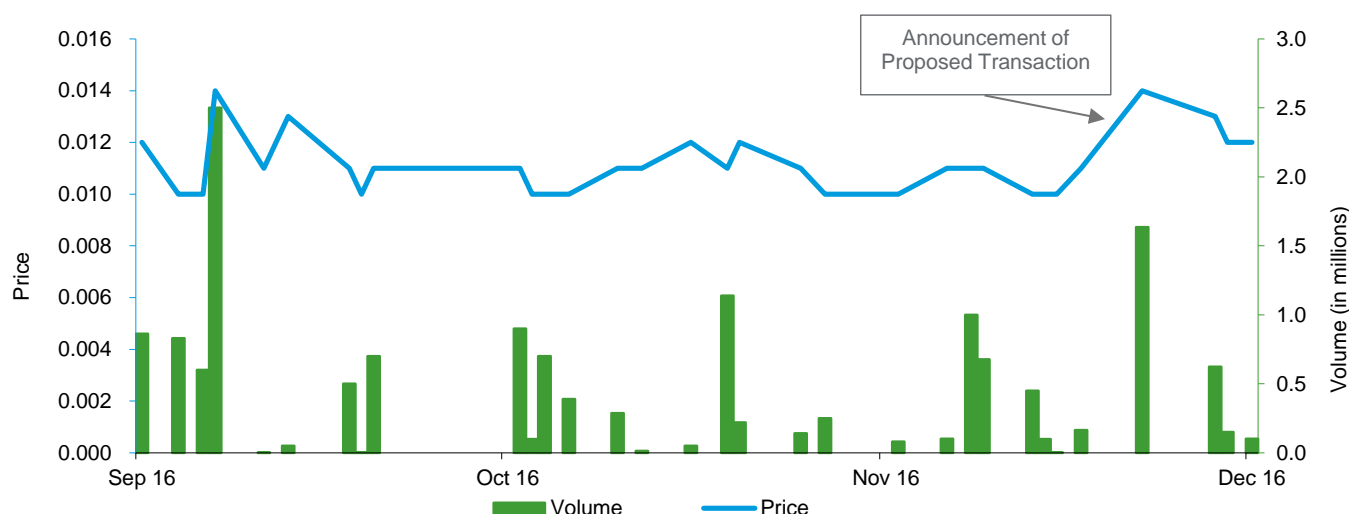
### Future prospects of WolfStrike if the Proposed Transaction does not proceed

11.2 If the Proposed Transaction does not proceed then the Company will endeavour to continue to grow its business organically and through acquisition of new assets or businesses in order to add value to shareholders.

### Trading in WolfStrike Shares following the announcement of the Proposed Transaction

11.3 Wolfstrike Shares entered a trading halt on 28 November 2016 prior to the announcement of the Proposed Transaction on 30 November 2016. The trading of Wolfstrike Shares in the period immediately following the announcement was positive as shown in the graph below.

**Figure 5 Wolfstrike Share trading following the announcement of the Proposed Transaction**



Source: S&P's Capital IQ

11.4 Following the announcement of the Proposed Transaction, Wolfstrike Shares were traded at a high of \$0.015 on 30 November 2016 and 30 day VWAP of \$0.0118 at 14 December 2016, up from a closing price of \$0.11 and 30 day VWAP of \$0.010 on 27 November 2016 being the last day of trading prior to the trading halt. The increase in the Company's Share price following the announcement indicates a positive reaction in the market to the Proposed Transaction, which supports the reasonableness of the Proposed Transaction to Non-Associated Shareholders of the Company.

### Stated Intentions of FEI Vendors in relation to the Offer

11.5 FEI Vendors have stated that:

- They have no current intention to make any significant changes to the existing business of the Company following completion of the Proposed Transaction;

- They have no current intentions to vary the employment arrangements of the current employees of the Company;
- They have no current intentions for any property to be transferred between the Company and the FEI Vendors or any person associated with the FEI Vendors;
- They have no current intention to redeploy the fixed assets of the Company; and
- They have no current intention to significantly change the financial or dividend distribution policies of the entity.

## Advantages and disadvantages

- 11.6 In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceeds, than if it does not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

## Advantages of approving the Proposed Transaction

### *Advantage 1 – The Proposed Transaction is fair*

- 11.7 RG111 states that a transaction is reasonable if it is deemed fair.

### *Advantage 2 – Substantial synergies from the integration of the two businesses*

- 11.8 The Proposed Transaction will provide WolfStrike with substantial synergies including access to lower cost of funds (reducing from approximately 14.8% per annum to 6.5% per annum at current rates), together with access to FEI's third party leasing book plus a wider range of products it can offer to customers. We note however that in the instance of an increase in the earnings of WolfStrike as a result of a lower cost of funds from FEI, this benefit will be offset by a fall in the earnings of FEI.

### *Advantage 3 – New Directors will add relevant experience, skills and networks to the Company*

- 11.9 The addition of TK Shim and Mel Stewart to the WolfStrike Board will add experience and skills to assist the Company to continue to grow and develop. Mr Shim specialises in structured financing and 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. Mr Stewart has experience in financing in the rural, commercial and industrial sectors providing an understanding of issues relating to commercial and credit requirements.

### *Advantage 4 – Increase in assets of the Company*

- 11.10 The Proposed Transaction will increase the asset value of the Company by acquiring the lease funding facilities operated by FEI to entities other than Wolfstrike.

### *Advantage 5 – Added surety of financing for the Company*

- 11.11 The Proposed Transaction will provide WolfStrike with a platform to have surety of financing in place to support and grow its rent book at costs of funds available to financial institutions.

### *Advantage 6 - the Company's ability to raise funds and attract strategic investors may be improved*

- 11.12 The Company's ability to raise funds and attract strategic investors may be improved once the Proposed Transaction is completed, which may lead to increased liquidity of Shares and greater depth of trading than that which is currently available to Shareholders.

## Disadvantages of approving the Proposed Transaction

*Disadvantage 1 – Change in scale of activities*

- 11.13 The Proposed Transaction will change the scale of the Company's activities and bring exposure to the lending market, which may not be in line with the investment objectives of all Shareholders. FEI has grown relatively quickly and there is no guarantee such growth will continue. As FEI is still a small capitalisation company, any change in operations could have a material impact on the business.

*Disadvantage 2 – Dilution on Non-Associated Shareholders*

- 11.14 The issue of Consideration Shares to the FEI Vendors will have a dilutive effect on the voting interest of Non-Associated Shareholders of WolfStrike, reducing their interest from 100% to approximately 22% on an undiluted basis.

*Disadvantage 3 – Change in risk profile of the Company*

- 11.15 Completion of the Proposed Transaction will expose WolfStrike and its Shareholders to additional risks which may not be consistent with the risk profile of all Non-Associated Shareholders.

## Alternative Proposal

- 11.16 We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of WolfStrike a greater benefit than the Proposed Transaction.

## Conclusion on Reasonableness

- 11.17 In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of WolfStrike.
- 11.18 An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

**RSM CORPORATE AUSTRALIA PTY LTD**

**A GILMOUR**



Director

**G YATES**



Director



## APPENDICES

## A. DECLARATIONS AND DISCLAIMERS

### **Declarations and Disclosures**

RSM Corporate Australia Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### **Qualifications**

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Corporate Australia Pty Ltd is beneficially owned by the partners of RSM Australia Pty Ltd (RSM) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Corporate Australia Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### **Reliance on this Report**

This report has been prepared solely for the purpose of assisting Shareholders of the Company in considering the Security. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

### **Reliance on Information**

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of WolfStrike Rentals Group Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. RSM Corporate Australia Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Corporate Australia Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### **Disclosure of Interest**

At the date of this report, none of RSM Corporate Australia Pty Ltd, RSM, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Corporate Australia Pty Ltd and RSM has any interest in the outcome of the Proposed Transaction, except that RSM Corporate Australia Pty Ltd are expected to receive a fee of approximately \$35,000 based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of WolfStrike Rentals Group Limited receives Shareholder approval for the Security, or otherwise.

### **Consents**

RSM Corporate Australia Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of Extraordinary General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Corporate Australia Pty Ltd or RSM Australia Pty Ltd or has been involved in the preparation of the Notice of Extraordinary General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

## B. SOURCES OF INFORMATION

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for WolfStrike for the years' ended 30 June 2016, 2015 and 2014;
- Audited financial statements for FEI for the years' ended 31 March 2016 and 2015;
- Unaudited year to date management accounts of WolfStrike for the three months ended 30 September 2016;
- Audit reviewed financial statements of FEI for the six months ended 30 September 2016;
- Financial forecasts of WolfStrike, FEI and the pro-forma consolidated entity for the forecast years' ending 31 March 2017, 2018 and 2019.
- ASX announcements of WolfStrike;
- IBISWorld
- The World Bank: Global Financial Development Report 2015/2016
- S&P Capital IQ database; and
- Discussions with Directors, Management and staff of WolfStrike

## C. COMPARABLE COMPANIES

**Table 20** Comparable company multiple analysis

| ASX Ticker  | Company Name                          | Turnover | Mkt Cap | Cash  | Debt    | EV      | EBITDA |        |        | EBITDA Multiple |        |        |
|---|---------------------------------------|----------|---------|-------|---------|---------|--------|--------|--------|-----------------|--------|--------|
|   |                                       |          |         |       |         |         | YE2015 | YE2016 | FC2017 | YE2015          | YE2016 | FC2017 |
|   |                                       |          | \$m     | \$m   | \$m     | \$m     | \$m    | \$m    | \$m    | x               | x      | x      |
| ASX:PNC   | Pioneer Credit Limited                | -        | 92.0    | 4.9   | 2.0     | 89.1    | NA     | NA     | 20.9   | -               | -      | 4.3    |
| ASX:TGA   | Thorn Group Limited                   | 308.2    | 281.8   | 14.6  | 231.7   | 499.0   | 79.9   | 69.0   | 55.0   | 6.2             | 7.2    | 9.1    |
| ASX:CCV   | Cash Converters International Limited | 85.6     | 172.6   | 73.6  | 134.0   | 232.9   | 75.2   | 54.5   | 42.2   | 3.1             | 4.3    | 5.5    |
| ASX:OFX   | OFX Group Limited                     | 111.9    | 382.8   | 129.4 | (17.8)  | 235.6   | 34.4   | 32.8   | 32.4   | 6.8             | 7.2    | 7.3    |
| ASX:MNY   | Money3 Corporation Limited            | 96.7     | 244.5   | 27.2  | 48.6    | 265.9   | 26.1   | 37.8   | 40.8   | 10.2            | 7.0    | 6.5    |
| ASX:IFL   | IOOF Holdings Limited                 | 907.9    | 2,518.4 | 187.0 | 206.7   | 2,538.1 | 242.8  | 253.1  | 253.3  | 10.5            | 10.0   | 10.0   |
| ASX:ECX   | Eclix Group Limited                   | 504.8    | 996.4   | 60.9  | 1,445.4 | 2,380.9 | 257.9  | 277.2  | 106.8  | 9.2             | 8.6    | 22.3   |
| ASX:CLH   | Collection House Limited              | 132.7    | 195.7   | 8.9   | 57.6    | 244.3   | 41.6   | 39.6   | 38.7   | 5.9             | 6.2    | 6.3    |
| ASX:SIV   | Silver Chef Limited                   | 221.1    | 347.8   | 5.7   | 251.5   | 593.5   | 112.7  | 143.9  | 177.1  | 5.3             | 4.1    | 3.4    |
| ASX:YBR   | Yellow Brick Road Holdings Limited    | 215.2    | 46.4    | 6.9   | 6.9     | 46.5    | 4.1    | 7.7    | -      | 11.4            | 6.1    | -      |
| <b>Summary - All</b>  |                                       |          |         |       |         |         |        |        |        |                 |        |        |
| Average   |                                       | 258.4    | 527.8   | 51.9  | 236.7   | 712.6   | 87.5   | 91.6   | 76.7   | 6.9             | 6.1    | 7.5    |
| Median  |                                       | 173.9    | 263.1   | 20.9  | 95.8    | 255.1   | 58.4   | 47.0   | 41.5   | 6.5             | 6.6    | 6.4    |
| Low   |                                       | -        | 46.4    | 4.9   | (17.8)  | 46.5    | -      | -      | -      | -               | -      | -      |
| High  |                                       | 907.9    | 2,518.4 | 187.0 | 1,445.4 | 2,538.1 | 257.9  | 277.2  | 253.3  | 11.4            | 10.0   | 22.3   |
| <b>Summary - excluding top and bottom 2, and/or all negatives</b> |                                       |          |         |       |         |         |        |        |        |                 |        |        |
| Average   |                                       | 219.3    | 314.2   | 44.1  | 157.5   | 400.7   | 77.4   | 76.8   | 61.2   | 8.1             | 6.9    | 7.3    |
| Median  |                                       | 218.1    | 314.8   | 44.1  | 170.3   | 382.4   | 77.6   | 61.7   | 48.6   | 8.0             | 7.1    | 6.9    |
| Low   |                                       | 132.7    | 244.5   | 14.6  | 57.6    | 244.3   | 41.6   | 39.6   | 40.8   | 6.2             | 6.2    | 6.3    |
| High  |                                       | 308.2    | 382.8   | 73.6  | 231.7   | 593.5   | 112.7  | 143.9  | 106.8  | 10.2            | 7.2    | 9.1    |

Source: S&P's Capital IQ

**Table 21** Comparable company business descriptions

| Company Name                                 | Business Description  |
|--|---|
| <b>Pioneer Credit Limited</b>                | Pioneer Credit Limited provides financial services in Australia. The company acquires and services unsecured retail debt portfolios. It is also involved in the sale of non-core portfolios, as well as brokering and introducing credit products. The company is headquartered in Perth, Australia.  |
| <b>Thorn Group Limited</b>                   | Thorn Group Limited, together with its subsidiaries, provides a range of financial solutions to consumers and businesses in Australia. It operates through four divisions: Consumer Leasing, Business Finance, Receivables Management, and Consumer Finance. The Consumer Leasing division engages in the operating and financial leasing of household appliances. The Business Finance division offers financial products to small and medium enterprises, including equipment leasing, trade finance, and invoice discounting. The Receivable Management division provides receivables management, debt recovery, credit information services, debt purchasing, and other financial services. The Consumer Finance division provides personal loans. The company was founded in 1937 and is based in Chullora, Australia. |
| <b>Cash Converters International Limited</b> | Cash Converters International Limited operates as a franchisor of second hand goods and financial services stores under the Cash Converters name. The company operates through Franchise Operations, Store Operations, Financial Services—Personal Loans, Financial Services—Administration, and Vehicle Financing segments. It engages in the sale of franchises for the retail sale of second hand goods; the sale of master licenses for the development of  |

|                                   |   |
|-----------------------------------|---|
|                                   | franchises; and the retail sale of second hand goods, as well as in cash advance and pawn broking operations through corporate owned stores. It also provides personal loans; and an Internet platform and administration services for the Cash Converters network to provide small cash advance loans to their customers. The company operates 666 franchised stores, including 201 stores in the United Kingdom, 82 stores in Australia, and 383 stores internationally. Cash Converters International Limited was founded in 1984 and is based in Perth, Australia.  |
| <b>OFX Group Limited</b>          | OFX Group Limited provides online international payments and foreign exchange services for consumer and business clients in Australia, New Zealand, Europe, North America, and Asia. The company offers international money transfer services, including single and recurring money transfer services; and foreign exchange services, including spot and forward transactions, and foreign exchange options. It offers its services under the brand names of OFX, UKForex, CanadianForex, USForex, NZForex, and ClearFX. The company was formerly known as OzForex Group Limited and changed its name to OFX Group Limited in September 2016. OFX Group Limited was founded in 1998 and is headquartered in Sydney, Australia.  |
| <b>Money3 Corporation Limited</b> | Money3 Corporation Limited, a short term finance company, provides secured and unsecured personal loans and cheque cashing services primarily in Australia. The company offers small cash and personal loans, and car loans and vehicle finance services. Its vehicle loans include loans for cars, bikes, boats, trucks, tractors, and various vehicle repairs. The company provides loans through brokers and branch network, as well as online. It operates 61 branches in Victoria, New South Wales, South Australia, Queensland, and Tasmania. The company is headquartered in Bundoora, Australia.  |
| <b>IOOF Holdings Limited</b>      | IOOF Holdings, Ltd. engages in the development, distribution, management, and administration of various financial products and services. It operates through two segments, Wholesale Funds Management, and Retail Funds Management and Administration. The Wholesale Funds Management segment engages in the management and investment of monies on behalf of private, corporate, superannuation, and institutional clients. The Retail Funds Management and Administration segment distributes and administers retail funds, including financial planning and back office services. The company was founded in 1846 and is based in Melbourne, Australia.  |
| <b>Eclix Group Limited</b>        | Eclix Group Limited supplies, finances, and manages vehicles on behalf of corporate customers and consumers in Australia, and corporate and SME customers in New Zealand. The company offers vehicle fleet leasing and fleet management services under the FleetPartners and Eclix Commercial brands; operating leasing, fleet management, novated leasing, and salary packaging services, as well as fleet and leasing finance solutions, accident management, short-term rentals, lease extensions, and driver education programs under the FleetPlus brand; and fleet management and salary packaging administration services for organizations and individuals under the Fleet Choice brand, as well as assists its customers in fleet discounts, full vehicle servicing, maintenance, and repairs. It also provides a range of accident replacement vehicles under Right2Drive brand; an online service that assists individuals to secure car loans to suit their needs under the CarLoans.com.au brand; and financing solutions for businesses of various sizes to lease or purchase IT, office, and manufacturing equipment. Eclix Group Limited was founded in 1987 and is headquartered in Sydney, Australia.   |
| <b>Collection House Limited</b>   | Collection House Limited provides debt collection and receivables management services in Australia and New Zealand. The company operates through Collection Services and Purchased Debt Ledgers segments. It offers debt collections services to clients in the Australasian financial services, insurance, public utility, credit, and government enterprise markets; debt purchasing services for banking, finance, telecommunications, and utilities sectors; and outsourced receivables management solution, including hardship management, which assists clients to maintain customers' credit facility or debtors ledger. The company also provides hardship management capabilities from identification, assessment, and individual treatment paths; legal advice on debt recovery and insolvency matters; and development and training services for working in the debt collection industry, including nationally accredited training and mercantile courses. In addition, it offers personalized debt collection services for consumer debt, council rates, local authority, water boards, utilities, and commercial business to business debt, as well as outsourcing options based on call center technology. Collection House Limited was incorporated in 1992 and is headquartered in Newstead, Australia. |

|   |   |
|---|---|
| <b>Silver Chef Limited</b>                | <p>Silver Chef Limited engages in the rental and financing of commercial equipment in Australia, New Zealand, and Canada. It operates in two segments, Hospitality and GoGetta. The Hospitality segment provides equipment rental and financing solutions to small and medium sized businesses in the hospitality industry, such as coffee shops, takeaway stores, independently owned restaurants, and franchises. The GoGetta segment offers equipment rental and financing solutions to small and medium sized businesses in other industries, such as transport, light commercial vehicle, and light construction sectors. The company offers funding solutions through Rent.Grow.Own and Rent-Try-Buy. It also offers new and used equipment, such as beverage, coffee, cooking, display, food-preparation, refrigeration, and washing, as well as miscellaneous equipment. The company was founded in 1986 and is headquartered in West End, Australia.</p> |
| <b>Yellow Brick Road Holdings Limited</b> | <p>Yellow Brick Road Holdings Limited, a wealth management company, provides investment and wealth management, general insurance, accounting, and mortgage broking and aggregation and management services in Australia. It offers cash and investment services; arranges insurance, such as small business, life, income protection, and loan insurance; and advises on retirement planning and superannuation funds. The company also provides mortgage broker services, including arrangement of home loans. It serves customers through a network of 140 branches. The company was formerly known as ITS Capital Investments Limited and changed its name to Yellow Brick Road Holdings Limited in May 2011. Yellow Brick Road Holdings Limited was founded in 2007 and is based in Sydney, Australia.</p>  |

Source: S&P's Capital IQ

## D. GLOSSARY OF TERMS

| Term or Abbreviation        | Definition   |
|-----------------------------|--|
| \$                          | Australian dollar  |
| Act                         | Corporations Act 2001 (Cth)  |
| APES                        | Accounting Professional & Ethical Standards Board  |
| ASIC                        | Australian Securities & Investments Commission   |
| ASX                         | Australian Securities Exchange   |
| ASX Listing Rules           | The listing rules of ASX as amended from time to time  |
| Board                       | The board of directors of the WolfStrike Rentals Group Limited listed entity   |
| Company                     | WolfStrike Rentals Group Limited   |
| Consideration Shares        | The Shares to be issued to the FEI Vendors or their nominees under the SPA should the Acquisition proceed.   |
| Control basis               | As assessment of the Fair Value on an equity interest, which assumes the holder or holders have control of the entity in which the equity is held  |
| Directors                   | Directors of the Company   |
| Earn-Out Shares             | Up to an additional 566,549,223 Shares that will be issued to FEI under the Proposed Transaction subject to FEI achieving 90% of TK: to be amended in the manner revised in the main body of the IER |
| Explanatory Statement       | The explanatory statement accompanying the Notice  |
| Fair Market Value           | The value that should be agreed in a hypothetical transaction between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting at arm's length.    |
| Fair Value                  | The amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length        |
| FEI                         | FEI Investments Limited, a New Zealand company with registration number 1353487.   |
| FEI Vendors                 | The current shareholders of FEI at the date of this Report   |
| FME                         | Future Maintainable Earnings   |
| FOS                         | Financial Ombudsman Service  |
| FSG                         | Financial Services Guide   |
| IER                         | This Independent Expert Report   |
| NBDT                        | Non-Bank Deposit Taker   |
| NPBTBD                      | Net Profit Before Tax and Depreciation   |
| Non-Associated Shareholders | Shareholders who are not a party, or associated to a party, to the Proposed Transaction  |
| Notice                      | The notice of meeting to vote on, inter alia, the Proposed Transaction   |
| Option or Options           | An option to acquire a Share in the Company with varying vesting conditions  |
| Projections                 | Consolidated Group's NPBTBD projections submitted to Standard and Poor's.  |
| Proposed Transaction        | The acquisition of 100% of the issued capital of FEI by the Company  |
| Report                      | This Independent Expert's Report prepared by RSM dated 31 January 2017   |

|                                  |   |
|----------------------------------|---|
| <b>Resolution</b>                | The resolutions set out in the Notice   |
| <b>RG 111</b>                    | ASIC Regulatory Guide 111 Content of Expert Reports   |
| <b>RSM</b>                       | RSM Corporate Australia Pty Ltd   |
| <b>S&amp;P Capital IQ</b>        | An entity of Standard and Poor's which is a third party provider of company and other financial information |
| <b>Share or WolfStrike Share</b> | Ordinary fully paid share in the capital of the Company   |
| <b>Shareholder</b>               | A holder of Share   |
| <b>SME</b>                       | Small and medium sized entities   |
| <b>VWAP</b>                      | Volume weighted average share price   |

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RSM Australia Pty Ltd is a member of the RSM network and trades as RSM.  
RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU.

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## Schedule 4 Identity of FEI Vendors and their holdings in the Company after the Acquisition

The FEI Vendors do not currently have a relevant interest in any Shares in the Company, and therefore do not currently have any voting power in the Company. The table below shows the maximum voting power the FEI Vendors will have on completion of the Acquisition. This assumes that all of the Consideration Shares are issued, but none of the Shares the subject of Resolutions 3 to 8 are issued.

However, it should be noted that subject to the passing of Resolutions 3 to 8, the Company will issue the Shares the subject of those Resolutions, and accordingly the fifth column below shows the anticipated voting power the FEI Vendors will have in the Company assuming these Shares are issued.

| No.          | Names  | Maximum amount of Shares held in the Company after the Acquisition | Shares held as a % of issued capital assuming none of the Shares the subject of Resolutions 3 – 8 are issued | Maximum voting power in the Company after the Acquisition <sup>3</sup> | Shares held as a % of issued capital assuming shares the subject of Resolutions 3 – 8 are issued <sup>2</sup> | Voting power in the Company after the Acquisition assuming shares the subject of Resolutions 3 – 8 are issued <sup>2,3</sup> | Maximum increase in voting power in the Company as a result of the Acquisition <sup>3</sup> |
|--------------|--|--|--|--|---|--|---|
| 1.           | First Eastern Holdings Limited <sup>1</sup>    | 1,839,257,875  | 60.12%   | 72.45%   | 48.69%  | 58.67%   | 72.45%  |
| 2.           | FE Convertible Bond No.81 Limited <sup>1</sup> | 89,131,014   | 2.91%  | 72.45%   | 2.36%   | 58.67%   | 72.45%  |
| 3.           | FE Bond No.1 Limited <sup>1</sup>              | 60,231,494   | 1.97%  | 72.45%   | 1.59%   | 58.67%   | 72.45%  |
| 4.           | Equity No.8 Limited <sup>1</sup>               | 54,426,080   | 1.78%  | 72.45%   | 1.44%   | 58.67%   | 72.45%  |
| 5.           | FE Equity Limited <sup>1</sup>                 | 41,283,148   | 1.35%  | 72.45%   | 1.09%   | 58.67%   | 72.45%  |
| 6.           | FE Convertible Bond No.82 Limited <sup>1</sup> | 29,710,310   | 0.97%  | 72.45%   | 0.79%   | 58.67%   | 72.45%  |
| 7.           | FE Capital Limited <sup>1</sup>                | 10,477,038   | 0.34%  | 72.45%   | 0.28%   | 58.67%   | 72.45%  |
| 8.           | Parkiri Limited                                | 92,032,263   | 3.01%  | 72.45%   | 2.44%   | 58.67%   | 72.45%  |
| <b>Total</b> |  | 2,216,549,223  | 72.45%   | 72.45%   | 58.67%  | 58.67%   | 72.45%  |

**Notes:**

1. Wholly-owned subsidiaries of Pigeon Capital Limited, the shares of which are held as to 50% by TK Shim (Family Trust) and 50% by Mel Stewart (Family Trust).
2. Assumes a conversion price of the August Facility, McDonald Facility and December Facility of \$0.00948, and a total of A\$500,000 is raised under the December Facility.
3. As detailed in Section 7.4, in preparing this Notice and for the purposes of seeking Shareholder approval under item 7 section 611 of the Corporations Act, the Company has taken the conservative approach of assuming that all of the FEI Vendors could be regarded as associates on the basis that, by undertaking the Acquisition, the FEI Vendors are acting in concert in relation to the affairs of the Company. Accordingly each is assumed to hold the same voting power.

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## Schedule 5      Terms and conditions of Attaching Options

1. The Options shall be issued for no cash consideration.
2. The exercise price of each Option is \$0.02 (**Exercise Price**).
3. The exercise of each Option will result in the issue to the Option holder of 1 Share.
4. The Options will expire on the date 24 months from the date of the issue of the Options unless earlier exercised (the **Expiry Date**).
5. The Options are not transferrable.
6. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with payment for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date. Payment may be made as directed by the Company from time to time, which may include by cheque, electronic funds transfer or other methods.
7. The number of Options that may be exercised at one time must be not less than 1000, unless the Option holder holds less than 1000 options in which case all options must be exercised at one time.
8. Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue Shares ranking *pari passu* with the then issued Shares on issue in the Company within 10 business days of valid exercise and payment.
9. Option holders do not have any right to participate in new issues of securities in the Company made to Shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to Shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
10. Option holders do not participate in any dividends unless the Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
11. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
  - (a) the number of Options, the Exercise Price of the Options, or both will be reorganised (as appropriate) in a manner consistent with the Listing Rules as applicable at the time of reorganisation, but with the intention that such reorganisation will not result in any benefits being conferred on the holders of the Options which are not conferred on Shareholders; and
  - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reorganisation of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
12. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- $O^n$  = the new exercise price of the Option;
- $O$  = the old exercise price of the Option;
- $E$  = the number of underlying Shares into which one Option is exercisable;
- $P$  = the volume weighted average market price per underlying Share during the 5 trading days ending on the day before the ex rights date or the ex entitlements date;
- $S$  = the subscription price for a security under the *pro rata* issue;
- $D$  = dividend due but not yet paid on the existing underlying Shares (except those to be issued under the *pro rata* issue); and
- $N$  = the number of securities with rights or entitlements that must be held to receive a right to one new security.

13. If there is a bonus issue to the Shareholders, the number of Shares over which each Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
14. The terms of the Options shall only be changed if Shareholders (whose votes are not to be disregarded) in the Company approve of such a change. However, unless all necessary waivers of the Listing Rules are obtained, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
15. The Company shall not apply for listing of the Options on the Stock Exchange.
16. The Company shall apply for listing on the Stock Exchange of the resultant Shares issued upon exercise of any Option.