
ISENTRIC LIMITED
ICU 091 192 871

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at the New South Wales Bowlers Club, Level 2, 99 York Street, Sydney on Wednesday the 28th of January, 2015 at 10.00am.

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

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary Gary Stewart on 02.9538.0802.

ISENTRIC LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of iSentric Limited (**Company**) will be held on Wednesday the 28th January, 2015 at the New South Wales Bowlers Club, Level 2, 99 York Street, Sydney at 10.00am (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and Proxy Form, form part of this Notice.

The Directors have determined that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on 26th January, 2015 at 7.00pm.

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Allotment and Issuance of Vendor Shares

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

"That, subject to Resolution 2 being passed, in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue to persons associated with the Vendors of 38,000,000 Shares in accordance with the Sales and Purchase Agreement dated 11 November 2014 (SPA) on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the issue of the Vendor Shares and a person who might obtain a benefit (except a benefit solely in their capacity as holders of ordinary securities) if the Resolution is passed, and any associate of that person.

However, the Company will not disregard a vote if:

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

2. Resolution 2 – Approval for Ng Chin Kong to sub-underwrite Entitlements Offer

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

"That, subject to Resolution 1 being passed, in accordance with Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, Shareholders approve Ng Chin Kong to sub-underwrite any Shortfall under the Entitlements Offer of up to 4,444,444 Shares at an issue price of \$0.225 per Share on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on Resolution 2 by Mr Ng Chin Kong or any of his associates (within the meaning of the Corporations Act, 2001).

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

3. Resolution 3 – Approval for Lee Chin Wee to sub-underwrite Entitlements Offer

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

"That, subject to Resolution 1 being passed, in accordance with Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, Shareholders approve Lee Chin Wee to sub-underwrite any Shortfall under the Entitlements Offer of up to 4,444,444 Shares at an issue price of \$0.225 per Share on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on Resolution 3 by Mr Lee Chin Wee or any of his associates (within the meaning of the Corporations Act, 2001)

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

BY ORDER OF THE BOARD



Gary Stewart
Company
Secretary

Dated: 22 December, 2014

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at New South Wales Bowlers Club, Level 2, 99 York Street, Sydney on Wednesday 28 January 2015 at 10am (EST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2: Action to be taken by Shareholders

Section 3: Proposed Acquisition

Section 4: Resolution 1 – Allotment and Issuance of Vendor Shares

Section 5: Resolution 2 – Approval for Ng Chin Kong to sub-underwrite Entitlements Offer

Section 6: Resolution 3 – Approval for Lee Chin Wee to sub-underwrite Entitlements Offer

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "**proxy**") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

3. Proposed Acquisition

3.1 Execution of a SPA

The Company has been actively seeking new acquisition opportunities since it completed the acquisition of the shares in iSentric Sdn Bhd (its Malaysian subsidiary) in September 2014.

The Company executed a sale and purchase agreement to acquire the entire issued share capital of Arte Mobile Technology Pte Ltd (**Arte**) and certain associated intellectual property described in detail below (collectively, **Proposed Acquisition**) on 11 November 2014 (**SPA**).

The Company entered into the SPA with Quest Light Investments Limited (**Quest**) and Orion Lead Limited (**Orion**) (together the **Vendors**).

Under the terms of the SPA:

- Quest has agreed to sell the entire issued share capital of Arte to iSentric; and
- Orion has agreed to assign all of its interest in the intellectual property described as “mobilePRO” and the associated digital media (described in more detail below) to Arte.

Completion of the acquisitions under the SPA is subject to satisfaction of certain conditions precedent. One of these conditions precedent is the shareholders in iSentric authorising the issue of the iSentric shares the subject of Resolution 1. The conditions precedent which are still to be satisfied are detailed below in Section 3.6.

The consideration which will be paid by iSentric consists of¹:

- the issuance of 38,000,000 Shares to the Vendors or its Nominees (**Vendor Shares**); and
- A\$7,500,000 in cash payable to the Vendors or its Nominees consisting of:
 - \$6,000,000 at completion; and
 - \$1,500,000 within 6 months from completion

The Vendor Shares are the subject of Resolution 1.

The cash to be paid at Completion is to be raised by an Entitlements Offer (see Section 3.8) and internal generated funds.

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3.2 Parties

Orion is a British Virgin Islands registered company which owns the intellectual property described as “mobilePRO” and the associated digital media content. Please refer to the Section 3.4 for more details.

PT Lingua (**Lingua**) and PT Alpha Media Communications (**AMC**) are both an Indonesian companies that are mobile value added content service providers (specializing in mobile entertainment and mobile solutions) in Indonesia. Mobile valued added content includes short message services (SMS); multimedia media services (MMS), music videos, wallpapers, photos, ring tones, voice applications, games and other digital content which is capable of being downloaded on mobile phone devices

PT Glow Music (**Glow Music**) is an Indonesian company operating a music record business which manages a group of local Indonesian based artists. Glow Music produces music and celebrities' related content which can be delivered using various formats (such as smartphone apps, personal/behind-the-scene videos, photos, latest gossips/updates via text, full track music downloads, CD Album, music and voice as Ring-back-tone (**RBT**)).

Arte is a Singaporean unlisted private company that was incorporated on 21 October 2014 for the purpose of the provision of content and management services to Lingua, AMC and Glow Music.

3.3 The proposed commercial arrangements from Completion.

From completion of the Proposed Acquisition (**Completion**), Arte will be a wholly owned subsidiary of iSentric. The conditions precedent which must be satisfied or waived for Completion to occur are set out below in Section 3.6.

Prior to the Completion, Arte will enter into exclusive distribution agreements with Lingua, AMC and Glow Music under which Lingua, AMC and Glow Music have collectively agreed to act as exclusive distributors of the mobile content owned and created by Arte.

iSentric has agreed to incorporate a wholly owned Indonesian subsidiary to employ the relevant personnel who will be available to support Arte from Completion.

In addition, Arte will also provide content management services to Lingua, AMC and Glow Music (including market research and the provision of content packages to major telecommunication companies in Indonesia).

As a result of the agreements referred to above, from Completion, Arte will provide mobile value added content services specializing in:

- mobile entertainment and mobile solutions; and
- the production of music and celebrities related content delivered in various formats such as smartphone apps, personal/behind-the-scene videos, photos, latest gossips/updates via text, full track music downloads, CD Album, music and voice as RBT.

3.4 Details of the IP



mobilePRO is a mobile content aggregation software platform which has been designed to:

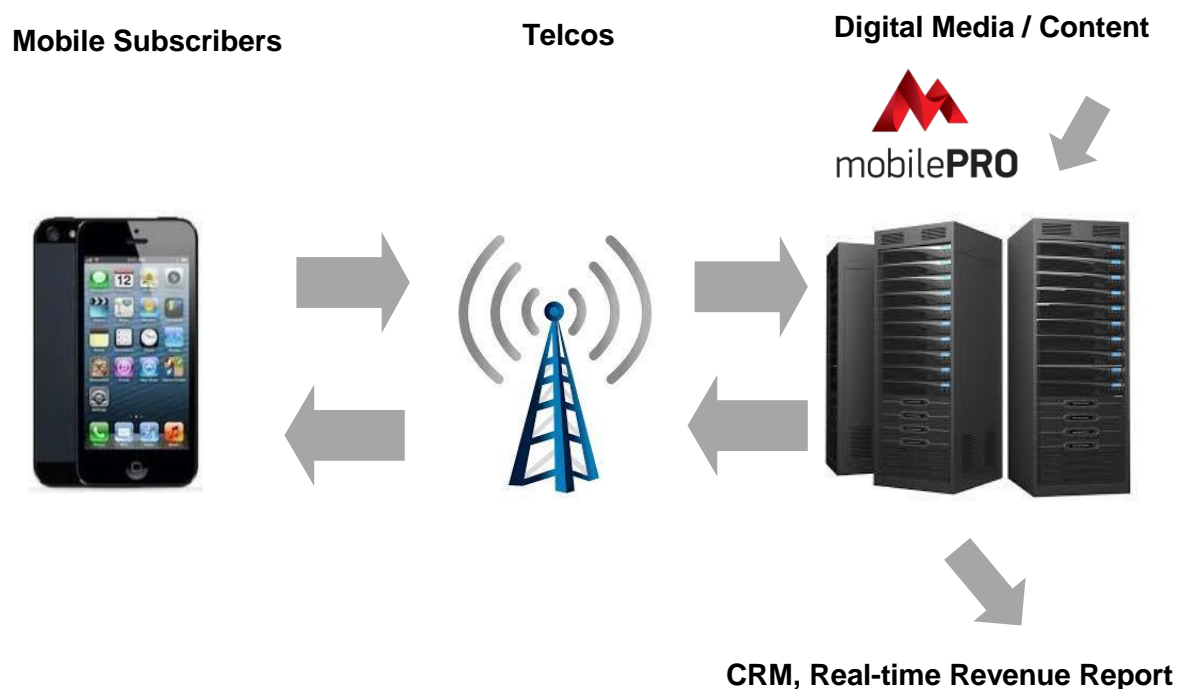
- facilitate and enable mobile content distribution and billing using Short Message Service (SMS), Wireless Application Protocol (WAP), Multimedia Messaging Service (MMS), Unstructured Supplementary Service Data (USSD) and JAVA technologies;
- enable the distribution of mobile content and services; and

mobilePRO is made up of 5 separate modules as follows:

- 1) Billing Gateway;
- 2) Content Management System (CMS);
- 3) Content Distribution System (CDS);
- 4) Customer Relationship Management (CRM); and
- 5) Real-time Reporting tool.

The diagram below shows the interface that the mobilePRO platform provides between a customer/subscriber or mobile phone user and the telecommunications provider.

mobilePRO validates that the customer has funds, distributes the digital content, provides for the billing by the telecommunications provider and provides a detailed report to both Arte and the telecommunications provider (on downloads and associated billing).



mobilePRO:

- can process millions of requests for digital media/content daily;
- is robust and scalable;
- has been designed to serve the mass market;
- can be used by telecommunication companies, content developers, aggregators, marketers, distributors and resellers of digital media/content; and
- allows for digital media/content delivery to mobile subscribers and telecommunication companies can have the cost of providing their services processed simultaneously.

mobilePRO is currently mainly used to provide content to Indonesian mobile phone users.

In order to ensure the widest variety of contents available for the subscribers, Orion has secured exclusive licenses from singers, actors/actresses, magicians, chefs, religious leaders and several famous figures.

3.5 Commercial rationale for the Proposed Acquisition

Indonesia is the world's 4th largest mobile market with over 278 million mobile subscribers. Lingua, AMC and Glow Music have binding commercial agreements with all 3 major telecommunication companies in Indonesia, namely Telkomsel, Indosat and XL which dominates over 90% of the Indonesian mobile market, providing potential access to over 255 million mobile phone subscribers.

The credit card and banking penetration in Indonesia is considerably low with rates of 4.5% and 20% respectively. As a result of the high reliability on direct carrier telecommunication companies billings for digital media content downloads, the commercial opportunity of mobilePRO is significant.

As iSentric operates in a similar industry, the Proposed Acquisition will expand the geographic footprint of iSentric into Indonesia and allow iSentric to;

- cross sell the Group's enterprise solutions into Indonesian banks;
- market and distribute the Arte digital content into Malaysia;
- utilize the iSentric technology platform to enhance the Arte business; and
- reduce operating costs of the combined business.

The acquisition of Arte is the first step in the Company's plans to create a regional presence, in a number of Asian countries, providing the Company with better buying power for content and increasing the number of subscribers for the existing owned and created digital content.

3.6 Conditions Precedent to Completion

The obligation of iSentric and the Vendors to complete the SPA is subject to and conditional upon a number of conditions precedent. As at the date of this Notice and the Explanatory Memorandum the Conditions Precedent which have not yet been satisfied or waived are as follows:

- iSentric completing due diligence investigations to its satisfaction;
- passage of Resolution 1;
- the directors and shareholders of Quest approving the transfer of the IP to Arte and successful execution of the license agreements with Lingua, AMC and Glow Music; and
- all other necessary legislative and governmental authorities are obtained.

3.7 Warranties in favour of iSentric

Under the terms of the SPA the Vendors have provided representations and warranties in favour of the Company as a standard for transactions similar in nature of the Proposed Acquisition. These include but not limited to, representations in respect to ownership of the Arte shares and the IP.

3.8 Entitlements Offer by iSentric

On 12 November 2014 the Company announced it intends to carry out a 1 for 4 non-renounceable Entitlements Offer of approximately 19,340,741 Shares at an issue price of \$0.225 per Share to raise \$4,351,666.73 (before costs) (**Entitlements Offer**).

The Entitlements Offer will contain a Shortfall Offer facility and will be fully underwritten.

The record Date for the Entitlements Offer is 6 January 2014 and shares under the Entitlements Offer are expected to be allotted to applicants on or after 20 January 2015.

3.9 iSentric's Capital Structure following Completion

Following Completion, and assuming Shares are issued under the Entitlements Offer, the capital structure of the Company will be as follows:

	No. of Shares
Number of shares on issue prior to the Entitlements Offer	77,362,962
To be issued under the Entitlements Offer	19,340,741
To be issued pursuant to the SPA	<u>38,000,000</u>
Balance after the Proposed Acquisition	134,703,703

3.10 Pro-forma Financial Position of the Company

Refer to Schedule 2 for a pro-forma balance sheet of the Company following completion of the Entitlements Offer and Proposed Acquisition.

3.11 Risk Factors

By acquiring Arte and the IP, there are factors, both specific to the Group and of a general nature, which may affect the future operating and financial performance of the Company and the value of its securities.

Set out below is a non-exhaustive summary of the risk factors that could affect the financial performance of the Group and the value of its securities:

- Counterparty risk — the Group provides services pursuant to short term contracts, some of which can be terminated without cause. Counterparties to service contracts may terminate those contracts or not renew those contracts which may significantly affect the revenue generation of the business.
- Government - Changes in legislation and government policy in Malaysia, and following completion of the Proposed Acquisition, Indonesia, and Australia and internationally (including taxation and monetary policies and corporation laws) could materially affect the operating results of the Group.
- Geopolitical - The Group will be subject to the risks associated with operating in Malaysia, and following completion of the Proposed Acquisition, Indonesia. Such risks can include economic, social or political instability or change, hyperinflation, currency non-convertibility and instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, exchange control, repatriation of income or return of capital, environmental protection, and labour relations.
- Laws and regulations - The laws and regulations in Malaysia and Indonesia differ to those that exist in Australia. Laws may unexpectedly change, and could have an impact on the operational activities of the Group in Malaysia and Indonesia. While the Company has operated successfully within the Malaysian and/or Indonesia legal and regulatory environment, unforeseen changes could materially impact the operating results of the Company.
- Jurisdictional risk - The assets the Group will hold after Completion are located in Malaysia and Indonesia and are therefore subject to different regulatory requirements than Australia. Sovereign risk may arise in the event that there are changes to any Malaysia or Indonesia regulatory requirements, particularly relating to ownership of shares in Malaysian companies or relating to the operation of businesses in the telecommunications' sectors in Malaysia and/or Indonesia.
- Competition risk - The industry in which the Group is involved is subject to domestic and global competition. While the Group will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's business.
- Project and technology obsolescence – the Group's business is technology dependent. The business is subject to the risk of product and technology obsolescence.

- Reliance on key personnel - Skilled employees and consultants are essential to the successful delivery of the Group's strategy. Upon changing the nature and scale of its activities, the Company will rely to a large extent on the services of certain key management personnel, particularly certain of its Malaysian and following completion of the Proposed Acquisition, Indonesian nationals who will manage day to day interactions with contractors and regulatory authorities, the loss of any of which could delay the pursuit of the Group's strategy. The Group will not maintain key-man life insurance with respect to any of its employees.
- General economic conditions - A variety of general economic and business conditions may affect the price at which Shares trade on ASX, including the level of inflation, interest rates and government fiscal, monetary and regulatory policies. Prolonged deterioration in general economic conditions, including an increase in interest rates, could also have an adverse effect on the Group.
- Taxation risks - A change to the current taxation regime in Australia, Malaysia or Indonesia may affect the Group and its Shareholders. The Company's subsidiaries operate in Malaysia, and will after completion operate in Indonesia, and are subject to the taxation laws that apply to transactions with foreign entities and the interaction of tax laws and allocation of taxes between Australia and each of Malaysia and Indonesia.
- Personal tax liabilities are the responsibility of each Shareholder. The Company is not responsible for taxation or penalties incurred by Shareholders.
- Unforeseen risks - There may be other risks which the Directors are unaware of at the time of issuing this Offer Document which may impact on the Company and its operations, and on the valuation and performance of the Company's Shares.
- Currency risk - Operating in Malaysia iSentric trades in Malaysian Ringgit and will trade in Indonesian Rupiah after Completion. Any conversion and payment of profits to Australian dollars will be subject to currency exchange rate fluctuations. The Group does not and does not intend to hedge these currency risks.

3.12 Key Management

Mr. Tham Jee Yeung

Mr Tham has over 10 years of experience in the IT industry primarily in the mobile technology sector. Mr. Tham received his Bachelor of Engineering and Bachelor of Commerce degrees at the University of Melbourne in 2003. He started off his career as a contractual IT consultant running various IT projects for companies in Malaysia and Indonesia. He joined Ace Market listed Nextnation Communication Bhd 2005 and from 2007 to 2008, he became the country manager of the Indonesian Office of Nextnation Communication Bhd. During this period, he grew the team to 80 people and made the Indonesian office a major profit generator for Nextnation Communication Bhd.

Mr Tham founded Lingua together with other partners in 2009. By early 2010, under his astute guidance and management, Lingua became the top grossing mobile value added service provider for Indosat (one of the biggest telecommunication operators in Indonesia). AMC was incorporated with the aim of capturing a higher market share in the mobile value added service industry in Indonesia. In 2010, Glow Music was formed to bring about valuable synergies to the businesses of Lingua and AMC and for diversifying the income stream of the group. Today, under the stewardship of Mr Tham, the group is widely acknowledged as one of the top players in the mobile value added industry in Indonesia.

Mr. Michael Gunandi

Mr. Gunandi has 10 years of experience in the IT industry primarily in the mobile technology sector. He received his Major in Computer Science from Suffolk County Community College, New York in 2001. Prior to joining Lingua in 2010, he had working stints with Iguana Mobile and PT Indomax Mobile. He has in depth knowledge of the Indonesian mobile value added service industry and has successfully expanded the customer base of Lingua by utilizing various mobile advertising network to promote Lingua's products and services.

Ms. Natasha Lam

Ms. Lam has 10 years of experience in the IT industry primarily in the mobile technology sector. She received her Business Accounting Degree from Klabat University in 2003. Prior to joining Lingua in 2008, she was working with Telkom Flexi. She has good network with Indonesian artists and personnel from the entertainment industry. Over the years, she has managed to build up the celebrities portfolio of Lingua, AMC and Glow Music as well as created several successful marketing campaigns with all major telecommunication companies in Indonesia.

3.13 Directors' Recommendations

The Directors consider that the Proposed Acquisition and the Entitlements Offer are in the best interests of the Company.

Each of the Directors recommends that Shareholders vote in favour of Resolutions 1.

Ng Chin Kong has a material personal interest in the outcome of Resolution 2 and makes no recommendation on that Resolution. All other Directors recommend that Shareholders vote in favour of Resolution 2.

Lee Chin Wee has a material personal interest in the outcome of Resolution 3 and makes no recommendation on that Resolution. All other Directors recommend that Shareholders vote in favour of Resolution 3.

3.14 Plans for the Company if the Proposed Acquisition is not completed

If the Proposed Acquisition is not completed, the Company will continue with its current activities and continue to look for an alternate transaction or acquisitions to add value to the Company.

4. Resolution 1 - Allotment and Issuance of Vendor Shares

4.1 General

Resolution 1 seeks Shareholder approval for the authority to issue to the Vendors (or their nominees) the Vendor Shares which comprises 38,000,000 Shares on the terms and conditions in this Explanatory Memorandum.

Resolution 1 is an ordinary resolution.

4.2 Listing Rule 7.1

Listing Rule 7.1 requires Shareholder approval for the issue of the Vendor Shares. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

The issue of the Vendor Shares represents more than 15% of the Company's securities on issue for the purposes of Listing Rule 7.1. The Company is seeking Shareholder approval of the issue of the Vendor Shares.

4.3 Specific Information Required by Listing Rule 7.3

For the purposes of Shareholder approval of the issue of the Vendor Shares under the SPA and the requirements of Listing Rule 7.3, information is provided as follows:

- (a) A maximum of 38,000,000 Shares will be issued.
- (b) There will be nil consideration for the issue of the Shares.
- (c) The Company will issue the Vendor Shares no later than three (3) months after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (d) The Vendor Shares will be issued to the Vendors (or their nominees) who are not related parties or associates of related parties of the Company as follows:

<u>Shareholders</u>	<u>Shares</u>
Beh Pei Shan	22,560,000
Chai Jun Joo	15,040,000
Tham Jee Yeung	400,000
Total	38,000,000

- (e) The Vendor Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The allotment of the Vendor Shares will occur on completion of the SPA.
- (g) A voting exclusion statement is included in the Notice.

5. Resolution 2 – Approval for Ng Chin Kong to sub-underwrite Entitlements Offer

5.1 General

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 10.11 and Section 208 of the Corporations Act to allow Ng Chin Kong, who is currently a director of the Company a related party, to sub-underwrite the Entitlements Offer.

If Resolution 2 is approved, the Shares issued to Ng Chin Kong as a related party and sub-underwriter will be issued on identical terms and conditions, including price, as those Shares issued to unrelated Shareholders who take up their entitlement under the Entitlements Offer.

As approval is being sought under Listing Rule 10.11 approval is not required under Listing Rule 7.1.

Resolution 2 is an ordinary resolution.

5.2 Listing Rule 10.11

Listing Rule 10.11 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued to a related party.

The effect of passing Resolution 2 will be to allow the Directors to issue the Shares by virtue of Entitlement Offer sub-underwriting during the three (3) month period after the Meeting (or a longer period, if allowed by ASX), to Ng Chin Kong who is currently a related party of the Company.

5.3 Specific Information Required by Listing Rule 10.11

For the purposes of Shareholder approval of the participation of Ng Chin Kong as sub-underwriter for the Entitlement Offer and the requirements of Listing Rule 10.11, information is provided as follows:

- (a) A maximum Shortfall of 4,444,444 Shares will be sub-underwritten by Ng Chin Kong.
- (b) The Shares under the Entitlements Offer that require shareholder approval will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares under the Entitlements Offer will be issued at a price of \$0.225 per Share.
- (d) The Shares to be issued under the Entitlements Offer are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (e) The funds raised by the Company will be used towards the cash settlement of the Proposed Acquisition and transaction expenses.
- (f) A voting exclusion statement is included in the Notice.

6. Resolution 3 – Approval for Lee Chin Wee to sub-underwrite Entitlements Offer

6.1 General

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 10.11 and Section 208 of the Corporations Act to allow Lee Chin Wee, who is currently a director of the Company a related party, to sub-underwrite the Entitlements Offer.

If Resolution 3 is approved, the Shares issued to Lee Chin Wee as a related party and sub-underwriter will be issued on identical terms and conditions, including price, as those Shares issued to unrelated Shareholders who take up their entitlement under the Entitlements Offer.

As approval is being sought under Listing Rule 10.11 approval is not required under Listing Rule 7.1.

Resolution 3 is an ordinary resolution.

6.2 Listing Rule 10.11

Listing Rule 10.11 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued to a related party.

The effect of passing Resolution 3 will be to allow the Directors to issue the Shares by virtue of Entitlements Offer underwriting during the one (1) month period after the Meeting (or a longer period, if allowed by ASX), to Lee Chin Wee who is currently a related party of the Company.

6.3 Specific Information Required by Listing Rule 10.11

For the purposes of Shareholder approval of the participation of Lee Chin Wee as sub-underwriter for the Entitlements Offer and the requirements of Listing Rule 10.11, information is provided as follows:

- (a) A maximum Shortfall of 4,444,444 Shares will be issued to Lee Chin Wee.
- (b) The Company will issue the Shares no later than one (1) month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow).
- (c) The Shares under the Entitlements Offer will be issued in accordance with the Entitlement Offer timetable set out in the Offer Document.
- (d) The Shares under the Entitlements Offer will be issued at a price of \$0.225 per Share.
- (e) The Shares to be issued under the Entitlements Offer are fully paid ordinary shares and will rank equally in all respects with the Company's existing Shares on issue.
- (f) The funds raised by the Company will be used towards the cash settlement of the Proposed Acquisition and transaction expenses.
- (g) A voting exclusion statement is included in the Notice.

Schedule 1 – Definitions

In the Notice and this Explanatory Memorandum:

\$ means Australian dollars.

AMC means PT Alpha Media Communications.

Arte means Arte Mobile Technology Pte Ltd.

ASIC means the Australian Securities and Investment Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Board means the board of Directors.

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

Chair means the person appointed to chair the Meeting.

Company means iSentric Limited ACN 091 192 871.

Conditions Precedent means the conditions precedent to completion of the SPA.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Directors mean the directors of the Company.

EST means Eastern Standard Time, being the time in Sydney, New South Wales Australia.

Explanatory Memorandum means this explanatory memorandum.

Glow Music means PT Glow Music.

Group means the Company and its subsidiaries from time to time (including after Completion, Arte).

GST means goods and services tax or similar value added tax levied or imposed in Australia under the A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Lingua means PT Lingua Asiatic.

Listing Rules means the listing rules of ASX.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means the notice of general meeting which this Explanatory Memorandum accompanies.

Official List means the official list of ASX.

Orion means Orion Lead Limited.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

RM means Ringgit Malaysia.

Schedule means a schedule to the Notice.

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

Shareholder means a holder of a Share.

Shortfall means any entitlement shares not taken-up by Shareholders in the Entitlements Offer.

SPA has the meaning given in Resolution 1.

Transaction means the Proposed Acquisition as defined in the SPA.

Vendors has the meaning given in Section 3.1.

Vendor Shares has the meaning given in Resolution 1.

In the Notice and this Explanatory Memorandum, words importing the singular include the plural and vice versa.

Schedule 2 – Pro-Forma Consolidated Statement of Financial Position

The unaudited consolidated statement of financial position of iSentric Limited (“the **Group**”) as at 30 September 2014 and the unaudited Pro-forma consolidated statement of financial position of the Company as on completion of the Transaction are shown below. This unaudited Pro-forma consolidated statement of financial position has been prepared on the basis of the accounting policies normally adopted by the Group except for the new adoption of the accounting policies as disclosed in Note 5 and reflects, the changes to its financial position expected to result from completion of the of the acquisition of Arte Mobile Technology Pte Ltd (“**Arte Mobile**”) by the Group (“**Proposed Acquisition**”) and the capital raising, as announced by the Group on 12 November 2014, and material events which have occurred or are expected to occur in the period subsequent to 30 September 2014 and the completion of the Transaction.

The unaudited Pro-forma consolidated statement of financial position has been prepared to provide Shareholders with information on the assets and liabilities of the Group and pro-forma assets and liabilities of the Group as noted below. The historical and pro-forma consolidated statement of financial position is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual and interim financial statements.

	The Group Unaudited as at 30.9.2014 \$'000	Adjustment for Pre- Acquisition Events \$'000	Adjustment I \$'000	Adjustment for Proposed Acquisition \$'000	Pro forma I \$'000
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	38		38		38
Intangible assets	-		-	3,871	3,871
Goodwill on consolidation	-	88	88	13,129	13,217
Development expenditure	180		180		180
	<u>218</u>		<u>306</u>		<u>17,306</u>
CURRENT ASSETS					
Trade receivables	4,173		4,173		4,173
Other receivables, deposits and prepayments	76		76		76
Investments	150		150		150
Tax refundable	63		63		63
Cash and bank balances	3,515	(82)	3,433	(2,348)	1,085
	<u>7,977</u>		<u>7,895</u>		<u>5,547</u>
TOTAL ASSETS	<u>8,195</u>		<u>8,201</u>		<u>22,853</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	4,121	154	4,275	13,852	18,127
Retained profits/(Accumulated loss)	457	(154)	303	(700)	(397)
TOTAL EQUITY	<u>4,578</u>		<u>4,578</u>		<u>17,730</u>
CURRENT LIABILITIES					
Trade payables	3,220		3,220		3,220
Other payables and accruals	348	6	354	1,500	1,854
Provision for taxation	49		49		49
	<u>3,617</u>		<u>3,623</u>		<u>5,123</u>
TOTAL EQUITY AND LIABILITIES	<u>8,195</u>		<u>8,201</u>		<u>22,853</u>
<i>Number of ordinary shares</i>	76,746,962		77,362,962		134,703,703
<i>Net assets ("NA") (\$'000)</i>	4,578		4,578		17,730
<i>NA per ordinary share (\$)</i>	0.06		0.06		0.13

Notes

1. The Proforma consolidated statement of financial position of the Group has been extracted from the unaudited consolidated financial statements of the Group for the year ended 30 September 2014.
2. No account has been taken of any other movements in the net assets of the Group other than those described in notes 3 to 4 below, since 30 September 2014.
3. Adjustment I incorporates the following effects:-
 - (a) Acquisition of DataMorph Services Sdn Bhd ("**DataMorph**") for a total cash consideration of RM250,000 (equivalent to \$87,315. The fair value of the identifiable liability of DataMorph at the date of acquisition was:-

	At Date of Acquisition	
	Carrying Amount	Fair Value Recognised
	\$	\$
Cash at bank	5,651	5,651
Amount owing to directors of DataMorph	(6,286)	(6,286)
Net identifiable liability	<u>(635)</u>	<u>(635)</u>
Add : Goodwill on acquisition		87,950
Total purchase consideration		<u>87,315</u>

The goodwill on acquisition were computed based on the latest available unaudited statement of financial position of DataMorph as at 30 June 2014. For the purpose of Adjustment I, it is assumed that the date of acquisition of DataMorph was on 30 June 2014.

- (b) Issuance of 616,000 fully paid ordinary shares to Odyssey Capital Pty Ltd ("**Odyssey**") in consideration for services rendered under the financial services agreement between Odyssey and the Company.

Under AASB 2 Share-based Payment, the Company should recognise a charge in profit or loss for the payment of services to Odyssey, and a corresponding increase in equity.

Accordingly, the share-based payment on services to be rendered by Odyssey of \$154,000 is computed based on the fair value of ordinary shares at grant date of \$0.25 multiplied by 616,000 ordinary shares issued. For the purpose of Adjustment I, it is assumed that the Company has received the services rendered by Odyssey.

4. Pro-forma I incorporates the effects of the Adjustment I, the effects of Proposed Acquisition and the payment of estimated expenses.

The Proposed Acquisition for a total consideration of \$17,000,000 is to be settled by way of the following:

- (i) Entitlements Offer of 19,340,741 ordinary shares at \$0.225 each on the basis of one (1) for every four (4) ordinary shares held, to raise proceeds of \$4,351,667; Issuance of 38,000,000 ordinary shares at \$0.25 each to the Vendors;
- (ii) Cash consideration of \$1,648,333; and
- (iii) The remaining purchase consideration is to be paid within 6 months from the completion of the Proposed Acquisition.

Goodwill arising from the Proposed Acquisition:-

	\$
Consideration for the Proposed Acquisition	17,000,000
Less : Fair value of the IP	3,871,000
Goodwill on consolidation	<hr/> 13,129,000 <hr/>

The estimated expenses to be incurred in relation to the Proposed Acquisition are professional fees of \$700,000, which will be recognised in the statement of profit or loss and other comprehensive income.

5. New accounting policies

(i) Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Expenditure on acquired intellectual property is capitalised and amortised using the straight line method over their estimated useful life, not exceeding a period of 5 years.

(ii) Goodwill on consolidation

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

(iii) Share-based Payment Transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

At grant date, the fair value of the equity-settled share-based payments is recognised as an expense on a straight-line method over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding credit to share capital in equity. The amount recognised as an expense is adjusted to reflect the actual number of the equity-settled share-based payments that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value of the equity-settled share-based payments at grant date.



By mail:
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Sydney South NSW 1235 Australia



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All enquiries to: Telephone: 1300 554 474 Overseas: +61 1300 554 474



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PROXY FORM

I/We being a member(s) of iSentric Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐

the Chairman
of the Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Meeting
as your proxy, please write the name of the person or
body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10:00am on Wednesday, 28 January 2015 at New South Wales Bowlers Club, Level 2, 99 York Street, Sydney (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Resolution 1

Allotment and Issuance of Vendor Shares

For Against Abstain*

☐ ☐ ☐

Resolution 2

Approval for Ng Chin Kong to sub-underwrite
Entitlements Offer

☐ ☐ ☐

Resolution 3

Approval for Lee Chin Wee to sub-underwrite
Entitlements Offer

☐ ☐ ☐


* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

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HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

Default to Chairman of the Meeting

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted as set out in this Proxy Form.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Monday, 26 January 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:
iSentric Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:
+61 2 9287 0309



by hand:
delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

**If you would like to attend and vote at the General Meeting, please bring this form with you.
This will assist in registering your attendance.**