



**CRE8TEK LIMITED  
ACN 000 031 292**

**NOTICE OF ANNUAL GENERAL MEETING**

**The Annual General Meeting of the Company will be held at the offices of the Company, at 108 Outram Street, West Perth, Western Australia on Wednesday, 14 September 2016 at 10am (WST).**

*The Directors recommend that you vote in favour of all Resolutions at this Annual General Meeting.*

*The Independent Expert has determined that the acquisition of Securities by the Founder or her associate in connection with the transaction outlined in this Notice of Annual General Meeting is not fair but reasonable to the non-associated Shareholders.*

*The Notice of Annual General Meeting and accompanying Independent Expert's Report should be read in their 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 by telephone on +61 8 9486 7244.*

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

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## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the annual general meeting of Shareholders of Cre8tek Limited (**Company**) will be held at the offices of the Company, at 108 Outram Street, West Perth, Western Australia on Wednesday, 14 September 2016 at 10am (WST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders of the Company on Monday, 12 September 2016 at 4pm (WST).

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

## **AGENDA**

### **ORDINARY BUSINESS**

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#### **1. Annual Report**

To consider the Annual Report of the Company and its controlled entities for the financial year ended 30 June 2015, which includes the Financial Report, the Directors' Report and the Auditor's Report.

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#### **2. Resolution 1 - Remuneration Report**

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

*"That the Remuneration Report be adopted by the Shareholders on the terms and conditions in the Explanatory Memorandum."*

##### **Voting Exclusion**

In accordance with section 250R of the Corporations Act, a vote on this Resolution must not be cast by or on behalf of a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such member.

A vote may be cast by such person if the vote is not cast on behalf of a person who is excluded from voting on this Resolution, and:

- (a) the person is appointed as proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on this Resolution, but expressly authorises the Chair to exercise the proxy even if this Resolution is connected with the remuneration of a member of the Key Management Personnel.

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### **3. Resolution 2 - Re-election of Director - Mr Faldi Ismail**

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

*"That in accordance with Article 6.3(c) of the Constitution and for all other purposes, Mr Faldi Ismail, who retires and being eligible, offers himself for re-election, is elected as a Director on the terms and conditions in the Explanatory Memorandum."*

#### **SPECIAL BUSINESS - ACQUISITION OF FLAMINGO CUSTOMER EXPERIENCE, INC.**

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### **4. Resolution 3 - Approval to change in scale of activities**

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the scale of the Company's activities resulting from the Acquisition and the Capital Raising, on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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### **5. Resolution 4 - Approval of Performance Shares**

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with section 246B(1) of the Corporations Act and Article 2.3(a) of the Constitution and for all other purposes, the Company be authorised to create a new class of shares on the terms and conditions in Schedule 2 and in the Explanatory Memorandum."*

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### **6. Resolution 5 - Approval to issue Founder Consideration Securities**

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with item 7 of section 611 of the Corporations Act and for all other purposes, Shareholders approve the issue of up to:*

- (a) 115,814,391 Initial Consideration Shares; and
- (b) 115,814,391 Performance Shares, and the conversion of such Performance Shares into 115,814,391 Shares,

*(together, Founder Consideration Securities) to the Founder or her nominee on the terms and conditions in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Founder or her nominee and any of their associates.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## **7. Resolution 6 - Approval to issue Non-Founder Vendors' Consideration Securities**

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to:*

- (a) 156,912,882 Initial Consideration Shares; and
- (b) 156,912,882 Performance Shares,

*(together, Non-Founder Vendors' Consideration Securities) to the Non-Founder Vendors (or their respective nominees) on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by the Vendors (or their respective nominees) and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## 8. Resolution 7 - Approval to issue Facilitator Securities

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to:*

- (a) 7,150,000 Shares; and
- (b) 7,150,000 Performance Shares,

*(together, **Facilitator Securities**) to the Facilitator or its nominee on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by Risely Resources Pty Ltd and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## 9. Resolution 8 - Approval to issue Capital Raising Shares

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 75,000,000 Shares (**Capital Raising Shares**) at \$0.04 each 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 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 associates of those persons.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## 10. Resolution 9 - Approval to issue Employee Options

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 6,567,382 Options (Employee Options) 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 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 associates of those persons.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## 11. Resolution 10 - Approval of Employee Incentive Scheme

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

*"That, subject to each of the other Acquisition Resolutions being passed and pursuant to and in accordance with exception 9 of Listing Rule 7.2, Shareholders approve the establishment of an employee incentive scheme to be called 'Cre8tek Limited Employee Incentive Scheme' and the issue of Securities under that scheme on the terms and conditions set out in the Explanatory Memorandum."*

### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a Director (except one who is ineligible to participate in any employee incentive scheme of the Company) and any of his associates.

However, the Company will not disregard a vote if:

- (a) 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
- (b) it is cast by the Chair 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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## 12. Resolution 11 - Election of Director - Dr Catriona Wallace

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

*"That, subject to each of the other Acquisition Resolutions being passed and completion of the Acquisition, Dr Catriona Wallace be elected as a Director."*

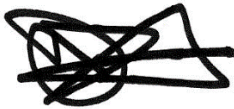
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### **13. Resolution 12 - Election of Director - Ms Cathie Reid**

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

*"That, subject to each of the other Acquisition Resolutions being passed and completion of the Acquisition, Ms Cathie Reid be elected as a Director."*

**BY ORDER OF THE BOARD**



Dave Filov  
Company Secretary  
Cre8tek Limited  
Dated: 11 August 2016

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# CRE8TEK LIMITED

ACN 000 031 292

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The 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 the offices of the Company, at 108 Outram Street, West Perth, Western Australia Wednesday, 14 September 2016 at 10am (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The 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
<i>Ordinary Business</i>	
Section 3	Annual Report
Section 4	Resolution 1 - Remuneration Report
Section 5	Resolution 2 - Re-election of Director - Mr Faldi Ismail
<i>Special Business - Acquisition of Flamingo Customer Experience, Inc.</i>	
Section 6	Conditional Acquisition Resolutions
Section 7	Background to the proposed acquisition of Flamingo
Section 8	Risks associated with the Acquisition
Section 9	Independent Expert's Report
Section 10	Resolution 3 - Approval to change in scale of activities
Section 11	Resolution 4 - Approval of Performance Shares
Section 12	Resolution 5 - Approval to issue Founder Consideration Securities
Section 13	Resolution 6 - Approval to issue Non-Founder Vendors' Consideration Securities
Section 14	Resolution 7 - Approval to issue Facilitator Securities
Section 15	Resolution 8 - Approval to issue Capital Raising Shares



Section 16	Resolution 9 - Approval to issue Employee Options
Section 17	Resolution 10 - Approval of Employee Incentive Scheme
Section 18	Resolutions 11 & 12 - Election of Directors - Dr Wallace and Ms Reid
Schedule 1	Definitions
Schedule 2	Terms and conditions of Performance Shares
Schedule 3	Terms and conditions of Employee Options
Schedule 4	Summary of Employee Incentive Scheme
Schedule 5	Pro forma balance sheet
Annexure	Independent Expert's Report

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

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## 2. Action to be taken by Shareholders

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

### 2.1 Voting in person

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

### 2.2 Proxies

#### (a) Voting by proxy

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 thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (i) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (ii) a proxy need not be a member of the Company; and
- (iii) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

(b) Proxy vote if appointment specifies way to vote

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

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

(c) Transfer of non-chair proxy to chair in certain circumstances

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

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

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

### **2.3 Voting Prohibition by Proxy Holders (Remuneration of Key Management Personnel)**

In accordance with sections 250BD and 250R of the Corporations Act, a vote on Resolution 1 must not be cast (in any capacity) by, or on behalf of:

- (a) a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report; or
- (b) a Closely Related Party of such member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person who is excluded from voting on Resolution 1 and:

- (c) the person is appointed as proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the person is the Chair and the appointment of the Chair as proxy does not specify the way the proxy is to vote on the resolution, but expressly authorises

the Chair to exercise the proxy even if the Resolution is connected with the remuneration of a member of the Key Management Personnel.

The Chair intends to exercise all available proxies in favour of Resolution 1.

## ORDINARY BUSINESS

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### 3. Annual Report

In accordance with section 317 of the Corporations Act, Shareholders will be offered the opportunity to discuss the Annual Report, including the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2015.

There is no requirement for Shareholders to approve the Annual Report.

At the Meeting, Shareholders will be offered the opportunity to:

- (a) discuss the Annual Report which is available online at [www.cre8tek.com.au](http://www.cre8tek.com.au);
- (b) ask questions about, or comment on, the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and the preparation and content of the Auditor's Report.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

- (a) the preparation and content of the Auditor's Report;
- (b) the conduct of the audit;
- (c) accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- (d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the Meeting to the Company Secretary at the Company's registered office.

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### 4. Resolution 1 - Remuneration Report

In accordance with subsection 250R(2) of the Corporations Act, the Company must put the Remuneration Report to the vote of Shareholders. The Directors' Report contains the Remuneration Report which sets out the remuneration policy for the Company and the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors.

In accordance with subsection 250R(3) of the Corporations Act, Resolution 1 is advisory only and does not bind the Directors. If Resolution 1 is not passed, the Directors will not be required to alter any of the arrangements in the Remuneration Report.

If the Company's Remuneration Report receives a 'no' vote of 25% or more (**Strike**) at two consecutive annual general meetings, Shareholders will have the opportunity to remove the whole Board, except the managing director.

Where a resolution on the Remuneration Report receives a Strike at two consecutive annual general meetings, the Company will be required to put to Shareholders at the second annual general meeting a resolution on whether another meeting should be held (within 90 days) at which all Directors (other than the managing director) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

The Company's Remuneration Report did not receive a Strike at the 2014 annual general meeting. If the Remuneration Report receives a Strike at this Meeting, Shareholders should be aware that if a second Strike is received at the 2016 annual general meeting, this may result in the re-election of the Board.

The Chair will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

The Company reminds Shareholders that the period of time to which the Remuneration Report relates was prior to the incumbent Board being appointed in October and November 2015. For the time period for which the remuneration report relates, the Company was under voluntary administration and under the control of an administrator. The previous Directors were all removed as part of the administration process.

Resolution 1 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 1.

If the Chair is appointed as your proxy and you have not specified the way the Chair is to vote on Resolution 1, by signing and returning the Proxy Form, you are considered to have provided the Chair with an express authorisation for the Chair to vote the proxy in accordance with the Chair's intention, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

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## **5. Resolution 2 - Re-election of Director - Mr Faldi Ismail**

### **5.1 General**

Article 6.3(c) of the Constitution requires that one third of the Directors must retire at each annual general meeting (rounded down to the nearest whole number).

Article 6.3(f) of the Constitution provides that a Director who retires is eligible for re-election.

The Company currently has 3 directors, and accordingly, one must retire. Article 6.3(e) of the Constitution provides that the Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

Pursuant to these Articles, Mr Faldi Ismail will retire by rotation and, being eligible, will seek re-election.

### **5.2 Mr Faldi Ismail**

Mr Ismail has significant experience working as a corporate advisor specialising in the restructure and recapitalisation of a wide range of ASX-listed companies having many years of investment banking experience covering a wide range of sectors. He has

significant cross-border experience, having advised on numerous overseas transactions including capital raisings, structuring of acquisitions and joint ventures in numerous countries.

Mr Ismail is also a Director of dual listed Kalimantan Gold Corporation Limited (TSXV/AIM listed - Ticker Code "KLG") and in addition is also the founder and operator of Otsana Capital, a boutique advisory firm specialising in mergers and acquisitions, reverse takeovers, capital raisings and initial public offerings. Mr Ismail is currently on the board of the following ASX-listed companies: TV2U International Ltd (non-executive director), WHL Energy Limited (non-executive director) and Ookami Limited (non-executive chairman).

Mr Ismail was appointed to the Board on 28 October 2015.

### **5.3 Board recommendation**

The Board (excluding Mr Ismail) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 2.

## **SPECIAL BUSINESS - ACQUISITION OF FLAMINGO CUSTOMER EXPERIENCE, INC.**

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### **6. Conditional Acquisition Resolutions**

The Acquisition Resolutions (Resolutions 3 to 12, inclusive) are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any of the Acquisition Resolutions are not approved at the Meeting, none of the Acquisition Resolutions will take effect and the Acquisition Agreement and other matters contemplated by the Acquisition Resolutions will not be completed.

Resolutions 11 and 12 (Election of Directors) are further conditional on Completion of the Acquisition.

### **7. Background to the proposed acquisition of Flamingo**

#### **7.1 Existing activities of the Company**

The Company was incorporated on 14 November 1935 and admitted to the Official List of ASX on 3 July 1986.

Following the Company's exit from voluntary administration in late-October 2015, the Company announced the acquisition of 100% of the issued capital of Global Agenda Technologies Pty Ltd (**Agenda**) and associated capital raising of \$3,600,000. The acquisition of Agenda required the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

In February 2016 the Company successfully re-complied with Chapters 1 and 2 of the Listing Rules and its securities were reinstated to official quotation on 5 February 2016. Following the acquisition of Agenda the Company became a technology company, operating in the technology solutions and software development sector.

The Company's strategy, as outlined in its previous notice of meeting and prospectus in late 2015, was that Agenda was the first acquisition made by the Company in this new area of focus, and the Company planned to further expand its portfolio in technology solutions, with a particular focus on software marketing solutions, application software, communication software, software as a service, online social networking services, and security and encryption.

Consistent with this strategy, since successful completion of the acquisition of Agenda, the Company has been developing the Agenda Platform, whilst also seeking to expand its portfolio in technology solutions.

## 7.2 Change in the scale of the Company's activities

As announced on 2 June 2016, the Company has entered into a conditional binding share sale agreement with Flamingo Customer Experience Inc. (**Flamingo**) and its shareholders (**Vendors**) (**Acquisition Agreement**) to acquire 100% of the issued share capital of Flamingo (**Acquisition**).

The Acquisition will be undertaken by way of a merger in accordance with the Delaware General Corporation Law. Refer to Section 7.11 for detail regarding the merger process.

Flamingo is an innovative software as a service (**SaaS**) company which has developed a customer experience automation platform (**Flamingo Platform**) designed for selling complex financial products online. The aim of the Flamingo Platform is to turn a website's visitors looking for complex financial products into customers by guiding customers online from page view to purchase, on both mobile and desktop devices. Using artificial intelligence software developed by Flamingo, the Flamingo Platform learns how customers and employees interact, then is able to automate a customer's 'journey' through sales, on-boarding and retention processes. It also delivers insights which facilitate ongoing product development. Further information about the Flamingo Platform is contained in Section 7.5 below.

ASX has determined the Acquisition comprises a significant change in the scale of the Company's activities and requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. Resolution 1 seeks Shareholder approval for a change in the scale of the activities of the Company pursuant to Listing Rule 11.1.2.

The Company proposes to, subject to the receipt of Shareholders' approval of the Acquisition Resolutions and the terms of the Acquisition Agreement (including the conditions precedent summarised in Section 7.9 below):

- (a) proceed to Completion of the Acquisition Agreement, pursuant to which the Company will issue the Consideration Securities to the Vendors (or their respective nominees) in consideration for 100% of the issued shares of Flamingo, including approval of incoming director and Flamingo founder Dr Catriona Wallace to hold more than a 20% interest in the Company post-completion (Resolutions 3 to 6);
- (b) raise \$3,000,000 via an offer of 75,000,000 Shares pursuant to a prospectus (Resolution 8);
- (c) appoint Dr Catriona Wallace and Ms Cathie Reid to the Board (Resolutions 11 and 12);
- (d) issue 6,567,382 Employee Options to Flamingo employees in consideration for the cancellation of existing employee incentive scheme options held by Flamingo employees (Resolution 9);

- (e) establish a new Employee Incentive Scheme (Resolution 10); and
- (f) issue 7,150,000 Shares and 7,150,000 Performance Shares (**Facilitation Securities**) to the facilitators of the transaction (Resolution 7).

Other information considered material to the Shareholders' decision on whether to pass the Acquisition Resolutions is set out in this Explanatory Memorandum, and Shareholders are advised to read this information carefully.

### 7.3 About Flamingo Customer Experience, Inc.

#### (a) Background to Flamingo

Flamingo was initially incorporated in Australia as Flamingo Ventures Pty Ltd (**Flamingo Ventures**) in May 2013. The founder of Flamingo Ventures, Dr Catriona Wallace, is an expert in the field of Customer Experience and human-technology interaction, which was the focus of her PhD.

Dr Wallace saw an opportunity in the technology sector to create a 'Collaborative Customer Interface' enterprise software product (**SaaS**) that better connected customers and organisations, using human-centred design principles. Given Dr Wallace's background in customer experience and technology there was the opportunity to create unique intellectual property that would be suited to software used in essential services sectors, including, for example, financial services, healthcare, and telecommunications.

The focus of Flamingo Ventures was to help enterprises convert more sales to customers online, to increase customer retention and to increase efficiencies in call and contact centres. Dr Wallace's intention from day one was that Flamingo would be a global business with a global market.

Set out below is a timeline of events and achievements since Flamingo Ventures was incorporated in May 2013:

Date	Event
June 2013	\$200,000 Founder funding
January 2014	\$250,000 seed funding
April 2014	Minimum viable product ( <b>MVP</b> ) launched 3 x channel partner relationships established
August 2014	\$2.1m capital raised Beta trials with 5 clients
November 2014	US Market entry Patent applications filed 1 x US channel partner relationship established
December 2014	3 x paid trials with major US insurance firm
February 2015	3 x paid trials with Australian firms
March 2015	US flip-up to Flamingo Customer Experience Inc

Date	Event
April 2015	1 x paid trial with major US insurance firm
July 2015	\$1.0m bridging capital raised
November 2015	New York office established 1 x paid trial with major US insurance firm 2 x paid trials with Australian firm
December 2015	Security audit, master services agreement and statement of work for major US insurance firm 4 x proposals for major US firms
March 2016	1 x paid trial with US firm
May 2016	1 x paid trial with US firm
June 2016	7 x proposals for major US firms 1 x implementation for Australian firm Channel negotiations commenced with US CRM firm

In mid-2014, Flamingo, in conjunction with the National Australia Bank (**NAB**), implemented a planned short term pilot of Flamingo's then MVP, primarily to test the MVP so that Flamingo could determine whether to fully develop it. The pilot involved Flamingo software being used to on-board small-to-medium business clients into NAB.

Following the success of this trial, Flamingo Ventures determined to proceed with full product development and, given the size of the financial services market in the US compared to Australia, determined it should pitch to US based financial services companies.

A number of meetings were lined up in December 2015, culminating in a large US based financial services entity agreeing to trial the Flamingo platform in order to:

- (i) on-board insurance customers;
- (ii) engage with customers following a claim; and
- (iii) renew customers.

With this initial traction with a large US financial services company, the Board decided the business had significant potential to scale out of the US rather than Australia. It was decided to 'flip up' Flamingo Ventures to become a US Delaware company. This involved Flamingo Customer Experience, Inc. becoming the new holding company of Flamingo Ventures, with shareholders in Flamingo Ventures swapping their shares in Flamingo Ventures to shares in Flamingo Customer Experience, Inc. on a 1:1 basis in March 2015.

Since moving to the US Flamingo has achieved the following:

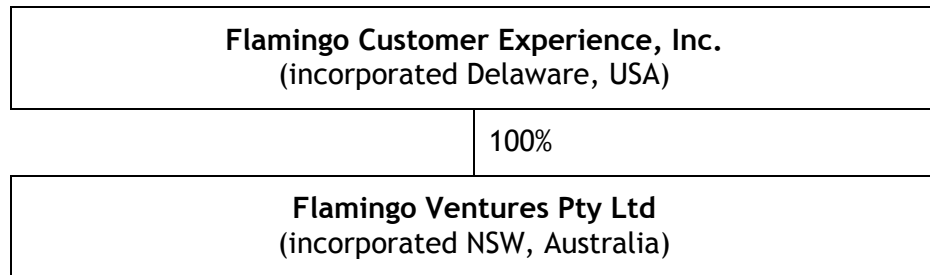
- (i) an office was opened in New York;



- (ii) patent applications for Flamingo's product were filed;
- (iii) a number of paid trials or trial inductions of the Flamingo Platform have been successfully undertaken with various customers, with further paid trials either planned or underway;
- (iv) a partnership with The Clarion Group (**Clarion**), based in Connecticut, has been established. Clarion act as a channel partner and have successfully introduced Flamingo to Fortune 500 companies;
- (v) implementation of the Flamingo Platform for an Australian credit union, who have gone on to use the platform for the re-financing of mortgages;
- (vi) implementation of the Flamingo Platform for an Australian Wealth Management company who used the platform in full automation mode to conduct needs and requirements of high net worth customers looking to purchase investment products;
- (vii) early stage trading revenue has been generated;
- (viii) a sales pipeline has been identified and is being actively pursued, including with significant enterprises in the US financial services sector, including a number of Fortune 250 organisations;
- (ix) Flamingo has been acknowledged as:
  - (A) one of the CIO Review's global most promising Top 20 Customer Experience Management technology companies;
  - (B) one of Gartner's 'Cool Vendors' for 2015 in the CRM and Customer Support category and appeared in Gartner's recent 2016 CRM report (Gartner is a leading information technology research and advisory company). Flamingo was identified as one of five innovative vendors with applications to deliver a superior customer experience and/or reduce operational costs; and
  - (C) a Top 2 Start Ups to Watch at CeBIT; and
- (x) In addition, Flamingo's founder, Dr Catriona Wallace, recently delivered SugarCRM's keynote address at their global conference in San Francisco in June 2016 and has previously been the recipient of a Pearcey Foundation Entrepreneur award and is a finalist in the prestigious Advance Australia Global Awards. SugarCRM, is one of the top global CRM software companies and produces the web application 'Sugar'.

(b) **Corporate structure**

The diagram below summarises the corporate structure of Flamingo as at the date of this Notice:



(c) **Financial history since incorporation**

A table setting out the revenue and profit before tax figures of Flamingo since incorporation is set out below. Shareholders should note that Flamingo has a limited operating history and has spent (and still spends) much of its focus on platform development, while conducting paid trials when opportunities arise. Shareholders should note that due to Flamingo's infancy its operations are inherently uncertain and the figures below should not be used as a guide as to the future performance of Flamingo.

	20 May 2013 to 30 June 2014	12 months ending 30 June 2015	9 months ending 31 March 2016	Total
Trading revenue	\$20,000	\$125,469	\$91,064	\$236,533
Total revenue*	\$156,745	\$711,681	\$486,377	\$1,354,803
Profit before tax	-\$368,126	-\$1,209,197	-\$1,357,622	-\$2,934,945

\* **Note:** Total revenue includes both trading revenue and research and development grant income received.

(d) **Sources of revenue and expenses**

Flamingo generates, and is aiming to generate, revenue from the following sources:

- (i) client trials of the Flamingo Platform;
- (ii) future trading revenue is expected to include monthly recurring subscription revenue from the use of the Flamingo Platform as well as success fees for sales made in the platform;
- (iii) research and development grants received from the Australian Tax Office as part of the AusIndustry research and development program.

Flamingo's largest expenses are employee and contractor costs, and these are expected to continue to post-transaction. Other significant costs include marketing and business development costs.

(e) **Flamingo team**

Flamingo is led by its founder, Dr Catriona Wallace, with Cathie Reid as Chair of the board. As at the date of this Notice, Flamingo employs 13 people across

Australia and the US, including seven software engineers, a data scientist and the chief technology officer. Flamingo's development team is based in Australia.

As part of the Acquisition Agreement, each of Ms Reid and Dr Wallace will join the Board of the Company.

(i) Ms Cathie Reid (Chair)

Ms Reid is the Co-Founder of Australia's Epic Healthcare Group, which includes Epic Pharmacy, Epic Digital and the Epic Good Foundation. Epic also founded Icon Cancer Care, now part of the Icon Group which is Australia's fastest growing provider of integrated cancer care services.

Ms Reid was inducted into the Australian Businesswomen's Hall of Fame in 2015, named one of the Top 100 Women of Influence by the Australian Financial Review in 2013, won a National Telstra Business Women's Award in 2011, and recognised by Monash University with a Distinguished Alumni Award for Professional Achievement in 2012.

(ii) Dr Catriona Wallace (Founder and CEO)

Flamingo founder and CEO, Dr Wallace is a multi-award winning, recognised business leader, well published author with a PhD in Organizational Behaviour and is statistically trained. She is regarded as a top-5 global customer experience expert and is a member of the Springboard Alumni. She is founder and now major shareholder of three successful businesses (excluding Flamingo), including the multi-award winning Customer Experience Design firm, Fifth Quadrant.

Ms Reid and Dr Wallace are ably supported by an experienced management team including:

(iii) Joe Waller (Chief Technology Officer)

Mr Waller is a former Technology Strategist and Chief-of-Staff of Betfair, the world's biggest sports trading platform. He played a key role in growing the company from a UK technology startup into the world's largest internet betting exchange.

Whilst at Betfair, Mr Waller ran the product and platform teams that built and scaled the exchange to annual revenues of over \$700 million, matching over 30,000 trades a minute.

(iv) Rachel White (Chief Financial Officer)

Well known as a leading CFO within the technology sector, Ms White has been instrumental in the success of innovative technology groups along with being a mentor to several early stage ventures.

Ms White has over 20 years' commercial finance and accounting experience with a strong focus on the technology sector.

Ms White is recognised as a public speaker on topics of entrepreneurialism, start up finance, employee engagement and capital raising.

- (v) Dr Jack Elliot (Chief Data Scientist)

Dr Elliot is a published expert in and internationally academically recognised for large-scale, natural language processing and linguistics with key contributions in a number of fields.

Dr Elliot's software engineering career has spanned over 15 years and three continents across the banking and financial sectors.

## 7.4 Assets of Flamingo

Flamingo has the following assets:

- (a) **(Flamingo Platform)** The Flamingo Platform is a cloud-based platform that manages the guided acquisition, on-boarding or retention experience between companies and their consumers. It is built as a cloud based platform as a service currently hosted on Amazon Web Services. Further information about the Flamingo Platform is in Section 7.5.
- (b) **(Patents)** The Flamingo Platform has lodged patent applications for various features of the platform. Further information about the patents is in Section 7.5(f).
- (c) **(Other intellectual property)** Various domain names and a trade mark for 'CustomerCreate'.
- (d) **(Customer contracts)** Flamingo is party to a master services agreement with a large US financial services company, Nationwide Insurance. The agreement provides the ability for the customer to acquire and license software from Flamingo under written orders and Flamingo shall provide the software and perform services in accordance with the orders. As at the date of this Notice, a statement of work for a large scale implementation is in final stages of negotiation.

## 7.5 The Flamingo Platform

- (a) **Background**

The Flamingo Platform is an 'intelligent guided selling' solution for organisations with complex products.

Customers often have difficulty with the complexity of financial, healthcare or telecommunications products. This makes it difficult to sell to these customers online, resulting in low conversion rates.

The Flamingo Platform solves this problem through providing a cloud-based platform that delivers an intelligent guided selling, onboarding or retention experience between companies (providers) and their customers. In the emerging category of 'Conversational Commerce' (where customers are guided to make purchase decisions online), the Flamingo Platform fuses web chat, guided workflow and machine learning to guide web customers from research to quotation to purchase (called a 'journey'). Flamingo's finished product, which is ready for sale, is known as 'Journey Assist'.

## JOURNEY STEPS

The employee follows preprogrammed Journey steps which can be edited or deleted or added to

## AUTOMATION

The employee can choose to automate the journey

## THE JOURNEY

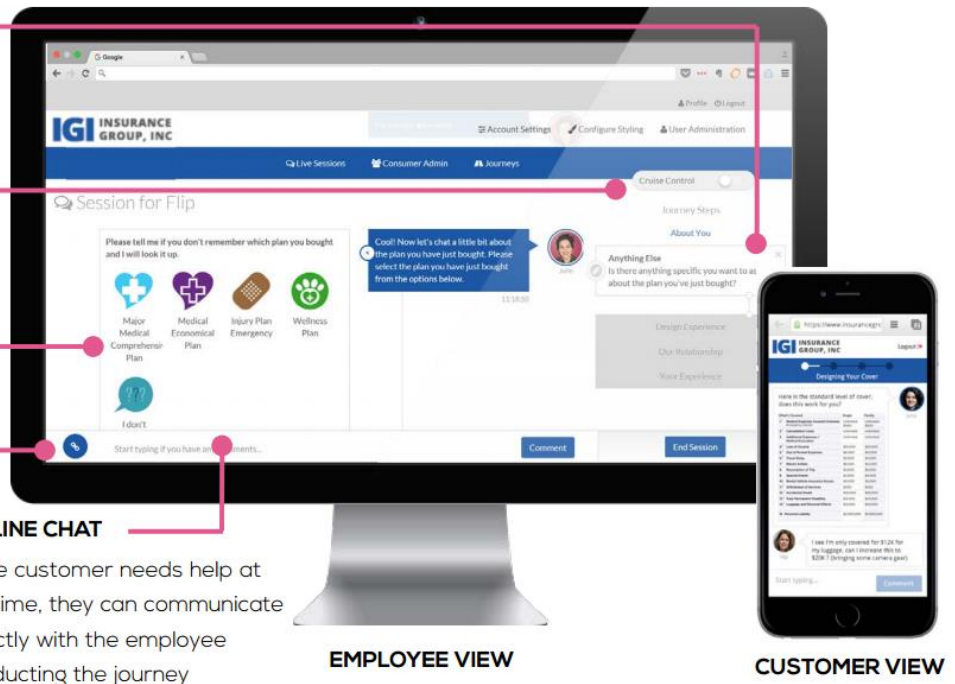
The customer is asked a series of questions which guides them to purchase. This is what the customer sees

## UTILITY BELT

The utility belt contains all materials that can be shared with the customer (e.g. PDFs, videos, links, disclaimers)

## ONLINE CHAT

If the customer needs help at anytime, they can communicate directly with the employee conducting the journey



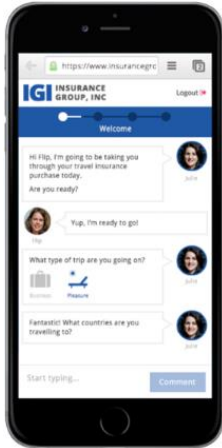
The Flamingo Platform guides customers from page view to purchase (on both mobile and desktop). This reduces the overwhelming nature of the purchasing process and is designed to make it easier to buy financial products online.

With each completed interaction, by keeping a record of all conversations, data and advice provided to customers and then using artificial intelligence, the Flamingo Platform learns more about how customers and employees interact. This allows the process to be automated, meaning employees are required less often, or not at all. Flamingo has lodged patent applications in respect of its customer journey intellectual property.

The Flamingo Platform can operate on a continuum from Human2Human mode (employee to customer) to Autobot (no employee interaction). Value created for Flamingo's clients includes increased online sales conversion, improved customer experience and increased efficiencies.

In summary, the Flamingo Platform is a light touch, low cost Artificial Intelligence solution for financial services companies where the option of having a virtual assistant plus human involvement with customers is important.

(b) **How it works**



**1. Providers invite customers to a journey to buy their product**

Customers are invited to participate in a 'journey' through a simple link.

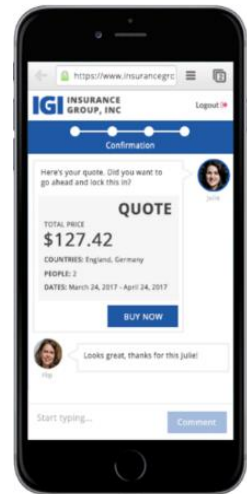
The journey is a guided experience which allows the customer to co-design, within parameters set by the provider (Flamingo's client), the product and relationship to suit their individual needs. This experience can be assisted by employees or fully automated (or anywhere in between).

**2. Quote**

The customer joins a journey with a provider employee (or one of Flamingo's automated assistants).

Flamingo uses human-centred design principles to concierge the customer through their options to co-design the product to meet individual needs.

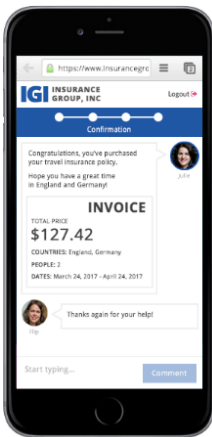
Customers can live chat with provider employees as an integrated part of the experience.



**3. Purchase**

After completing the quotation together, the employee (or the automated assistant) will guide the customer to make a payment.

After payment is made the employee acknowledges and congratulates the customer.



**4. Automation**

With each completed journey, Flamingo intelligently learns more about how customers and provider employees interact.

Every question asked and answered, every keystroke and chat message is analysed by Flamingo's advanced data-mining algorithms.

This allows Flamingo to automate the customer's journey, so employees are required less or even not at all.

## 5. Analytics

Flamingo provides dashboards and real-time analytics related to individual and aggregated customer experiences.

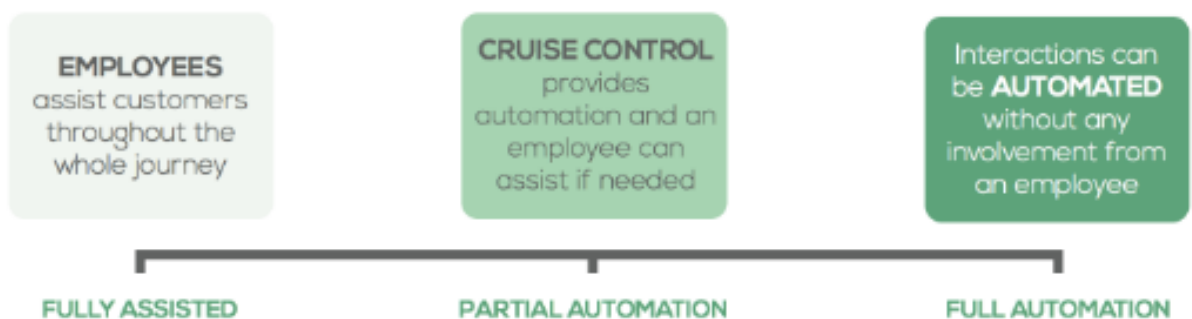
- Descriptive statistics
- Product and experience configurations
- Customer behaviour insights
- New market discovery
- Performance and effectiveness of interactions
- Customer insights & engagement scores



### (c) Flamingo Platform features

Features of the Flamingo Platform include the following:

- (**'Build your own journeys'**) Companies are able to design, edit or update journeys.
- (**Customise journeys with branding**) Journeys can be customised with a company's own branding.
- (**Ease of implementation**) The Flamingo Platform can be used standalone with a URL, or integrated with a company's systems using Flamingo's application programming interface.
- (**Assisted or automated journeys**) Journeys can be fully assisted by a company's employee, fully automated, or a combination of both, as represented below:



- (**Saved journeys**) Where a customer's journey is interrupted, it can easily be continued from where it has left off at a later time.
- (**Mobile interface**) Customers can use both desktop and mobile devices to complete their journeys.

- (vii) **(Analytics and algorithms)** Algorithms are generated that inform the automation of the customer interactions, so that an employee does not need to be involved. It only takes a few hundred interactions for Flamingo's artificial intelligence to learn what the best interactions are, which can then be automated. Algorithms can be generated across multiple organisations.

(d) **Clients and case studies**

Due to the relative newness of the Flamingo Platform, Flamingo's process for engaging new clients includes (and will continue to include) conducting trials. Trials are priced between US\$30,000 to US\$100,000 depending on application.

A trial will have a set of hypotheses related to commercial metrics typically including sales conversion, customer retention or customer experience. Evidence is collected during the trial to determine the value of the Flamingo Platform to the business line.

Once the trial has been completed, due to the size of Flamingo's clients (as discussed above, the Flamingo Platform is primarily for the sale of complex financial products), Flamingo then typically enters into a more formal procurement process to establish a statement of work, undergo security approval and execute a master services agreement. By obtaining security approval from clients and executing a master services agreement, provider clients are then able to more readily engage Flamingo on a job-by-job basis, with separate statements of work provided for each new job.

This prudent approach has led to Flamingo securing Nationwide Insurance as a foundation client, with a master services agreement executed in May 2016. Following four separate trials for Nationwide, Flamingo is now engaged to be the customer interaction portal for a direct-to-consumer product launch.

Other Flamingo clients include Prime Financial, Quay Credit Union and the NY Daily Gazette, all of whom have had successful trials. Flamingo also has a strong sales pipeline in place evidenced by over 10 proposals with Fortune500 US firms.

Below are case studies of the use of Flamingo's Platform in the past 12 months.

(i) **Pet insurance product**

A pet insurance provider identified a problem of a 30% customer attrition rate during the first year of its product.

Flamingo was engaged on a trial basis and implemented three applications for on-boarding new customers, post-claim experience and renewal.

The use of Flamingo's platform resulted in a 30% increase in the product's net promoter score (a management tool used to measure the loyalty that exists between a provider and consumer), and 5% increase in retention of customers.

Flamingo is now negotiating with the provider to implement guided selling for this product to improve web acquisition metrics.



(ii) **Employee benefits product**

A provider identified a problem of low online conversion rates for an employee benefits product being offered online.

Following the implementation of a trial of the Flamingo Platform's guided online selling, there was a 24% increase in conversion of visitors to the website to the quotation page for the product.

Flamingo is now negotiating conversion from paid trial to a monthly engagement with this provider.

(iii) **Wealth management product**

A provider of wealth management products was looking for a platform to enable it to directly target high net worth customers, rather than using a broker or advisor to promote their products.

Flamingo implemented an automated application to guide high net worth customers with respect to their needs and requirements, with the final step being conversion of the process into a call with a member of the provider's wealth management team. The Flamingo Platform resulted in 55% of journeys being converted to sales meetings.

Flamingo is now negotiating the next steps with the aim to convert to a regular monthly engagement with this client.

(iv) **Data analytics**

A banking institution wanted to better understand the needs and requirements of its customers, and sought Flamingo's assistance to identify that information.

Flamingo developed an application to extract the required information, then generated a report for the banking institution which has now led to Flamingo working on an application to cross-sell relevant products to identified customers.

(e) **Accolades**

Flamingo was named in April 2015 by Gartner Inc (a leading information technology research and advisory company) as a 'Cool Vendor' in the CRM and Customer Support category, identified as one of five innovative vendors with applications to deliver a superior customer service experience and/or reduce operational costs.

Gartner's definition of a 'Cool Vendor' is a small company offering a technology or product that is:

- (i) Innovative - it enables users to do things they couldn't do before the technology emerged.
- (ii) Impactful - it has (or will have) a business impact; it's not just technology for the sake of technology.
- (iii) Intriguing - it has caught Gartner analysts' and clients' interest or curiosity during the past six months.

Flamingo was selected to be a Springboard Enterprises company, was noted as a Top 2 Start-up to Watch at CeBit and was named in CIO Review as a Top 20 Most Promising Customer Experience Management solution providers. Further, Flamingo's founder and CEO, Dr Catriona Wallace, is also the recipient of a Pearcey Foundation Entrepreneur Award and is a finalist in the Advance Australia Global Awards.

(f) **Intellectual property**

Flamingo has lodged patent applications for the following features of the Flamingo Platform: Journey Assist, Journey Avatar (aka Journey Automation), Personalizer, Analyzer, Personal Cloud and the Co-Creation model that enables employees and customers to design experiences customers want that businesses can deliver.

Flamingo has also registered the trade mark 'CustomerCreate'.

Whilst domain names of themselves provide no proprietary rights, they are generally recognised as extremely useful vehicles for marketing in the online space. As at the date of this Notice Flamingo has registered various domain names such as [www.flamingo.io](http://www.flamingo.io), [customercreate.com](http://customercreate.com), [consumercreate.com](http://consumercreate.com) and [customercreate.io](http://customercreate.io).

(g) **Planned Flamingo Platform development**

Flamingo's existing product, known as 'Journey Assist', has been developed, tested and successfully trialled. This product comprises the current Flamingo Platform and is ready for sale to a broad market, initially focused in financial services, but relevant for any business.

As well as a programme of continuous improvement to the existing products and features, Flamingo has the following major product changes prioritised for development over the next 12 to 24 month period.

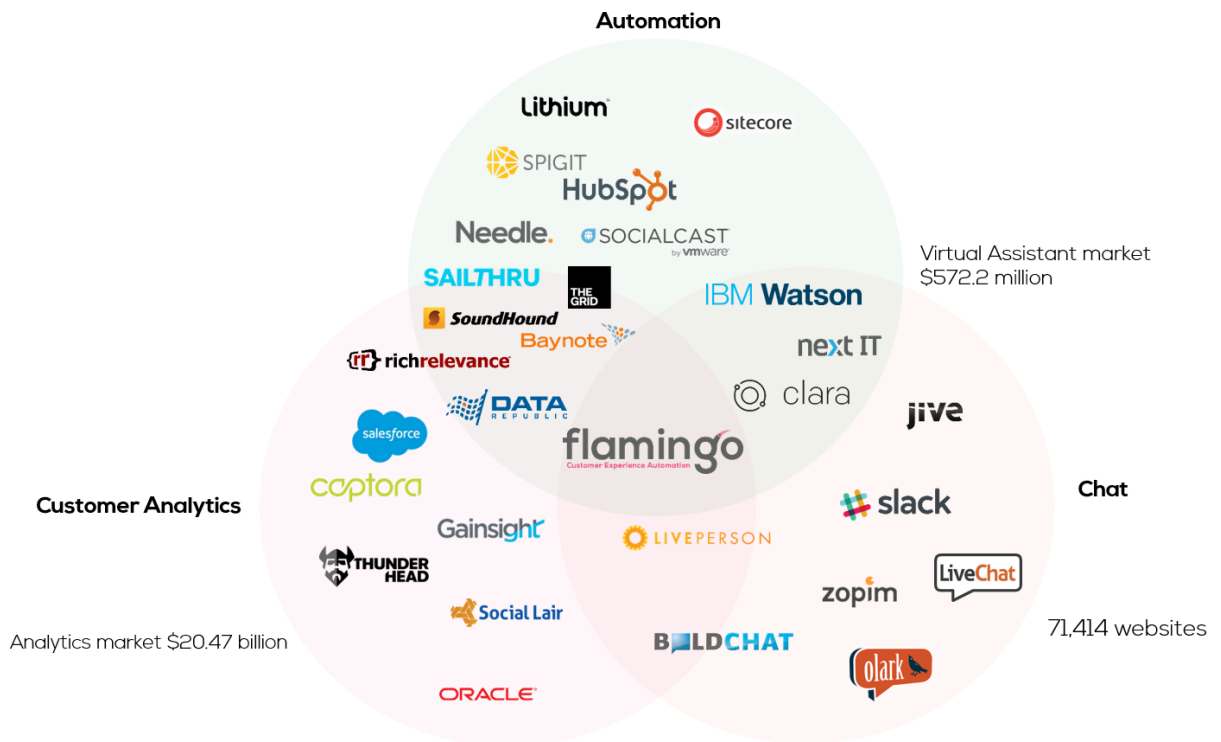
- (i) **Web Acquisition Framework:** A framework for integration with client owned and managed platforms/engines for services such as quotation, assessment and transaction. This will enable automation of the web acquisition concierge journeys that have shown improved KPIs to vanilla web-forms or call-centre concierged applications.
- (ii) **Chat Automation:** An extension to automated journeys that can handle questions, answers, chat, escalation to a human manager and a human-led automation solution that can run without manual intervention for clients.
- (iii) **Sovereign Personal Cloud:** Ability to give permission for Flamingo to use known information about end-customers to sign-up for other products and services, either to more lines-of-business in the same client or across other Flamingo clients. The product would allow the customer to save time by not needing to repeat data entry. It would also benefit the enterprise by facilitating cross-sell.
- (iv) **Personalizer:** Solution to allow customers to co-create an individualised product or service that is tailored specifically for the customer's needs within the parameters that the client can deliver. Unlike the existing features of Journey Assist, Personalizer is a product configuration engine.

- (v) **Software-as-a-Service Features:** Features that will enable rapid growth of the Flamingo Platform by allowing small-to-medium enterprises to self-sign-up, self-serve and access both self-help as well as Flamingo or partner helpdesk support.

## 7.6 Industry competition

### (a) Competition

The players in Flamingo's field include:



Flamingo's competitors can be grouped into three main sets: chat providers, virtual assistants (automation) and analytics/insight companies. Flamingo's unique difference is that it fuses these three capabilities together. As at the date of this Notice, and after extensive research and analyst briefings, Flamingo is not aware of another product available that does this.

CRM companies are not regarded as a direct competitor for Flamingo but Flamingo is sometimes compared to them. CRM companies focus on pipeline and prospect management capabilities, sales team management, KPI management and performance improvement, then usually hand over to other channels to work with a customer. CRM companies will be potential channel partners of Flamingo.

Flamingo's competitive advantage includes:

- (i) focus on conversion from quote to payment;
- (ii) provide clients with light touch step into Artificial Intelligence;
- (iii) acquire customer in-platform;
- (iv) range of automation options, from fully manual through to human assisted through to fully automated;

- (v) customer experience algorithms; and
  - (vi) machine learning capable of insight as well as automation of conversations.
- (b) **Barriers to entry**
- Barriers to entry for competitors to Flamingo include:
- (i) time, cost and expertise to develop intellectual property associated with conversational commerce and collaborative customer interface technology;
  - (ii) high level of customer data security functionality required to be built into the Flamingo Platform and significant cost and time to pass relevant security audits of large financial institutions; and
  - (iii) Flamingo has established relationships in the industry which make it difficult for competitors to secure trial sites for customer interfacing applications due to risks associated with handling customer data.

## **7.7 Business model and development and commercialisation objectives**

Flamingo is the second proposed acquisition by the Company in line with the Company's new focus, being technology solutions and software development. The Company plans to further expand its portfolio in technology solutions, with a particular focus on software marketing solutions, application software, communication software, software as a service, online social networking services, and security and encryption. It is possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by debt and/or equity issues (subject to any required regulatory approvals).

For the immediate future the Merged Group's focus will be on the continued development and commercialisation of the Flamingo Platform and Agenda Platform, together with assessing further complementary acquisition opportunities.

The basis for any revenue generated by consumer service offerings such as that of the Flamingo Platform and proposed to be offered through the Agenda Platform, is driven by the acquisition, retention and engagement of its consumers and service providers.

The Merged Group intends to derive revenue from the following possible sources:

- (a) sales revenues from providers for:
  - (i) subscriptions by providers using the Flamingo Platform; and
  - (ii) success fees per acquisition by provider's customers; and
- (b) if successfully developed, via the Agenda Platform from transaction fees, advertising, in-application purchases and software sales.

## **7.8 Key dependencies of the business model**

The key factors that the Merged Group will depend on to meet its objectives are:

- (a) the successful completion of the Acquisition;

- (b) the successful completion of the Capital Raising;
- (c) the successful execution of service agreements with and retention of new and existing customers using the Flamingo Platform;
- (d) the successful completion of the Agenda Platform;
- (e) retaining the key personnel and consultants of Flamingo and Agenda; and
- (f) the ability to protect the Merged Group's intellectual property.

## 7.9 Key terms of the Acquisition Agreement

In consideration for 100% of issued capital of Flamingo, the Company will ultimately issue to Flamingo shareholders (**Vendors**):

- (a) 272,727,273 fully paid ordinary shares in the Company (**Initial Consideration Shares**);
- (b) 90,909,091 Class A Performance Shares which will convert into 90,909,091 Shares if Flamingo executes a legally binding master services agreement (**MSA**) and completes a security audit with a substantial US corporation and either:
  - (i) the MSA remains valid, binding and enforceable for at least 12 months after its execution; or
  - (ii) the Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialed;
- (c) 90,909,091 Class B Performance Shares which will convert into 90,909,091 Shares if Flamingo achieves \$13,000,000 in revenue in any 12 month period within 36 months of completion of the Acquisition; and
- (d) 90,909,091 Class C Performance Shares which will convert into 90,909,091 Shares if Flamingo achieves \$28,000,000 in revenue in any 12 month period within 36 months of completion of the Acquisition,

(together, the **Consideration Securities**).

Of the Consideration Securities:

- (e) 115,814,391 Initial Consideration Shares and 115,814,391 Performance Shares will be issued to Flamingo's founder and incoming Company director, Dr Catriona Wallace (**Founder Consideration Securities**); and
- (f) 156,912,882 Initial Consideration Shares and 156,912,882 Performance Shares will be issued to the Vendors (other than the Founder) (**Non-Founder Vendors' Consideration Securities**).

In addition to the Consideration Securities, the Company proposes to issue 7,150,000 Shares, 2,383,334 Class A, 2,383,333 Class B and 2,383,333 Class C Performance Shares (**Facilitator Securities**) and pay \$135,000 cash to the facilitators to the Acquisition. The cash payment is proposed to be made to former Flamingo director, Mr Paul Hunyor. Mr Hunyor is not being appointed to the Company's board post-Acquisition.

The Company has also agreed to provide a loan facility of up to \$300,000 to Flamingo for transaction costs and business costs for the period up to completion. As at the date

of this Notice, the loan has been fully drawn down, and the Company has extended the facility by a further \$60,000.

Settlement of the Acquisition is conditional upon the satisfaction (or waiver) of the following material conditions precedent on or before 31 October 2016 (or such other date as may be agreed in writing):

- (g) shareholder approval for the issue of the Consideration Securities, Capital Raising Shares (see below) and Facilitator Securities, including obtaining an independent expert's report;
- (h) shareholder approval for the appointment of Ms Cathie Reid and Dr Catriona Wallace as Directors;
- (i) the Company obtaining all necessary regulatory approvals or waivers pursuant to the Corporations Act and the Listing Rules, including with respect to Chapter 11 of the Listing Rules;
- (j) execution of ASX restriction agreements to the extent required by ASX;
- (k) the Company entering into employment and/or service agreements (in a form satisfactory to the Company, acting reasonably) with:
  - (i) Ms Cathie Reid, in relation to her appointment as Chair of the Company; and
  - (ii) Dr Catriona Wallace, in relation to her appointment as Chief Executive Officer and Executive Director of the Company;
- (l) the Company receiving a reinstatement conditions letter from ASX, on terms satisfactory to the Company and Flamingo (both acting reasonably);
- (m) the Company undertaking a capital raising of not less than \$2,000,000, noting that the parties have determined to raise \$3,000,000 (**Capital Raising**); and
- (n) Flamingo confirming that any options and warrants in Flamingo issued or outstanding have been cancelled.

## **7.10 Board of Directors**

The Board currently comprises:

- (a) Mr Bryn Hardcastle (Non-Executive Chairman);
- (b) Mr Faldi Ismail (Non-Executive Director); and
- (c) Mr Tom Bahen (Non-Executive Director).

Messrs Hardcastle and Ismail shall remain as Directors at Completion. It is intended that Mr Bahen will resign at Completion.

The Company will appoint the following persons as directors at Completion, subject to prior shareholder approval:

- (d) Ms Cathie Reid as a Non-Executive Director; and
- (e) Dr Catriona Wallace as an Executive Director;

See Sections 7.3(e)(i) and 7.3(e)(ii) for further information on the Proposed Directors.

## **7.11 Delaware law "merger"**

The Acquisition is being implemented by way of a Delaware law "merger". For the purposes of this merger process, the Company has incorporated a Delaware based subsidiary named Flamingo Merger, Inc. (**US Subsidiary**).

In order for US-based Vendors to become entitled to the equivalent of "roll over relief" in the US and to effect the merger in accordance with Delaware law, the Company will issue the Consideration Securities to the US Subsidiary (as the nominee of the Vendors), and then immediately following such issue, Flamingo and the US Subsidiary will "merge". As a result of this, Flamingo will continue to exist (as a wholly owned subsidiary of the Company), the US Subsidiary will cease to exist, and the Consideration Securities will immediately be distributed to the Vendors.

Section 259C(1) of the Corporations Act provides that an issue of shares of a company to an entity it controls is void except in certain circumstances, none of which are presently applicable. Section 259C(2) specifically allows ASIC to exempt a company from the operation of section 259C. As the "merger" process will require the Company to issue the Consideration Securities to the US Subsidiary (being a wholly owned subsidiary), the Company has applied to ASIC for relief pursuant to section 259C(2). The US Subsidiary will only hold the Consideration Securities for approximately one day as part of the merger process.

Section 606(1) of the Corporations Act prohibits a person from acquiring a relevant interest in issued voted shares in a listed company if the person acquiring the securities or someone else's voting power in the company increases to more than 20%. Section 655A allows ASIC to exempt a company from the operation of a provision of Chapter 6 (which includes section 606(1)). As the Consideration Shares in aggregate will comprise over 20% of the Shares then on issue, the Company has applied to ASIC for relief pursuant to section 655A. It is noted that one of the Vendors, an entity associated with Dr Wallace, will potentially hold more than 20% of the Company's Shares on issue, and accordingly Shareholder approval for the purposes of item 7 of section 611 of the Corporations Act is being sought at this Meeting (see Section 12 for further information).

Section 671B of the Act requires a person to give certain information to a listed company and each relevant market operator if the person begins to have, or ceases to have, a substantial holding in the company. Section 673(1)(a) allows ASIC to exempt a person from the operation of a provision of Chapter 6C (which includes section 671B). As US Subsidiary will hold over 5% of the Shares of the Company, the Company has applied to ASIC for relief such that US Subsidiary is not required to lodge substantial holder notices.

Completion of the Acquisition Agreement is effectively conditional on the Company obtaining this relief from ASIC due to the condition precedent requiring the parties to obtain all necessary regulatory approvals. Accordingly, if the Company is unable to obtain the ASIC relief then the Acquisition Agreement may be terminated and the Acquisition will not proceed in its current form.

## **7.12 Capital Raising**

As set out in Section 7.9(m) above, one of the conditions precedent to Completion is the completion of the Capital Raising (the subject of Resolution 8).

The Company has applied to ASX for, and expects to receive, a waiver from Listing Rule 2.1 Condition 2 to allow the Company offer the Capital Raising Shares for \$0.04 each.

### 7.13 Pro forma balance sheet

An unreviewed pro forma statement of financial position of the Company as at 31 March 2016 based on the audited accounts of Flamingo is set out in Schedule 5.

### 7.14 Pro forma capital structure

The pro forma capital structure of the Company following completion of the Acquisition and Capital Raising is set out below:

<b>Shares</b>	<b>% post-Acquisition</b>	<b>Number</b>
Existing Shares on issue <sup>1</sup>	39.78	234,426,409
Initial Consideration Shares (Flamingo Vendors)	46.28	272,727,273
Capital Raising Shares	12.73	75,000,000
Facilitator Shares	1.21	7,150,000
<b>Total Shares</b>	<b>100.00</b>	<b>589,303,682</b>
<b>Performance Shares (to be issued)<sup>2</sup></b>		<b>Number</b>
Class A		93,292,425
Class B		93,292,424
Class C		93,292,424
<b>Total Performance Shares</b>		<b>279,877,273</b>
<b>Performance Rights (on issue)<sup>3</sup></b>		<b>Number</b>
Class A		9,999,999
Class B		9,999,999
Class C		10,000,002
<b>Total Performance Rights</b>		<b>30,000,000</b>



<b>Options</b>	<b>Number</b>
<b><i>Existing Options on issue</i></b>	
Unquoted options exercisable at \$0.02 each, on or before 4 November 2019 <sup>4</sup>	25,000,000
Unquoted options exercisable at \$0.03 each, on or before 5 February 2019 <sup>4</sup>	50,000,000
Unquoted options exercisable at various prices and expiry dates <sup>5</sup>	567,186
<b>Total existing Options on issue</b>	<b>75,475,453</b>
<b><i>Options to be issued</i></b>	
Employee Options <sup>6</sup>	6,567,382
<b>Total Options</b>	<b>82,042,835</b>

**Notes:**

1. 40,000,000 Shares escrowed until 5 February 2018 and 2,500,000 escrowed until 22 January 2017. In addition, pursuant to Agenda acquisition agreement in November 2015, if the Agenda Platform achieves 500,000 active registered users and Agenda has revenue of \$500,000, 25,000,000 Shares will be issued to the vendor of the Agenda Platform, Annabel Slade (or her nominee).
2. Full terms of Performance Shares are contained in Schedule 2. Comprised of the following:
  - (a) 90,909,091 Class A Performance Shares to Flamingo shareholders and 2,383,334 to Facilitators;
  - (b) 90,909,091 Class B Performance Shares to Flamingo shareholders and 2,383,333 to Facilitators; and
  - (c) 90,909,091 Class C Performance Shares to Flamingo shareholders and 2,383,333 to Facilitators.
3. Comprised of three tranches of Performance Rights which vest over 3 equal proportions on achievement of a 10 day VWAP share price of \$0.03, \$0.04 and \$0.05 respectively. Held by existing Directors Messrs Hardcastle, Ismail and Bahen in equal portions. Escrowed until 5 February 2018.
4. Escrowed until 5 February 2018.
5. Unquoted legacy options on issue prior to Company's release from voluntary administration, comprised of the following:
  - (a) 98,000 unquoted options exercisable at \$6.00 each and expiring 18 September 2016;
  - (b) 88,705 unquoted options exercisable at \$5.00 each and expiring 22 December 2016;
  - (c) 221,056 unquoted options exercisable at \$3.00 each and expiring 5 February 2018; and
  - (d) 67,692 unquoted options exercisable at \$6.00 each and expiring 5 February 2018.
6. Unquoted options to be issued to Flamingo employees to replace existing Flamingo options, exercisable at \$0.029 each and expiring 5 years from date of issue.

The above table is a statement of current intentions as at the date of this Notice and is subject to change.

## 7.15 Voting power of Vendors

The Vendors currently do not have any voting power in the Company.

The Vendors will have the following voting power in the Company on completion of the Acquisition, assuming all the Capital Raising Shares are issued:

<b>Vendor</b>	<b>Initial Consideration Shares</b>	<b>Voting power (%)</b>
Entities associated with Dr Catriona Wallace	115,814,391	19.65
Entities associated with Ms Cathie Reid	62,848,740	10.66
Remaining Vendors	94,064,142	15.96
<b>Total</b>	<b>272,727,273</b>	<b>46.28</b>

Assuming no other Shares are issued (whether by new issue or to satisfy conversion of Options or Performance Rights set out above), if all of the Performance Shares were to convert to Shares, then the maximum voting power of the Vendors will be as follows:

<b>Vendor</b>	<b>Shares</b>	<b>Voting power (%)</b>
Entities associated with Dr Catriona Wallace	231,628,782	26.65
Entities associated with Ms Cathie Reid	125,697,480	14.46
Remaining Vendors	188,128,283	21.64
<b>Total</b>	<b>545,454,546</b>	<b>62.76</b>

Following the completion of the Acquisition, assuming all the Capital Raising Shares are issued and no other Shares are issued (whether by new issue or to satisfied conversion of Securities), the substantial shareholders of the Company will be:

<b>Substantial Shareholder</b>	<b>Voting power (%)</b>
Entities associated with Dr Catriona Wallace	19.65
Entities associated with Cathie Reid	10.66

## 7.16 Proposed budget

The Company intends to use the funds raised under the Capital Raising, together with the Company's existing cash reserves post-Acquisition, and funds received from AusIndustry research and development grants in the next 12 months following the reinstatement of the Company's Securities to quotation on the Official List of ASX as follows:

Allocation of funds	Amount (\$000's)	%
Expenses of the Acquisition (including capital raising fees)	500	8.3
Repayment of loans <sup>1</sup>	286	4.7
Agenda Platform development	490	8.1
Flamingo Platform development <sup>2</sup>	1,937	32.1
Sales and marketing	1,685	27.9
General working capital, including corporate and administrative costs <sup>3</sup>	1,141	18.9
<b>Total</b>	<b>6,038</b>	<b>100.0</b>

**Notes:**

1. In March 2016, Meerkat, an entity associated with Ms Cathie Reid, lent \$250,000 to Flamingo for working capital purposes, on commercial arms' length terms. A further \$30,000 was provided in April 2016. The Company will repay the loan plus \$6,000 in interest, just prior to reinstatement of the Company's securities to ASX.
2. These funds represent the estimated investment over the 12 month period. In the next 12 months, Flamingo expect to receive a research and development grant of approximately \$1,000,000 under the AusIndustry program. Flamingo has a history of receiving AusIndustry research and development grants.
3. General working capital will be utilised by the Company to pay for the corporate and administration costs of the Company generally, cost overruns in forecast expenditures (if any), and in additional testing and trial expenditures.

The above table is a statement of current intentions as at the date of this Notice. Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Board is satisfied that upon completion of the Capital Raising, the Company will have sufficient working capital to meet its stated objectives.

The use of further equity funding or Share placements will be considered by the Board where it is appropriate to accelerate a specific project.

Flamingo is the second proposed acquisition by the Company in line with the Company's new focus, being technology and software development. The Company plans to further expand its portfolio in technology solutions, with a particular focus on software marketing solutions, application software, communication software, software as a service, online social networking services, and security and encryption. It is possible that future acquisitions that may be contemplated may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by debt and/or equity issues (subject to any required regulatory approvals).

For the immediate future the Merged Group's focus will be on the continued development and commercialisation of the Flamingo Platform and Agenda Platform, together with assessing further complementary acquisition opportunities.

#### **7.17 Anticipated timetable for the key business the subject of the Acquisition Resolutions**

<b>Event</b>	<b>Indicative Timing</b>
Despatch of this Notice of Meeting to Shareholders	11 August 2016
Lodgement of Prospectus and Prospectus offers anticipated to open	29 August 2016
Shareholder Meeting ASX notified whether Shareholders' approval has been granted for the Resolutions	14 September 2016
Prospectus offers close	15 September 2016
Completion of the Acquisition Agreement	20 September 2016
Issue date	20 September 2016
Commencement of trading of Shares on ASX (subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and subject to ASX agreeing to reinstate the Shares to quotation)	30 September 2016

#### **7.18 Board intentions if Completion occurs**

In the event that the conditions precedent to the Acquisition are satisfied (including successful completion of the Capital Raising), the funds raised from the Capital Raising, together with the Company's existing cash reserves and funds received from AusIndustry research and development grants will be used to:

- (a) advance development of the Flamingo and Agenda businesses;
- (b) meet the ongoing administration costs of the Company;
- (c) pay the costs of the Capital Raising and Acquisition; and
- (d) otherwise contribute to the working capital of the Company.

It is intended to allocate the funds raised from the Capital Raising and existing cash reserves as set out in Section 7.16 above.

#### **7.19 Advantages of the proposals in the Acquisition Resolutions**

The advantages identified by the Independent Expert are:

- (a) Shareholders will own shares in an operating company with a greater potential to generate a return for Shareholders, as Flamingo has a product ready for sale and is moving towards a commercialisation and marketing phase;

- (b) the Acquisition will provide the Company with a cash injection under the Capital Raising, which funds will be used towards repaying liabilities, developing the Flamingo and Agenda Platforms, sales and marketing, as well as provide sufficient working capital to achieve the Company's objectives;
- (c) the proposed incoming directors (Ms Cathie Reid and Dr Catriona Wallace) will bring additional experience and knowledge to the board, with both having prior experience in growing and running commercially successful companies;
- (d) the Company will be acquiring Flamingo for no initial cash outlay and will therefore be able to retain its existing cash balance for further business development and working capital purposes; and
- (e) the issue of Performance Shares ensures that Dr Catriona Wallace and the Vendors' interests will be aligned with Shareholders' interests.

## **7.20 Disadvantages of the proposals in the Acquisition Resolutions**

The disadvantages identified by the Independent Expert are:

- (a) the Acquisition is not fair;
- (b) Flamingo has a limited financial history and absence of significant revenues, therefore there is a higher degree of uncertainty in relation to the future prospectus of Flamingo and the ability of the Company to successfully implement its business plan; and
- (c) the Acquisition and the Capital Raising will result in the issue of Shares to the Vendors and new investors, which will have a dilutionary effect on the holdings of Shareholders and reduce the capacity of Shareholders to influence the operations of the Company.

## **7.21 Taxation**

The Acquisition may give rise to income tax implications for the Company and Shareholders.

Existing Shareholders are advised to seek their own taxation advice on the effect of the Acquisition Resolutions on their personal taxation position and neither the Company, nor any existing Director or advisor to the Company accepts any responsibility for any individual Shareholder's taxation consequences on any aspect of the Acquisition or the Acquisition Resolutions.

## **7.22 Plans for the Company if the Acquisition Resolutions are not passed or if the Acquisition does not proceed**

If the Acquisition Resolutions are not passed or if the Acquisition is otherwise not completed, the Company will continue to develop the Agenda Platform, and, consistent with the direction set out in the Company's prospectus dated 8 December 2015, the Company plans to further expand its portfolio in technology solutions, with a particular focus on software marketing solutions, application software, communication software, software as a service, online social networking services, and security and encryption.

## 7.23 Directors' interests in the Agreement

None of the Company's existing Directors have any interest in the proposed Acquisition pursuant to the Acquisition Agreement, other than as disclosed in this Notice.

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## 8. Risk Factors

This Section identifies the major areas of risk associated with Flamingo, but should not be taken as an exhaustive list of the risk factors to which the Company and its Security holders are exposed.

### 8.1 Risks relating to the change in scale of activities

#### (a) Dilution risk

The Company currently has 234,426,409 Shares on issue. On completion of the Acquisition, the Company proposes to issue Shares and Performance Shares as required pursuant to the Acquisition Agreement and issue Shares as part of the Capital Raising.

On issue of the consideration under the Acquisition and the subscription of Shares under the Capital Raising (assuming no Securities are exercised or converted), the existing Shareholders will retain approximately 39.78% of the issued capital of the Company, with entities associated with proposed directors Dr Wallace and Ms Reid holding 19.65% and 10.66% respectively, the remaining Vendors holding 15.96%, and the investors under the Capital Raising holding 12.73%, of the issued capital of the Company.

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

#### (b) Liquidity risk

On completion of the Acquisition, the Company proposes to issue a total of 156,912,882 Initial Consideration Shares and 156,912,882 Performance Shares to the Non-Founder Vendors, and 115,814,391 Initial Consideration Shares and 115,814,391 Performance Shares to the Founder. A portion of these securities will be subject to escrow restrictions in accordance with Chapter 9 of the Listing Rules. This could be considered an increased liquidity risk as a portion of issued capital will not be able to be traded freely for a period of time.

#### (c) Sale of Consideration Securities

Some of the Vendors may elect to sell those Shares received from the sale of their interests in Flamingo to the Company which are not subject to escrow restrictions by ASX immediately following Completion of the Acquisition. If one or more of the Vendors elect to sell a sufficiently large number of Shares, then this may negatively impact the price of Shares and decrease the realisable value of existing Shareholders' investment in the Company.

#### (d) Contractual risk

Pursuant to the Acquisition Agreement the Company has agreed to acquire the Flamingo shares subject to the fulfilment of certain conditions precedent.

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

## **8.2 Specific risks to the Flamingo business**

There are a number of specific risks involved for the Company, and consequently its security holders, in the acquisition of Flamingo, including risks specific to the business and assets of Flamingo, which include the following non-exhaustive list.

### **(a) Limited operating history**

Flamingo has limited operating history and there is therefore uncertainty in relation to the business of Flamingo and investors should consider Flamingo's prospects in light of its limited financial history. In addition, there is no guarantee that Flamingo will be able to successfully further develop or commercialise its products and if it is unable to do so it will not be able to realise significant revenues in the future.

### **(b) Failure to attract, retain and engage clients**

The potential revenue streams for the Company depend on its ability to attract, retain and engage clients (providers) to the Flamingo Platform. There is a risk that the Company may be unable to attract, retain and engage sufficient providers for the potential revenue streams to materialise or be sufficient for the continued operation of the Flamingo Platform.

### **(c) Sales and marketing success**

Following completion of the Acquisition, the Company intends to continue with the commercialisation of the Flamingo Platform, including brand development and sales and marketing. By its nature, there is no guarantee that the Company's brand development and sales and marketing campaign will be successful. In the event that it is not, the Company may encounter difficulty in creating market awareness of the brand. This would likely have an adverse impact on the Company's ability to generate revenue.

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

### **(d) Competition and new technologies**

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

The Company's competition may include businesses with much higher capitalisation and substantially greater resources. These competitors may succeed in developing products and services which are either superior or additional to the Company's, resulting in the migration of existing clients and potential clients to a competitor's business. Competitors with increased access to capital could lead to the Company's business becoming uncompetitive.

Further, the cost and time for a new competitor (including new entrants) to develop competing technology or products may not be significant, and may be substantially less than the implied market capitalisation of the Company based on the issue price of \$0.04 per Share. This may result in a heightened risk of competition to the Company. If a person or entity successfully develops and commercialises a competing product, this may have a materially adverse effect on the value and prospects of the Company and consequently on the value of your investment.

**(e) Increased investment in product development and support**

There is a risk that maintaining and upgrading Flamingo's existing products as well as new product development may lead to a higher than anticipated investment spend on IT development.

**(f) Flamingo's intellectual property**

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

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

The Company may be required to incur significant expenses in monitoring and protecting its intellectual property rights. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and cause a distraction to management.

**(g) Intellectual property infringement**

Flamingo uses a combination of open source and third party licensed software to develop its own software and platforms, and relies on its ability to protect its intellectual property rights adequately. Failure to do so may result in competitors gaining access to its technology, which would harm the business.

Flamingo may be unable to obtain patent protection in the future. If any patents are issued in the future, they may not provide Flamingo with any competitive advantages, or may be challenged by third parties.

There is a risk that the validity, ownership or authorised use of intellectual property relevant to Flamingo's business will be successfully challenged by third parties. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel.



**(h) Reliance on key personnel**

The emergence and development of the Flamingo Platform has been in large part due to the talent, effort, and experience of Dr Catriona Wallace, the Founder of Flamingo. Dr Wallace is expected to sign a contract to join the Company as Chief Executive Officer and Executive Director on completion of the Acquisition.

There is no assurance that Dr Wallace's contract will not be terminated. In addition, there is no assurance that Dr Wallace will remain healthy and able to continue in her role. If her contract were terminated or breached, or if Dr Wallace were no longer to continue in her role, the Company would need to employ alternative staff, and the Company's operations and business would be adversely affected.

**(i) Reliance on specialist staff**

Competition for qualified technical, sales and marketing staff can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future.

Flamingo is reliant upon employees with specialist IT skills in order to develop and maintain its projects. Any shortage of availability of these skills in the IT employment market could impair the development of Flamingo's products and business and the rate of such development. Such a shortage could also cause wage inflation, which may impact on the Company's profitability.

**(j) Outsourcing**

Flamingo outsources to consultants for expert advice and contract organisations for some IT services and there is no guarantee that such experts or organisations will be available as required or will meet expectations.

**(k) Reliance on core information technology and other systems**

The operation of Flamingo's business is dependent upon the performance, reliability and availability of its information technology and security systems. This includes its core technologies such as computer servers and back-end processing systems. These systems may be adversely affected by a number of factors including major events such as acts of terrorism or war or breakdown in utilities such as electricity and fibre optic cabling. Events of that nature may cause or ore more of those core technologies to become unavailable. There are also internal and external factors that may adversely affect those systems and technologies such as natural disasters, misuse by employees or contractors or other technical issues. The Company and Flamingo's disaster recovery plans may not cover loss or damage that the Company or Flamingo suffers as a result of such a system failure.

Any damage to, or failure of, Flamingo's key systems can result in Flamingo's ability to operate its business. Such disruptions have the potential to reduce Flamingo's ability to generate revenue, impact customer service levels and damage Flamingo's brand. This could adversely affect Flamingo and the Company's ability to generate new business and cause it to suffer financial loss.

(l) **Dependence on the internet**

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

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

(m) **Security breaches and hacker attacks**

A malicious attack on Flamingo's products, systems, processes or people from external or internal sources could put the integrity and privacy of customers' data and business systems used by Flamingo at risk.

The impact of loss or leakage of customer or business data could include costs for rebates, potential service disruption, litigation and brand damage, resulting in reduced or failing revenues.

Flamingo follows best practice in relation to security policies, procedures, automated and manual protection, encryption systems and staff screening to minimise risks.

Flamingo relies upon the availability of its website to attract new customers. Hackers could render the website unavailable through a disrupted denial of service or other disruptive attacks. Unavailability of the website could lead to a loss of revenues for the Company. Further, it could hinder the Company's abilities to retain existing customers or attract new customers, which could have an adverse impact on the Company's growth.

(n) **Domain name risk**

Flamingo's business depends to some extent on customers being attracted to its website. Flamingo has registered several domain names. Should the Company not renew or otherwise lose control of the Flamingo domain names, it would lose all website traffic direct to that domain. This would likely adversely affect the Company's potential to earn revenue.

(o) **Attracting end customers websites**

The Company's revenues will be affected by the ability of Flamingo's clients to attract customers to their websites which utilise the Flamingo Platform. Various factors can affect the level of web traffic arriving at those websites, including:

- (i) **Marketing and promotions:** If Flamingo clients' marketing and promotion efforts are not effective this may result in fewer 'conversions', meaning less revenue is generated for Flamingo.

(ii) **Brand damage:** If the Company, Flamingo or Flamingo's clients suffer from reputational damage, web traffic could be affected.

(p) **Liability claims**

Flamingo may be exposed to liability claims if its products or services are provided in fault and/or cause harm to its customers (for example, if there was a data breach). As a result, Flamingo may have to expend significant financial and managerial resources to defend against such claims. If a successful claim is made against Flamingo, Flamingo may be fined or sanctioned and its reputation and brand may be negatively impacted, which could materially and adversely affect its reputation, business prospects, financial condition and results of operation.

(q) **Customer service risk**

Clients may need to engage with Flamingo's personnel in certain circumstances, such as if they have a question about the services or if there is a dispute between a client and Flamingo. Flamingo needs to recruit and retain staff with interpersonal skills sufficient to respond appropriately to customer services requests. Poor customer service experiences may result in the loss of customers. If Flamingo loses key customer service personnel, fails to provide adequate training and resources for customer service personnel, this could lead to adverse publicity, litigation, regulatory inquiries and/or a decrease in customers, all of which may negatively impact on Flamingo's revenue.

(r) **Reputational risk**

Flamingo operates in an online and fast-changing environment. Negative publicity can spread quickly, whether true or false. Disgruntled users posting negative comments about the businesses in public forums may have a disproportionate effect on Flamingo's reputation and its ability to earn revenues and profits. Additionally, complaints by such users can lead to additional regulatory scrutiny and a consequential increased compliance burden in responding to regulatory enquiries. This could negatively impact upon Flamingo's profitability.

(s) **Acquisitions**

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

### **8.3 Market Risks**

(a) **Additional requirements for capital**

The funds raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operations plans in the future (including in relation to Flamingo) to take advantage of opportunities for acquisitions, joint

ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur. Further additional financing will be required if the Board determines to accelerate the development of the Company's technology.

The Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of their activities and potential research and development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

**(b) Regulatory risks**

The Company will incur ongoing costs and obligations associated with compliance with necessary regulations. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's proposed business operations. In addition, changes in regulations could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's ability to operate in the future will depend in part on whether it is able to effectively commercialise its potential interests in products. This will depend on successful completion of product development activities, obtaining regulatory approval and on there being commercial demand for such products which cannot be guaranteed.

**(c) Reinstatement to ASX's Official List**

The Company's Shares are currently suspended from trading on the ASX. In the event the Acquisition Resolutions are approved at the Meeting, it is anticipated that the Company's Securities will remain suspended until completion of the Acquisition and Capital Raising, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements, or that ASX policy with respect to reinstatement may be amended and that its listed securities may consequently remain suspended from quotation.

## **8.4 General risks**

**(a) Foreign exchange risks**

The Company has costs and expenses in the US. Accordingly, the depreciation and/or the appreciation of the US dollar relative to the Australian dollar would result in a translation loss on consolidation which is taken directly to shareholder equity. Any depreciation of the US dollar relative to the Australian dollar may result in lower than anticipated revenue, profit and earning. The Company could be affected on an ongoing basis by foreign exchange risks between the Australian dollar and the US dollar, and will have to monitor this risk on an ongoing basis.

(b) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's business activities and potential research and development programmes, as well as on their ability to fund those activities.

(c) **Force majeure**

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(d) **Insurance risks**

The Company intends to insure its operations and those of Flamingo (as required) in accordance with industry practice. However, in certain circumstances, such insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company effected.

(e) **Litigation risks**

The Company is exposed to possible litigation risks including, but not limited to, intellectual property and patent claims. Further, the Company or Flamingo may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position. The Company and Flamingo are not currently engaged in any litigation.

(f) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

(g) **Market conditions**

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

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and

- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return to security holders arising from the transactions the subject of this Notice or otherwise.

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## **9. Independent Expert's Report**

The Directors resolved to appoint BDO Corporate Finance (WA) Pty Ltd as an independent expert and commissioned it to prepare a report to provide an opinion as to whether or not the issue of the Founder Consideration Securities to the Founder, incoming Director Dr Catriona Wallace, or her nominee (and the conversion of the Performance Shares which form part of the Founder Consideration Securities) is not fair but reasonable to the existing Shareholders.

This report was prepared to satisfy the requirements of section 611 of the Corporations Act which expressly prohibits a party (and its associates) acquiring a Relevant Interest in more than 20% of the issued share capital of a public company without the approval of that company's shareholders unless a full takeover is made to all shareholders. The Founder will acquire a Relevant Interest in more than 20% of the issued share capital of the Company if the Acquisition Resolutions are approved and become effective.

What is fair and reasonable must be judged by the independent expert in all the circumstances of the proposal. This requires taking into account the likely advantages to shareholders if the proposal is approved and comparing them with the disadvantages to them if the proposal is not approved.

The Independent Expert concluded that the proposed transaction is not fair but reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is attached at the Annexure.

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## **10. Resolution 3 - Approval to change in scale of activities**

### **10.1 General**

Resolution 3 seeks the approval of Shareholders for a change in the scale of the Company's activities via the acquisition of 100% of the issued share capital of Flamingo.

A detailed description of the proposed Acquisition is outlined in Section 7 above.

### **10.2 Listing Rule 11.1**

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

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and

- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has confirmed to the Company that it requires the Company to:

- (a) obtain the approval of its Shareholders for the proposed change of activities pursuant to Listing Rule 11.1.2; and
- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules.

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

Details of the assets to be acquired by the Company and the proposed changes to the structure and operations of the Company are provided throughout this Explanatory Memorandum.

### **10.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 3.

Resolution 3 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 3.

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## **11. Resolution 4 - Approval of Performance Shares**

### **11.1 General**

Resolution 4 seeks Shareholder approval for the Company to be authorised to issue the Performance Shares as a new class of shares.

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

Under Article 2.1(a) of the Constitution and, subject to the Corporations Act, the Listing Rules and the Constitution, the Company may issue unissued shares in the Company on any terms, at any time and for any consideration as the Directors resolve.

Section 246B of the Corporations Act and Article 2.3(a) of the Constitution provide that the rights attaching to a class of shares cannot be varied without:

- (a) a special resolution passed at a meeting of the members holding shares in that class; or
- (b) with the written consent of members who are entitled to at least 75% of the votes in that class.

Accordingly, the Company seeks approval from Shareholders for the issue of the Performance Shares as a new class of shares on the terms in Schedule 2.

### **11.2 Board recommendation**

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The Chair intends to exercise all available proxies in favour of Resolution 4.

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## **12. Resolution 5 - Approval to issue Founder Consideration Securities**

### **12.1 General**

Resolution 5 seeks Shareholder approval under item 7 of section 611 of the Corporations Act for the issue to the Founder of up to:

- (a) 115,814,391 Initial Consideration Shares; and
- (b) 115,814,391 Performance Shares as follows:
  - (i) 38,604,797 Class A Performance Shares;
  - (ii) 38,604,797 Class B Performance Shares; and
  - (iii) 38,604,797 Class C Performance Shares,

and the conversion of such Performance Shares into 115,814,391 Shares,

on the terms and conditions in this Explanatory Memorandum.

The Initial Consideration Shares issued as part of the Founder Consideration Securities 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 the Performance Shares issued as part of the Founder Consideration Securities will be issued on the terms and conditions set out in Schedule 2.

Refer to Section 7 for further details regarding the background to Resolution 5.

### **12.2 Application of Listing Rule 7.1**

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

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting pursuant to item 7 of section 611 of the Corporations Act (see Listing Rule 7.2 exception 16). The proposed issue of the Founder Consideration Securities are being approved under this section and accordingly the exception applies in relation to those issues.

### **12.3 Chapter 2E of the Corporations Act and Listing Rule 10.11**

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

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and



- (b) give the benefit within 15 months following such approval,

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

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Founder Consideration Securities to the Founder (an incoming Director) because the agreement to grant the Founder Consideration Securities reached as part of the Acquisition Agreement was negotiated on an arm's length basis, and each of the remaining Vendors is receiving Consideration Securities proportionate to their interests in Flamingo.

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

The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of the Founder Consideration Securities to the Founder and consequently Shareholders' approval is not sought under Listing Rule 10.11.

## 12.4 Section 611 of the Corporations Act

- (a) Section 606 of the Corporations Act prohibits a person acquiring a Relevant Interest in the issued voting shares of the Company if, because of the acquisition, that person's or another person's voting power in the Company increases from:
  - (i) 20% or below to more than 20%; or
  - (ii) a starting point that is above 20% and below 90%.
- (b) The voting power of a person in the Company is determined by reference to section 610 of the Corporations Act. A person's voting power in the Company is the total of the votes attaching to the shares in the company in which that person and that person's associates (within the meaning of the Corporations Act) have a 'Relevant Interest'.
- (c) In accordance with section 608 of the Corporations Act a person will have a 'Relevant Interest' in shares if:
  - (i) the person is the registered holder of the shares;
  - (ii) the person has the power to exercise or control the exercise of votes or disposal of the shares; or
  - (iii) the person has over 20% of the voting power in a company that has a Relevant Interest in shares, then the person has a Relevant Interest in those shares.
- (d) In accordance with section 12 of the Corporations Act, a person (**first person**) will be an associate of the other person (**second person**) if:
  - (i) the first person is a body corporate and the second person is:
    - (A) a body corporate the first person controls;
    - (B) a body corporate that controls the first person; or

- (C) a body corporate that is controlled by an entity that controls the first person;
  - (ii) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the board or the conduct of the affairs of the first person; and/or
  - (iii) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the affairs of the first person.
- (e) 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 may approve an issue of shares to a person which would otherwise be prohibited pursuant to section 606 of the Corporations Act.
- (f) As at the date of this Notice, the Founder and her associates currently hold no Securities in the Company.
- (g) Under the terms of the Acquisition Agreement, subject to the receipt of the requisite Shareholder approvals, the Founder or her nominee will be issued with 115,814,391 Initial Consideration Shares and 115,814,391 Performance Shares upon completion of the Acquisition.
- (h) Assuming the requisite Shareholder approvals are received and no other Shares are issued in the interim period, the Founder will have a voting power of:
  - (i) 19.65% upon Completion;
  - (ii) 22.62% if and when the Class A Performance Shares convert and before the Class B Performance Shares and Class C Performance Shares convert into Shares;
  - (iii) 24.88% if and when both the Class A Performance Shares and Class B Performance Shares convert into Shares and before the Class C Performance Shares convert into Shares; and
  - (iv) 26.65% if and when all of the Class A Performance Shares, Class B Performance Shares and Class C Performance Shares convert into Shares.
- (i) Without Shareholder approval, the Founder would be precluded by section 606(1)(c) of the Corporations Act from acquiring the Founder Consideration Securities described above.
- (j) To comply with the requirements of the Corporations Act (as contained in ASIC Regulatory Guide 74), the Company provides the information in this Explanatory Memorandum to Shareholders in relation to Resolution 5.

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

The information that Shareholders require under item 7 of section 611 of the Corporations Act and ASIC Regulatory Guide 74 is as follows:

(a) **The identity of the parties to be issued the Founder Consideration Securities and their associates**

It is proposed that the Founder Consideration Securities (including the Shares issued on conversion of the Performance Shares) will be issued to Phoenixavier Pty Ltd, an associate of the Founder, Dr Catriona Wallace.

The Founder, Phoenixavier Pty Ltd and their respective associates currently hold no Shares in the Company.

(b) **The maximum extent of the increase in the Founder's voting power in the Company**

Refer to Section 7.15 for full particulars (including the number and percentage) of the Shares in which the Founder will have a Relevant Interest immediately before and after the issue, the maximum extent of the Founder's voting power in the Company and for factors which may change the Founder's voting power in the Company.

(c) **The voting power the Founder would have as a result of the issue of the Securities as contemplated by Resolution 5**

Refer to Section 7.15.

(d) **The maximum extent of the increase in the voting power of each of the Founder's associates that would result from the issue of the Securities as contemplated by Resolution 5**

Refer to Section 7.15 for full particulars (including the number and percentage) of the Shares in which the Founder's associate, Phoenixavier Pty Ltd, will have a Relevant Interest immediately before and after the issue, the maximum extent of the associate's voting power in the Company and for factors which may change the associate's voting power in the Company.

(e) **The voting power that each of the Founder's associates would have as a result of the issue of the Securities as contemplated by Resolution 5**

Refer to Section 7.15.

(f) **An explanation of the reasons for the Acquisition**

A detailed summary of the Acquisition, including the advantages and disadvantages of the Acquisition, is provided in Section 7.

(g) **When the Acquisition is to occur**

Subject to the passing of the Acquisition Resolutions, the Founder Consideration Securities are proposed to be issued at Completion. The Company intends that Completion will occur on or about 20 September 2016.

Conversion of the Performance Shares must occur (if at all) on or before the date that is 3.5 years after the date of issue.

(h) **Details of the terms of any other relevant agreement between the Founder and Company (or any of their associates) that is conditional on approval of Resolution 5**

The Founder, Dr Catriona Wallace, is proposed to be engaged as the Chief Executive Officer and Executive Director of the Company following Completion.

The Company will enter into a conditional employment agreement with Dr Wallace, whereby Dr Wallace will be provided with a base salary of approximately \$250,000 per annum. The terms of the agreement are yet to be finalised.

(i) **The Founder's intentions regarding the future of the Company if the Acquisition is completed**

This Section sets out the intentions of the Founder in relation to the Company if the Acquisition proceeds.

The intentions of the Founder detailed in this Section are based on information concerning the Company, its business and the business environment which is known to the Founder at the date of this Notice, which is limited to the publicly available information and a due diligence review of certain non-public material provided to the Founder by the Company.

Other than as set out above or elsewhere in this Explanatory Memorandum, the Founder:

- (i) has no intention to change the business of the Company (except in relation to the acquisition of Flamingo);
- (ii) has no current intention to inject further capital into the Company;
- (iii) has no intention to change the future employment of the present employees of the Company other than the intended changes to management of the Company set out in Section 7.10 above;
- (iv) does not intend for any assets to be transferred between the Founder and the Company or their associates;
- (v) has no intention to otherwise redeploy the fixed assets of the Company; and
- (vi) has no current intention to change to the Company's existing financial or dividend distribution policies.

(j) **The interest that any Director has in the issue of the Securities contemplated by Resolution 5 or the contract referred to in Section 12.5(h) above**

None of the Directors have an interest in Resolution 5 or the contract referred to in Section 12.5(h) above.

(k) **Details about any person who is intended to become a Director if Shareholders approve the Acquisition**

The Founder and Ms Cathie Reid have agreed to be appointed as Directors on and from Completion.

Refer to Section 7.3(e) above and Section 18 below for information on the qualifications and relevant professional or commercial experience of each of these nominees.

As at the date of this Notice, the Founder (Dr Catriona Wallace) does not have a Relevant Interest in any Shares of the Company. Dr Wallace, through her associate Phoenixavier Pty Ltd, is a shareholder of Flamingo and she or her associate will receive the Founder Consideration Securities to be issued at Completion.

Dr Wallace does not have any other interest in the Acquisition other than those described above, or any contract other than those referred to in Section 12.5(h) above.

As at the date of this Notice, Ms Reid does not have a Relevant Interest in any Shares of the Company. Ms Reid, through her associates Badger 31 Pty Ltd and Flamingo 31 Pty Ltd, is a shareholder of Flamingo and she or her associates will receive a total of 62,848,740 Initial Consideration Shares and 62,848,740 Performance Shares as part of the Vendor Consideration Securities to be issued upon Completion. The Directors consider that Listing Rule 10.12 exception 6 applies to the proposed issue of Non-Founder Vendor Consideration Securities to Ms Reid's associates and consequently Shareholders' approval is not sought under Listing Rule 10.11.

Ms Reid does not have any other interest in the Acquisition other than those described above, or any contract referred to in Section 12.5(h) above.

**(l) Recommendation of each Director as to whether Shareholders should approve the proposed Acquisition**

The Board unanimously recommends that Shareholders vote in favour of each of the Acquisition Resolutions.

**(m) An analysis of whether the proposed allotment of Shares to the Founder is fair and reasonable when considered in the context of the Shareholders other than the Founder and her associates**

Refer to Section 9 and the Annexure.

**(n) Additional information**

Neither the Founder or her associates or the Company is aware of any other information that may be relevant to Shareholders' decision whether or not to vote in favour of Resolution 5.

## **12.6 Independent Expert's Report**

As noted in Section 9, BDO Corporate Finance (WA) Pty Ltd was appointed to prepare an opinion as to whether or not the proposal in Resolution 5 is fair and reasonable to the existing Shareholders.

The Independent Expert has concluded that the proposed transaction is not fair but reasonable to the existing Shareholders.

The Company strongly recommends that you read the Independent Expert's Report in full, a copy of which is in the Annexure.

## **12.7 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 5.

Resolution 5 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 5.

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## **13. Resolution 6 - Approval to issue Non-Founder Vendors' Consideration Securities**

### **13.1 General**

Resolution 6 seeks Shareholder approval for the issue of the following Non-Founder Vendors' Consideration Securities:

- (a) 156,912,882 Initial Consideration Shares; and
- (b) 156,912,882 Performance Shares,

to the Non-Founder Vendors or their nominees.

There are 38 Vendors in total, including 3 entities associated with incoming Directors Dr Wallace and Ms Reid, leaving 35 unrelated Vendors.

Dr Wallace, through her associate Phoenixavier Pty Ltd, is a shareholder of Flamingo and she or her associate will receive the Founder Consideration Securities at Completion. Shareholder approval is sought separately under Resolution 5 for the issue of the Founder Consideration Securities.

Ms Reid, through her associates Badger 31 Pty Ltd and Flamingo 31 Pty Ltd, is a shareholder of Flamingo and she or her associates will receive a total of 62,848,740 Initial Consideration Shares and 62,848,740 Performance Shares as part of the Vendor Consideration Securities to be issued at Completion.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Non-Founder Vendors' Consideration Securities to entities associated with Ms Cathie Reid (an incoming Director) because the agreement to grant the Non-Founder Vendors' Consideration Securities reached as part of the Acquisition Agreement was negotiated on an arm's length basis, and each of the remaining Vendors is receiving Consideration Securities proportionate to their interests in Flamingo.

The Directors also consider that Listing Rule 10.12 exception 6 applies to the proposed issue of Non-Founder Vendors' Consideration Securities to Ms Reid's associates and consequently Shareholders' approval is not sought under Listing Rule 10.11.

### **13.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 12.2 above.

The effect of Resolution 6 will be to allow the Company to issue the Vendors' Consideration Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

The Initial Consideration Shares to be issued pursuant to this Resolution 6 will be issued such that no individual Vendor or their associates will hold more than 19.9% of the Shares on issue, other than the issue of the Founder Consideration Securities to the Founder (or her nominee) for which separate Shareholder approval is sought pursuant to Resolution 5.

### **13.3 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Non-Founder Vendors' Consideration Securities:

- (a) the maximum number of Non-Founder Vendors' Consideration Securities to be issued is as follows:
  - (i) 156,912,882 Initial Consideration Shares;
  - (ii) 52,304,294 Class A Performance Shares;
  - (iii) 52,304,294 Class B Performance Shares; and
  - (iv) 52,304,294 Class C Performance Shares;
- (b) the Non-Founder Vendors' Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Non-Founder Vendors' Consideration Securities are issued in consideration for the Non-Founder Vendors' shares in Flamingo and will therefore be issued at an issue price of nil;
- (d) the Non-Founder Vendors' Consideration Securities will be issued to the US Subsidiary as the nominee of the Vendors. The Non-Founder Vendors' Consideration Securities will be then immediately transferred by the US Subsidiary to the Non-Founder Vendors, none of whom are a related party of the Company other than by reason of the Acquisition;
- (e) the Initial Consideration Shares issued as part of the Non-Founder Vendors' Consideration Securities 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;
- (f) the Performance Shares issued as part of the Non-Founder Vendors' Consideration Securities will be issued on the terms and conditions set out in Schedule 2;
- (g) no funds will be raised from the issue of the Non-Founder Vendors' Consideration Securities as they are to be issued in consideration for the Non-Founder Vendors' shares in Flamingo;
- (h) it is intended that the Non-Founder Vendors' Consideration Securities will be issued on the same date, being the date of Completion; and
- (i) a voting exclusion statement is included in the Notice.

### **13.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 6.

Resolution 6 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 6.

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## **14. Resolution 7 - Approval to issue Facilitator Securities**

### **14.1 General**

Resolution 7 seeks Shareholder approval for the issue of the following Facilitator Securities:

- (a) 7,150,000 Shares; and
- (b) 7,150,000 Performance Shares,

to the Facilitator or its nominee.

### **14.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 12.2 above.

The effect of Resolution 7 will be to allow the Company to issue the Facilitator Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **14.3 Technical information required by Listing Rule 7.3**

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

- (a) the maximum number of Facilitator Securities to be issued is as follows:
  - (i) 7,150,000 Shares;
  - (ii) 2,383,334 Class A Performance Shares;
  - (iii) 2,383,333 Class B Performance Shares; and
  - (iv) 2,383,333 Class C Performance Shares;
- (b) the Facilitator Securities will be issued no later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Facilitator Securities are issued in consideration for the Facilitator's services in facilitating the Acquisition and will therefore be issued at an issue price of nil;
- (d) the Facilitator Securities will be issued to Risely Resources Pty Ltd (or its nominee), who is not a related party of the Company;
- (e) the Shares issued as part of the Facilitator Securities 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;
- (f) the Performance Shares issued as part of the Facilitator Securities will be issued on the terms and conditions set out in Schedule 2;



- (g) no funds will be raised from the issue of the Facilitator Securities as they are to be issued in consideration for the Facilitator's services in facilitating the Acquisition;
- (h) it is intended that the Facilitator Securities will be issued on the same date, being the date of Completion; and
- (i) a voting exclusion statement is included in the Notice.

#### **14.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 7.

Resolution 7 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 7.

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## **15. Resolution 8 - Approval to issue Capital Raising Shares**

### **15.1 General**

Resolution 8 seeks Shareholder approval for the issue of up to 75,000,000 Capital Raising Shares at an issue price of \$0.04 each to raise \$3,000,000 (before costs) under the Capital Raising.

The Capital Raising Shares will be issued under a Prospectus to be issued by the Company in order to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company has applied to ASX for and expects to receive a waiver from Listing Rule 2.1 condition 2 to permit the issue price of the Capital Raising Shares to be \$0.04 each.

### **15.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 12.2 above.

The effect of Resolution 8 will be to allow the Company to issue the Capital Raising Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **15.3 Technical information required by Listing Rule 7.3**

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

- (a) the maximum number of Shares to be issued as Capital Raising Shares is 75,000,000;
- (b) the Capital Raising Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price of the Capital Raising Shares will be \$0.04 per Share;
- (d) the Capital Raising Shares are proposed to be issued at the Board's discretion pursuant to a public offer via a Prospectus for the purpose of Listing Rule 1.1

condition 3. None of the subscribers for the Capital Raising will be related parties of the Company;

- (e) the Capital Raising Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company's intended use of the funds raised from the issue of the Capital Raising Shares is set out in Section 7.16 above;
- (g) it is intended that the Capital Raising Shares will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

#### **15.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 8.

Resolution 8 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 8.

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## **16. Resolution 9 - Approval to issue Employee Options**

### **16.1 General**

Resolution 9 seeks Shareholder approval for the issue of up to 6,567,382 Employee Options to Flamingo employees. The Employee Options are being issued in consideration for the cancellation of existing Flamingo employee incentive scheme options held by Flamingo employees and will be issued under a new employee share option plan.

For the avoidance of doubt, the new employee share option plan is not the Scheme to be approved by Shareholders under Resolution 10 and the Company does not intend to seek Shareholder approval for the adoption of the new employee share option scheme in accordance with Listing Rule 7.2 exception 9(b).

The Employee Options will be exercisable at \$0.029 each, subject to the same vesting conditions as apply to existing Flamingo options (based on length of employment) and expiring on or before the date that is 5 years after issue.

The Company has applied to ASX for and expects to receive a waiver from Listing Rule 1.1 condition 11 to permit the exercise price of the Employee Options to be \$0.029 each.

### **16.2 Listing Rule 7.1**

A summary of Listing Rule 7.1 is contained in Section 12.2 above.

The effect of Resolution 9 will be to allow the Company to issue the Employee Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

### **16.3 Technical information required by Listing Rule 7.3**

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Employee Options:

- (a) the maximum number of Options to be issued as Employee Options is 6,567,382;
- (b) the Employee Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Employee Options are issued in consideration for the cancellation of existing Flamingo options held by Flamingo employees and will therefore be issued at an issue price of nil;
- (d) the Employee Options will be issued to employees of Flamingo (or their nominee/s), none of whom is a related party of the Company;
- (e) the Employee Options will be issued on the terms and conditions set out in Schedule 3;
- (f) no funds will be raised from the issue of the Employee Options as they are to be issued in consideration for the cancellation of existing Flamingo options held by Flamingo employees;
- (g) it is intended that the Employee Options will be issued on the same date, being the date of Completion; and
- (h) a voting exclusion statement is included in the Notice.

### **16.4 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 9.

Resolution 9 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 9.

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## **17. Resolution 10 - Approval of Employee Incentive Scheme**

### **17.1 General**

Resolution 10 seeks Shareholders' approval for the adoption of the employee incentive scheme titled "Cre8tek Limited Employee Incentive Scheme" (**Scheme**) in accordance with Listing Rule 7.2 exception 9(b).

A summary of Listing Rule 7.1 is contained in Section 12.2 above.

### **17.2 Listing Rule 7.2, exception 9(b)**

Listing Rule 7.2, exception 9(b) provides an exception to Listing Rule 7.1 such that issues of Equity Securities under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of Equity Securities under the scheme as an exception to Listing Rule 7.1.

If Resolution 10 is passed, the Company will be able to issue Equity Securities under the Scheme to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Equity Securities have previously been issued under the Scheme.

The objective of the Scheme is to attract, motivate and retain key Directors, employees and contractors and it is considered by the Company that the adoption of the Scheme and the future issue of Equity Securities under the Scheme will provide selected participants with the opportunity to participate in the future growth of the Company.

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

A summary of the key terms and conditions of the Scheme is set out in Schedule 4. In addition, a copy of the Scheme is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Scheme can also be sent to Shareholders upon request to the Company Secretary. Shareholders are invited to contact the Company if they have any queries or concerns.

### **17.3 Board recommendation**

The Board recommends that Shareholders vote in favour of Resolution 10.

Resolution 10 is an ordinary resolution.

The Chair intends to exercise all available proxies in favour of Resolution 10.

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## **18. Resolutions 11 & 12 - Election of Directors - Dr Wallace and Ms Reid**

Pursuant to the Acquisition Agreement, at Completion it is proposed that Dr Catriona Wallace and Ms Cathie Reid each be appointed as a Director.

Resolution 11 seeks approval for the election of Dr Wallace as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. She will be appointed as Chief Executive Officer and as an Executive Director.

Resolutions 12 seeks approval for the election of Ms Reid as a Director on and from Completion if each of the other Acquisition Resolutions are approved by Shareholders. She will be appointed as Chair.

Please refer Sections 7.3(e)(ii) and 7.3(e)(i) for information on the qualifications, skills and experience of Dr Wallace and Ms Reid respectively.

The Board recommends that Shareholders vote in favour of Resolutions 11 and 12.

Resolutions 11 and 12 are ordinary resolutions.

The Chair intends to exercise all available proxies in favour of Resolutions 11 and 12.

## Schedule 1 - Definitions

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

**\$** means Australian Dollars.

**Agenda** means Global Agenda Technologies Pty Ltd (ACN 608 952 254).

**Agenda Platform** means the online platform developed and operated by Agenda for sales conversions between businesses and consumers.

**Annual Report** means the Directors' Report, the Financial Report, and Auditor's Report, in respect to the year ended 30 June 2015.

**Acquisition** means the acquisition of Flamingo in accordance with the Acquisition Agreement.

**Acquisition Agreement** means the share sale agreement between the Company, Flamingo and the Signing Sellers for the acquisition of Flamingo by the Company, dated 1 June 2016.

**Acquisition Resolutions** means Resolutions 3 to 12 (inclusive).

**Article** means an article of the Constitution.

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

**Auditor's Report** means the auditor's report on the Financial Report.

**Board** means the board of Directors of the Company.

**Capital Raising** means the Company's proposal under Resolution 8 to raise \$3,000,000 via a public offer under a Prospectus.

**Capital Raising Shares** means the Shares proposed to be issued under the Capital Raising.

**Chair** means the person appointed to chair the Meeting of the Company convened by the Notice.

**Class A Performance Shares** has the meaning given in Schedule 2.

**Class B Performance Shares** has the meaning given in Schedule 2.

**Class C Performance Shares** has the meaning given in Schedule 2.

**Closely Related Party** means:

- (a) a spouse or child of the member; or
- (b) has the meaning given in section 9 of the Corporations Act.

**Company** means Cre8tek Limited ACN 000 031 292.

**Completion** means completion under the Acquisition Agreement of the sale by the Vendors and purchase by the Company of 100% of the shares in Flamingo.

**Consideration Securities** means the Non-Founder Vendors' Consideration Securities and the Founder Consideration Securities.

**Constitution** means the constitution of the Company as at the date of the Meeting.

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

**CRM** means customer relationship management.

**Director** means a director of the Company.

**Directors' Report** means the annual directors' report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Employee Options** means the Options proposed to be issued to employees of Flamingo under Resolution 9 on the terms set out in Schedule 3.

**Equity Security** has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Facilitator** means Risely Resources Pty Ltd.

**Facilitator Securities** has the meaning given in Resolution 7.

**Financial Report** means the annual financial report prepared under Chapter 2M of the Corporations Act for the Company and its controlled entities.

**Flamingo** means Flamingo Customer Experience, Inc. (a company incorporated pursuant to the laws of Delaware, USA).

**Flamingo Platform** means the online platform developed and operated by Flamingo for an 'intelligent guided selling', onboarding or retention experience between companies and their clients, a description of which is contained in Section 7.5.

**Flamingo Ventures** means Flamingo Ventures Pty Ltd (ACN 163 845 056).

**Founder** means Dr Catriona Wallace.

**Founder Consideration Securities** has the meaning given in Section 7.9(e).

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd.

**Initial Consideration Shares** has the meaning given in Section 7.9(a).

**Key Management Personnel** has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

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

**Meerkat** means Meerkat 31 Pty Ltd (ACN 600 209 550) as trustee for Meerkat Investment Trust.

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

**Merged Group** means the Company and Flamingo following completion of the Acquisition.

**MVP** means minimum viable product.

**Non-Founder Vendors** means those Vendors other than the Founder.

**Non-Founder Vendors' Consideration Securities** has the meaning given in Section 7.9(f).

**Notice** means this notice of general meeting.

**Performance Right** means the right, subject to certain conditions to be allocated one Share in the Company, or such other number of Shares as determined by the relevant adjustment mechanism, for nil consideration or such other amount as determined by the Board.

**Performance Shares** means the proposed class of shares in the capital of the Company with the terms and conditions in Schedule 2.

**Prospectus** means the prospectus proposed to be issued by the Company in relation to the Capital Raising.

**Proxy Form** means the proxy form attached to the Notice.

**Relevant Interest** has the meaning given in section 608 of the Corporations Act.

**Remuneration Report** means the remuneration report of the Company contained in the Directors' Report.

**Resolution** means a resolution referred to in the Notice.

**Schedule** means a schedule to the Notice.

**Scheme** means the Cre8tek Limited Employee Incentive Scheme.

**Section** means a section of the Explanatory Memorandum.

**Securities** means all Equity Securities of the Company, including a Share, an Option and a Performance Share.

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

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

**Signing Sellers** means Phoenixavier Pty Ltd (ACN 161 304 114), Flamingo 31 Pty Ltd (ACN 600 216 797) and Badger 31 Pty Ltd (ACN 108 1551 148).

**Strike** means a 'no' vote of 25% or more on the resolution approving the Remuneration Report.

**US Subsidiary** means Flamingo Merger, Inc.

**Vendors** means the shareholders of Flamingo.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Terms and conditions of Performance Shares

### 1. Definitions

Words with a capitalised letter in this Schedule 2 have the meaning given below, or otherwise as set out in the Notice:

**Conversion Event** means

- (a) the achievement of a Performance Hurdle and completion of the Vesting Period set out in paragraph 4(a); or
- (b) the happening of any of the event/s set out in paragraph 4(e).

**Deal** means to sell, transfer, assign, novate, vary, mortgage, encumber, create any equitable interest, share any rights, or otherwise deal with any right, title or interest, or agreement to do any of these actions.

**Expiry Date** means the date that is 3.5 years from the date of issue of the Performance Shares.

**Holder** means a holder of Performance Shares.

**Performance Hurdle** means a performance hurdle set out in paragraph 4(a) and each of **Class A Performance Hurdle**, **Class B Performance Hurdle** and **Class C Performance Hurdle** have a corresponding meaning in relation to the relevant Performance Shares.

**Performance Share** means a performance share convertible into a Share upon achievement of the relevant Performance Hurdle, issued on the terms and conditions set out in this Schedule 2, and each of **Class A Performance Share**, **Class B Performance Share** and **Class C Performance Share** have a corresponding meaning in relation to the relevant Performance Hurdle applicable to each class.

**Revenue** means revenue as reported by Flamingo in accordance with IFRS, excluding interest income and grant income.

**Substantial US Corporation** means a key strategic US client of Flamingo, from a confidential list of clients to be agreed with the Company (acting reasonably).

**Vesting Period** means the period of 2 years from the date of issue of the Performance Shares.

### 2. Interpretation

Grammatical variations of any words or phrases defined in paragraph 1 have a corresponding meaning.

### 3. Performance Shares

- (a) The Performance Shares are issued with the rights and on the terms set out in this Schedule 2.
- (b) The terms of this Schedule 2 prevail to the extent of any inconsistency with the constitution of the Company.
- (c) Prior to issue of the Performance Shares, and subject to prior ASX approval, the terms of this Schedule 2 may be amended by agreement between the



Purchaser and the Company having regard to any professional advice received or if required by ASX. The Company has applied to ASX for a confirmation that the Performance Shares are appropriate and equitable.

#### 4. Conversion

- (a) Subject to paragraphs 4(d) and 4(e) and the end of the Vesting Period:
  - (i) Class A Performance Shares will convert into Shares on a 1:1 basis if Flamingo executes a legally binding master services agreement (**MSA**) and completes a security audit with a Substantial US Corporation and either:
    - (A) that MSA remains valid, binding and enforceable for at least 12 months after its execution; or
    - (B) the Flamingo Platform technology is applied in another business vertical of the Substantial US Corporation outside any business unit where the technology is being trialled;
  - (ii) Class B Performance Shares will convert into Shares on a 1:1 basis if Flamingo achieves \$13,000,000 in Revenue in any 12 month period within 36 months of Completion; and
  - (iii) Class C Performance Shares will convert into Shares on a 1:1 basis if Flamingo achieves \$28,000,000 in Revenue in any 12 month period within 36 months of Completion.
- (b) On the occurrence of a Conversion Event, the allocation of Shares issued will be on a pro rata basis to all Holders.
- (c) The Performance Hurdles must be met on or before the relevant Expiry Date.
- (d) If a Performance Hurdle is not met by the relevant Expiry Date, the relevant Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share for each Holder.
- (e) All Performance Shares on issue shall automatically convert into Shares on a one-for-one basis up to a maximum number that is equal to 10% of the Company's issued capital (as at the date of any of the following events) upon the happening of any of the following events:
  - (i) the occurrence of the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of more than 50.1% of Shares and that takeover bid has become unconditional; or
  - (ii) the announcement by the Company that the Shareholders have at a Court-convened meeting of Shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Securities are to be either:
    - (A) cancelled; or
    - (B) transferred to a third party; and
    - (C) the Court, by order, approves the proposed scheme of arrangement.

- (f) The Company will ensure the allocation of Shares issued under paragraph 4(e) is on a pro rata basis to all Holders in respect of their respective holdings of Performance Shares and all remaining Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.

**5. Voting rights**

Each Holder shall have the right to receive notice of and attend but not to vote at any meeting of Shareholders.

**6. Dividends**

The Performance Shares shall not have any right to receive dividends (whether cash or non-cash) from the profits of the Company at any time.

**7. Dealings**

A Holder must not Deal with the Performance Shares.

**8. Access to documents and information**

A Holder has the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to Shareholders, and a right to attend a meeting of Shareholders.

**9. Other terms and conditions**

- (a) A Holder will not be entitled to a return on capital, whether in a winding up, upon reduction of capital or otherwise.
- (b) A Holder will not be entitled to participate in the surplus profit or assets of the Company upon a winding up.
- (c) There are no participating rights or entitlements inherent in the Performance Shares and Holders will not be entitled to participate in new issues (such as bonus issues) or pro-rata issues of capital to Shareholders.
- (d) The Company will issue each Holder with a new holding statement for Shares issued upon conversion of Performance Shares as soon as practicable following the conversion of Performance Shares.
- (e) The Performance Shares will be unquoted.
- (f) All Shares issued upon conversion will rank equally in all respects with then-issued Shares. The Company must, within the time period required by the Listing Rules, apply to ASX for quotation of the Shares on ASX.
- (g) A Performance Share does not give the Holder any other rights other than those expressly provided by this Schedule 2 and those provided at law where such rights cannot be excluded.
- (h) The terms of the Performance Shares may be amended as necessary by the directors of the Company in order to comply with the Listing Rules or any directions of ASX regarding the terms in this Schedule 2.

## Schedule 3 - Terms and conditions of Employee Options

The following terms and conditions apply to the Employee Options:

### 1. Entitlement

Each Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) upon exercise of the Option.

### 2. Scheme

- (c) The Options are to be issued under an employee share option plan of the Company (**ESOP**).
- (d) In the event of any inconsistency between the ESOP and these terms and conditions, these terms and conditions will apply to the extent of the inconsistency.

### 3. Exercise Price and Expiry Date

- (a) Subject to the receipt of any necessary waivers or approvals from ASX, the Options have an exercise price of \$0.029 per Option (**Exercise Price**) and an expiry date of 5:00pm (WST) on the date that is 5 years after the date of issue (**Expiry Date**).
- (b) An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

### 4. Vesting and Vesting Dates

- (a) The Options will vest upon the holder meeting the Vesting Condition (as described below).
- (b) The Vesting Condition is that the holder of the Options must remain an employee of the Company (or a subsidiary of the Company), up to and including the Initial Vesting Date and then on the relevant subsequent vesting dates as set out below:

Vesting dates	Number of Options that will vest
At the Initial Vesting Date	1/3 of the total Options held by the holder
Each full month after the Initial Vesting Date until all Options have been vested	1/36 of the total Options held by the holder

- (c) Where **Initial Vesting Date** means the one year anniversary of the date the existing Flamingo options were granted.
- (d) Where the holder of the Options ceases to be an employee of the Company (or a subsidiary of the Company) before the Initial Vesting Date or the subsequent vesting dates (as applicable), see paragraph 18 below.

### 5. Exercise Period

The Options are exercisable at any time after the Vesting Date and before the Expiry Date.

**6. Quotation of the Options**

The Options will be unquoted.

**7. Transferability**

The Options are not transferable, except with the prior written approval of the Board.

**8. Notice of Exercise**

The Options may be exercised by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company, including cashless exercise as described in paragraph 10.

Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

**9. Lodgement instructions**

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

**10. Cashless exercise of Options**

A holder of Options may elect not to be required to provide payment of the Exercise Price for the number of Options specified in a Notice of Exercise but that on exercise of those Options the Company will transfer or allot to the holder that number of Shares equal in value to the positive difference between the then Market Value of the Shares at the time of exercise and the Exercise Price that would otherwise be payable to exercise those Options (with the number of Shares rounded down to the nearest whole Share).

Where **Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the five (5) trading days immediately preceding that given date.

**11. Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

**12. Quotation of Shares on exercise**

Application will be made by the Company to ASX, on the business day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

**13. Timing of issue of Shares**

Within 15 business days after the later of the following:

- (a) receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised; and

- (b) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,

the Company will:

- (c) issue the Shares pursuant to the exercise of the Options;
- (d) give ASX a notice that complies with section 708A(5)(e) of the Corporations Act; and
- (e) apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

#### **14. Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 4 business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

#### **15. Adjustment for bonus issues of Shares**

If the Company makes a bonus issue of Shares or other securities to existing shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

#### **16. Adjustment for entitlements issue**

If the Company makes an issue of Shares pro rata to existing shareholders (other than as a bonus issue, to which paragraph 15 will apply) there will be no adjustment of the Exercise Price of an Option or the number of Shares over which the Options are exercisable.

#### **17. Adjustments for reorganisation**

If there is any reorganisation of the issued share capital of the Company, the rights of the Option holders will be varied in accordance with the Listing Rules.

#### **18. Leavers**

- (a) A holder of Options will become a "Leaver" when they cease employment or office with the Company or any of its subsidiaries.
- (b) Where a holder of Options becomes a Leaver, all unvested Options will automatically be forfeited by the holder, unless the Board otherwise determines in its discretion to permit some or all of the Options to vest.

## Schedule 4 - Summary of Employee Incentive Scheme

The Company has established an employee incentive scheme (**Scheme**). The full terms of the Scheme may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Scheme is set out below.

### 19. Eligible Participant

Eligible Participant means a person that:

- (a) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
- (b) has been determined by the Board to be eligible to participate in the Scheme from time to time.

### 20. Purpose

The purpose of the Scheme is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

### 21. Scheme administration

The Scheme will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Scheme rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

### 22. Eligibility, invitation and application

- (a) The Board may from time to time determine that an Eligible Participant may participate in the Scheme and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.
- (b) On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.
- (c) If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

### 23. Grant of Securities

The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Scheme rules and any ancillary documentation required.

## **24. Terms of Convertible Securities**

Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Scheme.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

## **25. Vesting of Convertible Securities**

Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

## **26. Exercise of Convertible Securities and cashless exercise**

To exercise an Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

**Market Value** means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Scheme rules, or such earlier date as set out in the Scheme rules.

## **27. Delivery of Shares on exercise of Convertible Securities**

As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Scheme rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

## **28. Forfeiture of Convertible Securities**

Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Scheme rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

## **29. Change of control**

If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

## **30. Rights attaching to Scheme Shares**

All Shares issued under the Scheme, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (**Scheme Shares**) will rank pari passu in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Scheme Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Scheme Shares. A Participant may exercise any voting rights attaching to Scheme Shares.

## **31. Disposal restrictions on Scheme Shares**

If the invitation provides that any Scheme Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Scheme Share is subject to any disposal restrictions under the Scheme, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Scheme Share; or
- (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.



### **32. Adjustment of Convertible Securities**

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

### **33. Participation in new issues**

There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

### **34. Amendment of Scheme**

Subject to the following paragraph, the Board may at any time amend any provisions of the Scheme rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Scheme and determine that any amendments to the Scheme rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Scheme rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

### **35. Scheme duration**

The Scheme continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Scheme for a fixed period or indefinitely, and may end any suspension. If the Scheme is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

### Schedule 5 - Pro forma balance sheet

	Cre8tek Ltd Un-Audited as at 31 March 2016 AUD	Flamingo Customer Experience Inc. Audited as at 31 March 2016 AUD	Capital Raising <sup>1</sup> \$3m Subscription (net of Costs) AUD	Adjustment <sup>2</sup> AUD	Pro-forma as at 31 March 2016 AUD
<b>Current Assets</b>					
Cash & cash equivalents	2,833,736	135,738	2,214,000	-	5,183,474
Trade and other receivables	37,138	508,448		-	545,586
Prepayments	28,206			-	28,206
<b>Total Current Assets</b>	<b>2,899,080</b>	<b>644,186</b>	<b>2,214,000</b>	<b>-</b>	<b>5,757,266</b>
<b>Non-Current Assets</b>					
Development Asset	55,000			-	55,000
Property, plant and equipment		33,336		-	33,336
Other Assets		499,023		-	499,023
Acquisition Costs Flamingo				-	
<b>Total Non-Current Assets</b>	<b>55,000</b>	<b>532,359</b>	<b>-</b>	<b>-</b>	<b>587,359</b>
<b>TOTAL ASSETS</b>	<b>2,954,080</b>	<b>1,176,545</b>	<b>2,214,000</b>	<b>-</b>	<b>6,344,625</b>
<b>Current Liabilities</b>					
Trade & other payables	(47,334)	(278,217)	286,000	-	(39,551)
Borrowings		(140,000)		-	(140,000)
Other financial liabilities	(19,600)			-	(19,600)
Provisions	-	(34,366)		-	(34,366)
<b>Total Current Liabilities</b>	<b>(66,934)</b>	<b>(452,583)</b>	<b>286,000</b>	<b>-</b>	<b>(233,517)</b>
<b>TOTAL LIABILITIES</b>	<b>(66,934)</b>	<b>(452,583)</b>	<b>286,000</b>	<b>-</b>	<b>(233,517)</b>
<b>NET ASSETS</b>	<b>2,887,146</b>	<b>723,962</b>	<b>2,500,000</b>	<b>-</b>	<b>6,111,108</b>
<b>EQUITY</b>					
Issued Capital	220,826,730	3,594,442	2,635,000	(216,956,431)	10,099,741
Reserves	3,790,892	64,465		(3,790,892)	64,465
Accumulated Losses	(221,730,476)	(2,934,945)	(135,000)	220,747,323	(4,053,098)
<b>TOTAL EQUITY</b>	<b>2,887,146</b>	<b>723,962</b>	<b>2,500,000</b>	<b>-</b>	<b>6,111,108</b>

**Notes:**

1. Includes the following:

- (a) Capital Raising of \$3,000,000 less costs of \$365,000;
- (b) loan repayment of \$286,000 to entity associated with incoming director, Ms Cathie Reid; and
- (c) cash payment of \$135,000 to facilitator, Mr Paul Hunyor.

2. Under the terms of the Transaction, the Company acquires all the issued share capital of Flamingo by issuing a total of 279,877,273 Shares to the Vendors and facilitators, giving the Vendors a controlling interest in the Company and equating to a controlling interest in the combined entity following the Transaction. Flamingo has thus been deemed the acquirer for accounting purposes as it will own approximately 54.42% (279,877,273/514,303,682) of the consolidated entity (prior to the shares issued in relation to the Capital Raising). The acquisition of Flamingo by the Company is not deemed to be a business combination, as the Company is not considered to be a business under AASB 3 Business Combinations. As such the consolidation of these two companies is on the basis of the continuation of Flamingo with no fair value adjustments, whereby Flamingo is deemed to be the accounting parent. Therefore the most appropriate treatment for the transaction is to account for it under AASB 2 Share Based Payments, whereby Flamingo is deemed to have issued shares to Company shareholders in exchange for the net assets held by the Company. In this instance, the value of the Company Shares provided has been determined as the notional number of equity instruments that the shareholders of Flamingo would have had to issue to the Company to give the owners of the Company the same percentage ownership in the combined entity. The Company has deemed this to be \$3,870,299. The pre-acquisition equity balances of the Company are eliminated against this increase in share capital upon consolidation and the balance is deemed to be the amount paid for the ASX listing status of the Company, being \$983,153.

## Annexure - Independent Expert's Report



**CRE8TEK LIMITED**  
**Independent Expert's Report**

11 August 2016



## Financial Services Guide

11 August 2016

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Cre8tek Limited to provide an independent expert's report on the proposal to issue ordinary and performance shares to Dr Catriona Wallace as part of the acquisition of Flamingo Customer Experience Inc. You will be provided with a copy of our report as a retail client because you are a shareholder of Cre8tek Limited.

### Financial Services Guide

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

This FSG includes information about:

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

### Information about us

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

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

### Financial services we are licensed to provide

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

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

### General Financial Product Advice

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

## **Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$22,000.

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

BDO Audit and Assurance (WA) Pty Ltd is the appointed Auditor of Flamingo Customer Experience Inc. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

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

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Cre8tek Limited for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

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

## **Complaints resolution**

### *Internal complaints resolution process*

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

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

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

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) 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 on page 1 of the accompanying report.

This is a draft document and must not be relied on or disclosed or referred to in any document. We accept no duty of care or liability to you or any third party for any loss suffered in connection with the use of this document.

## TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	2
3.	Scope of the Report	5
4.	Outline of the Transaction	7
5.	Profile of Cre8tek	10
6.	Profile of Flamingo	16
7.	Economic analysis	19
8.	Industry analysis	20
9.	Valuation approach adopted	22
10.	Valuation of Cre8tek	24
11.	Valuation of Cre8tek following the Transaction	32
12.	Is the Transaction fair?	35
13.	Is the Transaction reasonable?	36
14.	Conclusion	39
15.	Sources of information	40
16.	Independence	40
17.	Qualifications	41
18.	Disclaimers and consents	41

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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11 August 2016

The Directors

Cre8tek Limited  
108 Outram Street  
West Perth WA 6005

Dear Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 2 May 2016, Cre8tek Limited ('Cre8tek' or 'the Company') announced it was in advanced negotiations with a prospective acquisition target, Flamingo Customer Experience Inc ('Flamingo'). Flamingo is a software as a service ('SaaS') technology company that utilises artificial intelligence, data analytics, proprietary algorithms and machine learning automation to enhance the customer experience and aid clients in transferring more leads into sales.

On 2 June 2016, Cre8tek announced that it had entered into a binding conditional share sale agreement with Flamingo to acquire 100% of the issued capital of Flamingo.

In exchange for the Company acquiring 100% of the issued capital in Flamingo, the Company will issue the following as consideration to the current shareholders of Flamingo:

- 115,814,391 fully paid ordinary Cre8tek shares to Dr Catriona Wallace ('**Founder Consideration Shares**');
- 115,814,391 performance shares ('**Founder Performance Shares**'), split into the following three tranches:
  - 38,604,797 class A performance shares ('**Class A Performance Shares**');
  - 38,604,797 class B performance shares ('**Class B Performance Shares**'); and
  - 38,604,797 class C performance shares ('**Class C Performance Shares**');
- 156,912,882 fully paid ordinary Cre8tek shares to the other shareholders of Flamingo ('**Vendors**' and '**Vendor Consideration Shares**'); and
- 156,912,882 performance shares ('**Vendor Performance Shares**'), split into the following three tranches:
  - 52,304,294 Class A Performance Shares.
  - 52,304,294 Class B Performance Shares.
  - 52,304,294 Class C Performance Shares.

Settlement of the acquisition of Flamingo is conditional upon the satisfaction of a number of terms, including the successful capital raising of \$3.0 million (**‘Capital Raising’**) and Cre8tek entering employment and directorship agreements with Dr Catriona Wallace and Ms Cathie Reid.

As a result of the acquisition, Dr Catriona Wallace, founder and CEO of Flamingo, may obtain an interest in the share capital of Cre8tek up to a maximum of 26.65%. Therefore, the issue of securities under the Transaction is subject to approval by the non-associated shareholders of Cre8tek, which is to be sought under Section 611 of the *Corporations Act 2001* (Cth) (**‘the Act’**).

## 2. Summary and Opinion

### 2.1 Purpose of the report

The directors of Cre8tek have requested that BDO Corporate Finance (WA) Pty Ltd (**‘BDO’**) prepare an independent expert’s report (**‘our Report’**) to express an opinion as to whether or not the acquisition of Flamingo, including the Capital Raising, and the resultant controlling interest of Dr Catriona Wallace (**‘the Transaction’**) is fair and reasonable to the non-associated shareholders of Cre8tek (**‘Shareholders’**).

Our Report is prepared pursuant to section 611 of the Act and is to be included in the Notice of Meeting for Cre8tek in order to assist the Shareholders in their decision whether to approve the Transaction.

### 2.2 Approach

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

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

- How the value of a Cre8tek share prior to the Transaction on a control basis compares to the value of a Cre8tek share following the Transaction on a minority basis;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- the position of Shareholders should the Transaction not proceed.

### 2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Transaction is not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the value of a Cre8tek share following the Transaction on a minority basis is less than the value of a Cre8tek share prior to the Transaction on a control basis. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, we consider the Transaction will allow the Shareholders to benefit from an operating company which will be managed by directors with significant commercial experience, and incentives that align directors and Shareholders’ interests. The Transaction will also provide sufficient cash to develop the business and provide working capital for operations.

## 2.4 Fairness

In section 12 we determined how the value of a Cre8tek share prior to the Transaction on a control basis compares to the value of a Cre8tek share following the Transaction on a minority basis, as detailed below.

	Low	High
	\$	\$
Value of a Cre8tek share prior to the Transaction on a control basis	0.012	0.012
Value of a Cre8tek share following the Transaction on a minority basis	0.005	0.008

Source: BDO analysis

The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Transaction is not fair for Shareholders.

## 2.5 Reasonableness

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

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

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1	Shareholders of Cre8tek will own shares in an operating company with a greater potential to generate a return for Shareholders	13.2	The Transaction is not fair
13.1	The Transaction provides the Company with a cash injection	13.2	Flamingo has a limited financial history and absence of significant revenues
13.1	The nominee directors of Flamingo bring additional experience and knowledge to the Board	13.2	Dilution of existing Shareholders' interests
13.1	The Company is acquiring the business for no initial cash outlay		

## ADVANTAGES AND DISADVANTAGES

Section	Advantages	Section	Disadvantages
13.1	The issue of Performance Shares ensures that Dr Catriona Wallace and the other Vendors' interests are aligned to Shareholders' interests		

Other key matters we have considered include:

Section	Description
13.3	No Alternative Proposal
13.4	Practical Level of Control

### 3. Scope of the Report

#### 3.1 Purpose of the Report

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

If Shareholders approve the Transaction, Dr Catriona Wallace may hold up to a maximum of 26.65% of the share capital of Cre8tek, assuming the conversion of the Performance Shares. Section 606 of the Corporations Act Regulations expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

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

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Cre8tek, by either:

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

The directors of Cre8tek have commissioned this Independent Expert's Report to satisfy this obligation.

#### 3.2 Regulatory guidance

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

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

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

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the

expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

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

- A comparison between the value of a Cre8tek share prior to the Transaction on a control basis and the value of a Cre8tek share following the Transaction on a minority basis (fairness - see Section 12 'Is the Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the Transaction, after reference to the value derived above (reasonableness - see Section 13 'Is the Transaction Reasonable?').

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

A Valuation Engagement is defined by APES 225 as follows:

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

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

## 4. Outline of the Transaction

On 2 May 2016, Cre8tek announced it was in advanced negotiations with a prospective acquisition target, Flamingo. Flamingo is a SaaS technology company that utilises artificial intelligence, data analytics, proprietary algorithms and machine learning automation to enhance the customer experience and aid clients in transferring more leads into sales.

On 2 June 2016, Cre8tek announced that it had entered into a binding conditional share sale agreement with Flamingo to acquire 100% of the issued capital of Flamingo.

In exchange for the Company acquiring 100% of the issued capital in Flamingo, the Company will issue the following as consideration to the current shareholders of Flamingo:

- 115,814,391 Founder Consideration Shares;
- 115,814,391 Founder Performance Shares, split into the following three tranches:
  - 38,604,797 Class A Performance Shares.
  - 38,604,797 Class B Performance Shares.
  - 38,604,797 Class C Performance Shares.
- 156,912,882 Vendor Consideration Shares; and
- 156,912,882 Vendor Performance Shares, split into the following three tranches:
  - 52,304,294 Class A Performance Shares.
  - 52,304,294 Class B Performance Shares.
  - 52,304,294 Class C Performance Shares.

The Performance Shares will convert upon the following milestones:

- Class A Performance Shares will convert to ordinary shares if Flamingo executes a legally binding master services agreement ('MSA') and completes a security audit with a substantial US corporation and either:
  - the MSA remains valid, binding and enforceable for at least 12 months after its execution; or
  - the Flamingo platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled.
- Class B Performance Shares will convert to ordinary shares upon Flamingo achieving \$13 million in revenue in any 12 month period within 36 months of completion of the acquisition; and
- Class C Performance Shares will convert to ordinary shares upon Flamingo achieving \$28 million in revenue in any 12 month period within 36 months of completion of the acquisition.

### Facilitator Consideration

The Company will also provide the following consideration (collectively 'the Facilitator Consideration') to the facilitators of the acquisition:

- 7,150,000 fully paid ordinary shares Cre8tek Shares;
- 2,383,334 Class A Performance Shares;

- 2,383,333 Class B Performance Shares;
- 2,383,333 Class C Performance Shares; and
- \$135,000 cash (**‘Facilitator Cash’**).

### **Capital Raising**

As part of the Transaction, the Company will raise \$3.0 million via a Capital Raising in order to provide enough capital to develop the Flamingo platform (**‘Flamingo Platform’**) and meet ongoing working capital requirements. The Company will issue 75,000,000 shares (**‘Capital Raising Shares’**) at a price per share of \$0.04.

### **Conditions Precedent to the Transaction**

Settlement of the acquisition of Flamingo is conditional, among other things, on the following conditions precedent:

- shareholder approval for the issue of the Founder Consideration Shares, Founder Performance Shares, Vendor Consideration Shares, Vendor Performance Shares, Capital Raising Shares and Facilitator Consideration, including obtaining an independent expert’s report;
- shareholder approval for the appointment of Dr Catriona Wallace and Ms Cathie Reid as directors;
- the Company obtaining all necessary regulatory approvals or waivers pursuant to the Act and the ASX Listing Rules, including with respect to Chapter 11 of the ASX Listing Rules;
- execution of ASX restriction agreements to the extent required by ASX;
- the Company entering into employment/service agreements with:
  - Dr Catriona Wallace, in relation to her appointment as Chief Executive Officer and Executive Director of the Company; and
  - Ms Cathie Reid, in relation to her appointment as Chair of the Company.
- the Company receiving a reinstatement conditions letter from the ASX, on terms satisfactory to the Company and Flamingo; and
- the Company undertaking the Capital Raising.



### Shareholding following the Transaction

Following the Transaction, the potential changes in shareholding are summarised in the table below.

Undiluted Scenario	Dr Catriona Wallace	Other Vendors	Existing shareholders	Total
<b>Existing shareholding:</b>				
Number of shares on issue as at the date of our Report	-	-	234,426,409	234,426,409
<i>% holdings as at the date of our Report</i>	<i>0.00%</i>	<i>0.00%</i>	<i>100.00%</i>	<i>100.00%</i>
<b>Number of shares to be issued under the Transaction</b>				
Founder Consideration Shares	115,814,391	-	-	115,814,391
Vendor Consideration Shares	-	156,912,882	-	156,912,882
Capital Raising Shares	-	-	75,000,000	75,000,000
Facilitator Consideration	-	7,150,000	-	7,150,000
<b>Number of shares on issue following the Transaction</b>	<b>115,814,391</b>	<b>164,062,882</b>	<b>309,426,409</b>	<b>589,303,682</b>
<b><i>% shareholding</i></b>	<b><i>19.65%</i></b>	<b><i>27.84%</i></b>	<b><i>52.51%</i></b>	<b><i>100.00%</i></b>

Source: BDO analysis

We note that the Capital Raising may not solely be issued to existing shareholders, although they will have the opportunity to participate.

Under the scenario where the milestones of the Performance Shares are not met ('Undiluted Scenario'), Dr Catriona Wallace's interest will be 19.65%.

Under the scenario where the milestones for the Performance Shares are all met ('Diluted Scenario'), Dr Catriona Wallace will hold her maximum possible interest in Cre8tek, being 26.65%. The Diluted Scenario is summarised in the table below.

Diluted Scenario	Dr Catriona Wallace	Other Vendors	Existing shareholders	Total
Number of shares on issue following the Transaction on an undiluted basis	115,814,391	164,062,882	309,426,409	589,303,682
<b>Shares issued on exercise of performance shares</b>				
Class A Performance Shares	38,604,797	54,687,628	-	93,292,425
Class B Performance Shares	38,604,797	54,687,627	-	93,292,424
Class C Performance Shares	38,604,797	54,687,627	-	93,292,424
<b>Maximum shareholding of investors on a fully diluted basis</b>	<b>231,628,782</b>	<b>328,125,764</b>	<b>309,426,409</b>	<b>869,180,955</b>
<b><i>% shareholding</i></b>	<b><i>26.65%</i></b>	<b><i>37.75%</i></b>	<b><i>35.60%</i></b>	<b><i>100.00%</i></b>

Source: BDO analysis

We note that the milestones required for the Performance Shares align Dr Catriona Wallace's interests with that of Shareholders, and that if these milestones are met it is likely to be value accretive to Shareholders.

We have not considered the outstanding performance rights and options in Cre8tek in the Diluted Scenario, as the Diluted Scenario represents the maximum obtainable interest Dr Catriona Wallace can hold in Cre8tek.

## 5. Profile of Cre8tek

### 5.1 History

Cre8tek is a software and technology company. The Company was formerly Marion Energy Limited ('Marion'), an energy exploration Company focusing on assets in United States of America ('US'). Following a recapitalisation, effectuation of a deed of company arrangement, change of board, completion of a new acquisition and re-compliance with Chapters 1 and 2 of the Listings Rules (see below), Marion changed its name to Cre8tek on 25 January 2016.

Marion announced it had entered into a binding heads of agreement with Global Agenda Technologies Pty Ltd ('Agenda') on 5 November 2015 and announced the completion of the acquisition on 25 January 2016. As part of the restructuring of the Company from Marion to Cre8tek, and the change in nature and scale of the Company, Marion completed an equity raising of \$3.6 million at a price per share of \$0.02.

Currently, the Board of Directors comprises the following:

- Mr Bryn Hardcastle - Chairman and Non-Executive Director
- Mr Faldi Ismail - Non-Executive Director
- Mr Tom Bahen - Non-Executive Director

### Agenda Platform

Agenda is developing a SAAS, sales conversion and social networking technology platform ('Agenda Platform'). The Agenda Platform is being developed to allow its users to schedule last minute appointments easily and efficiently. The platform aims to be a tool for users to browse providers by service, available times, price range and user star ratings. The objective of the Agenda Platform is to remove the research process for consumers looking for particular services while simplifying marketing procedures for businesses by linking them with consumers through an easy to use scheduling application.

The Agenda Platform is initially being targeted at the beauty, health and fitness industries where there is growing demand for web-based solutions to arranging appointments. Further sectors that may be targeted include homecare, garden services and utilities services.

## 5.2 Historical Statement of Financial Position

Statement of Financial Position	Reviewed as at 31-Dec-15 \$	Audited as at 30-Jun-15 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,339,528	53,208
Trade and other receivables	8,704	-
Other assets	653,435	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,001,667</b>	<b>53,208</b>
<b>TOTAL ASSETS</b>		
	<b>4,001,667</b>	<b>53,208</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	185,519	966,716
Borrowings	195,000	2,744,844
Funds held in trust	3,329,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,709,519</b>	<b>3,711,560</b>
<b>TOTAL LIABILITIES</b>	<b>3,709,519</b>	<b>3,711,560</b>
<b>NET ASSETS</b>	<b>292,148</b>	<b>(3,658,352)</b>
<b>EQUITY</b>		
Contributed equity	217,497,117	216,497,117
Reserves	3,790,892	20,287,708
Accumulated losses	(220,995,861)	(240,443,177)
<b>TOTAL EQUITY</b>	<b>292,148</b>	<b>(3,658,352)</b>

Source: Cre8tek's reviewed financial statements as at 31 December 2015, Cre8tek's audited financial statements as at 30 June 2015

### Commentary on Historical Statement of Financial Position

We note that Cre8tek's auditor issued a qualified review for the half year ended 31 December 2015. The auditor's qualified review conclusion arose due to the following:

- The Directors of Cre8tek did not have control over the consolidated entity's reporting system at any time prior to 28 October 2015 and cannot therefore provide a directors' declaration, without qualification, that the financial statements for the half year ended 31 December 2015 have been prepared in accordance with the Act.
- The auditor audited the financial statements of the consolidated entity for the year ended 30 June 2015 and expressed a disclaimer of opinion on that financial report. Since the opening balances of assets and liabilities in that report effect the determination of the consolidated entity's financial performance for the half year ended 31 December 2015, the auditors were unable to assess whether any adjustments were necessary from the audited report for 30 June 2015.
- The Board of Directors of Cre8tek were unable to source and provide certain books and records of the Company to the auditor for the period 1 July 2015 to 28 October 2015. The auditors were therefore unable to obtain sufficient review evidence for the measurement, occurrence,

completeness and disclosures relating to the financial performance of the Company for the period ended 31 December 2015.

- These qualifications mean that the auditor was unable to express an opinion on the Company's financial performance and cashflows for the half year ended 31 December 2015. However, the auditor was able to provide an opinion that they had not become aware of any matter to make them believe that the statement of financial position does not show a true and fair view as at 31 December 2015.
- We note that the above is as a result of the Company being subject to administration and completion of a subsequent Deed of Company Arrangement.

We note the following in relation to Cre8tek's Historical Statement of Financial Position:

- Other assets of \$653,435 primarily relates to the deferred costs of the Company's equity raising that ended in January 2016 and comprises of broker options (\$547,063) and general expenses (\$93,872). The figure also includes a prepayment of \$12,500.
- Borrowings of \$195,000 relates to the Company's loan from parties associated with directors; Bryn Hardcastle and Faldi Ismail, as well as Seamist Enterprises Pty Ltd. This loan was interest free and was to be repaid within two weeks of the Company's securities being reinstated to trading following the acquisition of Agenda.
- Funds held in trust of \$3,329,000 are in relation to the Company not having transferred the securities to the participants of the January 2016 equity raising as at 31 December 2015. The securities were transferred to the participants on 22 January 2016, resulting in the funds being transferred from the trust account to the Company's transaction account.

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

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-15	Reviewed for the half year ended 31-Dec-14
	\$	\$
<b>Revenue</b>	-	370
Other income	3,319,184	-
<b>Expenses</b>		
Salaries and employee benefits expense	-	(79,167)
Share register expense	(36,449)	-
Legal and professional fees	(43,105)	(414,182)
Secretarial and listing fees	(31,268)	(103,800)
Loss on deconsolidation of subsidiaries	-	(138,190,885)
Finance costs	-	(135,194)
Share based payment expense	(1,654,376)	(1,658,942)
Other expenses	(5,575)	(2,979)
<b>Profit/(loss) from continuing operations before income tax</b>	<b>1,548,411</b>	<b>(140,584,779)</b>
Income tax expense	-	-
<b>Profit/(loss) from continuing operations after income tax</b>	<b>1,548,411</b>	<b>(140,584,779)</b>
Foreign currency translation differences	-	18,473,866
<b>Total comprehensive income/(loss) for the year</b>	<b>1,548,411</b>	<b>(122,110,913)</b>

Source: Cre8tek's reviewed financial statements as at 31 December 2015

#### Commentary on Statement of Profit or Loss and Other Comprehensive Income

As described in section 5.2, the auditor was not able to express an opinion on the Company's financial performance and cashflows for the half year ended 31 December 2015.

We note the following in relation to Cre8tek's Historical Statement of Profit or Loss and Other Comprehensive Income:

- Other income primarily relates to a gain on credit obligation released of \$3,665,350, which arose from the Company issuing securities to the participants of the equity raising in January 2016.
- Loss on deconsolidation of subsidiaries of \$138,190,885 primarily relates to the bankruptcy of Marion Energy Inc, a US subsidiary of Marion. Marion Energy Inc was deconsolidated by the Directors as Marion lost control of Marion Energy Inc upon bankruptcy protection being granted.
- Share based payments expense relates to the issue of performance rights to directors and advisors due the half year ended 31 December 2015.

## 5.4 Capital Structure

The share structure of Cre8tek as at 22 June 2016 is outlined below:

	Number
Total ordinary shares on issue	234,426,409
Top 20 shareholders	109,916,566
Top 20 shareholders - % of shares on issue	46.89%

Source: Share registry information

The range of shares held in Cre8tek as at 22 June 2016 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	374	53,692	0.02%
1,001 - 5,000	33	75,699	0.03%
5,001 - 10,000	12	87,598	0.04%
10,001 - 100,000	181	11,571,859	4.94%
100,001 - and over	292	222,637,561	94.97%
<b>Total</b>	<b>892</b>	<b>234,426,409</b>	<b>100.00%</b>

Source: Share registry information

The ordinary shares held by the most significant shareholders as at 22 June 2016 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Suburban Holdings Pty Limited (Suburban Super Fund A/C)	14,653,569	6.25%
James Patrick Downey (Marion Energy Creditors A/C)	10,000,000	4.27%
Sacco Developments Australia Pty Limited (The Sacco Family A/C)	8,400,000	3.58%
Mrs Melissa Pace	5,315,000	2.27%
Subtotal	38,368,569	16.37%
Others	196,057,840	83.63%
<b>Total ordinary shares on Issue</b>	<b>234,426,409</b>	<b>100.00%</b>

Source: Share registry information

The options on issue in Cre8tek as at 22 June 2016 are outlined below:

Current Options on Issue	Number
Options exercisable at \$5.00 on or before 22 December 2016	88,705
Options exercisable at \$6.00 on or before 18 September 2016	98,000
Options exercisable at \$10.00 on or before 31 July 2016	91,733
Options exercisable at \$3.00 on or before 5 February 2018	221,056
Options exercisable at \$6.00 on or before 5 February 2018	67,692
Options exercisable at \$0.02 on or before 4 November 2019	25,000,000
Options exercisable at \$0.03 on or before 5 February 2019	50,000,000

Source: Share registry information

## 6. Profile of Flamingo

Flamingo was founded by Dr Catriona Wallace, who is the creator of the Flamingo Platform. The Flamingo Platform is an Intelligent Guided Selling solution for organisations with complex products. In the emerging category of Conversational Commerce, the platform fuses web chat, guided workflow and machine learning to guide web customers from research to quotation to purchase. The platform can operate on a continuum from Human2Human mode (employee to customer) to Autobot. The value created for firms is increased online sales conversion, improved customer experience and increased efficiencies.

Flamingo was incorporated in Australia in May 2013.

Flamingo has offices in New York and Sydney. It is initially targeting the financial services sector and its customer base includes Nationwide Insurance, Prime Financial, Quay Credit Union and NY Daily Gazette.

Currently, the Board of Directors comprises the following:

- Dr Catriona Wallace - Executive Director
- Ms Cathie Reid - Chairman

The Flamingo Platform uses artificial intelligence software developed by the Flamingo, which learns how customers and employees interact. It is then able to automate a customer's 'journey' through sales, onboarding and retention processes. It also delivers insights which facilitate ongoing product development.

### 6.1 Historical Statement of Financial Position

Statement of Financial Position	Audited as at 31-Mar-16 \$	Audited as at 30-Jun-15 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	135,738	586,632
Trade and other receivables	508,448	698,508
<b>TOTAL CURRENT ASSETS</b>	<b>644,186</b>	<b>1,285,140</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	33,336	33,828
Other assets	499,023	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>532,359</b>	<b>33,828</b>
<b>TOTAL ASSETS</b>	<b>1,176,545</b>	<b>1,318,968</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	278,217	200,794
Borrowings	140,000	-
Provisions	34,366	23,733



Statement of Financial Position	Audited as at 31-Mar-16 \$	Audited as at 30-Jun-15 \$
TOTAL CURRENT LIABILITIES	452,583	224,527
TOTAL LIABILITIES	452,583	224,527
NET ASSETS	723,962	1,094,441
EQUITY		
Issued capital	3,594,442	2,669,442
Share options reserve	56,721	-
Foreign currency translation reserve	7,744	2,322
Retained earnings	(2,934,945)	(1,577,323)
TOTAL EQUITY	723,962	1,094,441

Source: Flamingo's audited financial statements as at 31 March 2016 and 30 June 2015

### Commentary on Historical Statement of Financial Position

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

- Cash and cash equivalents decreased to \$135,738 as at 31 March 2016 from \$586,632 as at 30 June 2015 primarily as a result of payments to suppliers and employees, as well as investment in developing the Flamingo Platform. The decrease in cash and cash equivalents was partially offset by receipts from customers, a shareholder loan and proceeds from the issue of shares.
- Trade and other receivables decreased from \$698,508 as at 30 June 2015 to \$508,448 as at 31 March 2016. This movement was predominantly due to R&D refundable tax offset receivable decreasing from \$585,991 as at 2015 to \$394,969 as at 2016.
- Other assets of \$499,023 as at 31 March 2016 relates to development costs that have been capitalised.
- Borrowings of \$140,000 as at 31 March 2016 relates to a loan from a shareholder.
- Issued capital increased from \$2,669,442 as at 30 June 2015 to \$3,594,442 as at 31 March 2016 due to an equity raising during the period.

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

Statement of Comprehensive Income	Audited for the 9 months to 31 March 2016 \$	Audited for the 12 months to 30 June 2015 \$
<b>Revenue</b>	486,377	711,681
<b>Expenses</b>		
Research and development costs	(451,943)	(1,116,437)
Sales and marketing costs	(318,778)	(167,695)
General and administration costs	(932,335)	(618,221)
Depreciation and amortisation expense	(104,002)	(1,646)
Other expenses	(36,941)	(16,879)
<b>Loss before income tax</b>	(1,357,622)	(1,209,197)
Tax (expense) income	-	-
<b>Loss for the year</b>	(1,357,622)	(1,209,197)
<b>Total other comprehensive income for the year</b>	-	-
<b>Total comprehensive income/(loss) for the year</b>	(1,357,622)	(1,209,197)

Source: Flamingo's audited financial statements for the nine months ended 31 March 2016 and the year ended 30 June 2015

### Commentary on Statement of Profit or Loss and Other Comprehensive Income

We note the following in relation to Flamingo's Historical Statement of Profit or Loss and Other Comprehensive Income:

- Revenue decreased from \$711,681 for the year ended 30 June 2015 to \$486,377 for the nine month period to 31 March 2016, predominantly due to R&D refundable tax offset decreasing from \$585,991 in 2015 to \$394,969 in 2016. The R&D tax offset for 30 June 2015 reflects 12 months of expenditure, whereas the R&D tax offset included in the 9 months to 31 March 2016 relates to 6 months of expenditure to 31 December 2015 (being the revised year end date of the Australian subsidiary that owns the IP).
- Research and development costs relate to the costs of developing the Flamingo Platform. The reduction in the 31 March 2016 period relates to the introduction of the appropriate cost capitalisation in accordance with AASB 1011. All expenditure prior to the 31 March 2016 period was expensed.
- Depreciation and amortisation expense increased significantly from \$1,646 for the year ended 30 June 2015 to \$104,002 for the nine months ended 31 March 2016. This was due to a significant amount of development costs being capitalised in the year ended 30 June 2015, and subsequently amortised over the period to 31 March 2016. This relates to the amortisation of costs capitalised in the period ending 31 March 2016.

## 7. Economic analysis

### Global outlook

The global economy has continued to grow, albeit at a slower rate than what was expected. Conditions have become challenging for a number of emerging market economies, while many advanced economies have improved over the past year. China's growth rate continued to slow down over the first part of the year, although recent activities by Chinese policymakers tend to favour the short-term economic outlook. Britain's recent decision to exit from the European Union has caused increased uncertainty in global financial markets, with the long term effect of this yet to be known.

### Australia

The Australian economy seems to be continuing to rebalance off the end of the mining investment boom. Over 2015, overall GDP growth seemed to pick up, along with an increasingly healthy labour market. Lending to businesses picked up, which was reflected in healthy labour market conditions. The inflation rate remains low in Australia, along with other parts of the world. This is likely to continue over the next few years with the help of restrained labour costs.

### Commodity prices

Recently, commodity prices have increased, albeit slightly. They are, however, still much lower than that of a few years ago. Trade from the Australian economy remains much lower than it has been in recent years. Prices tend to rely on demand, in particular from the Chinese industrial sector, along with the response to changes in supply. Due to low oil prices, producers of bulk commodities have generally been reducing their cost of production, as oil is an important input for the transportation of these commodities. However, the ability for these producers to keep on reducing their costs is unlikely and may lead to firms exiting the market.

### Financial markets

The financial markets have seemed to improve after experiencing high levels of volatility over the past few months. The uncertainty about the global economic outlook and policy settings tend to have participants concerned. However, funding costs for high-quality borrowers remain low and monetary policy around the globe remains generous.

### Interest rates

Credit is recording moderate growth overall. Low interest rates are acting to support borrowing and spending. Growth in lending to the housing market has broadly been steady over recent months. Dwelling prices continue to remain steady in Sydney and Melbourne, and have remained quiet in other cities around the country.

### Australian dollar

The Australian dollar has appreciated recently, despite its noticeable declines against the US dollar over the past year. This in part reflects rises in commodity prices, along with monetary developments globally having a positive impact. Due to current economic circumstances, a strengthening exchange rate could complicate the adjusting economy.

Source: [www.rba.gov.au](http://www.rba.gov.au) *Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 June 2016*

## 8. Industry analysis

### Software as a Service

SaaS is a software licensing and delivery model where the software is provided to the user by the SaaS provider, through their own servers. Using a SaaS allows the user to avoid the costly and lengthy process of installing the information technology ('IT') infrastructure internally. The SaaS provider is responsible for the security, availability and performance of the software. SaaS is now commonplace for a range of software providers in the areas such as accounting, messaging, customer relationship management, enterprise resource planning, invoicing and human resource management.

SaaS is particularly efficient for a number of reasons:

- Multi-tenant architecture - All users and applications share a single, common infrastructure and code base that is maintained by the SaaS provider. SaaS providers can easily save on development time due to the centrally maintained infrastructure.
- Customisation - SaaS providers can make customisations unique to each user without affecting the common infrastructure. These customisations are made unique to each user and are preserved through upgrades.
- Better access - As the software is managed externally, in a 'cloud', users can access the software from any network enabled devices.
- Customisable for consumers - Consumers can easily customise the layout and look of their individual access points.

Examples of SaaS companies include:

- Salesforce - Considered the founder of the SaaS industry, Salesforce is best known for its customer relationship management software, though it offers other services such as platforms as a service, a market for cloud computing applications and a social performance management platform.
- LinkedIn - While LinkedIn may be considered a professional networking site it also qualifies as a SaaS due to its recruitment and marketing tools.
- Netsuite - A well-known American software company which offers SaaS integrated business management software, including software for enterprise resource planning, accounting, order management and inventory.
- Athenahealth - A health company that provides practice management and electronic medical record services for health practitioners. They also offer an integrated electronic medical records service and a physician billing and practice management service.

### Industry Performance

Revenues for the global SaaS market are expected to reach \$106 billion in 2016, representing an increase of 21% over projected 2015 revenues. It is expected that growth in the SaaS sector will be 30% per year between 2013 and 2018, while the overall enterprise IT sector growth will be 5%. Growth in the SaaS and cloud-based business application services is estimated to be 19.5% each year between 2011 and 2016, seeing revenues reach \$32.8 billion.



IDC Research Inc. ('IDC') forecasts that the market for SaaS customer relationship management will be worth \$19.8 billion by 2018, growing at a rate of 19.6% per year from 2013. The SaaS enterprise resource planning market is expected to reach \$23.8 billion in 2018, growing at a rate of 17.2% per year. The SaaS operations and manufacturing applications market is predicted to reach \$5.8 billion by 2018. The global SaaS supply chain management applications market size will reach \$691 million by 2018. IDC show that Salesforce.com, ADP, Inuit, Oracle and SAP account for 35% of the worldwide SaaS enterprise applications market in 2013.

In a study performed by Computerworld, they found 42% of IT decision makers were planning to increase spending on cloud computing and SaaS in 2015. Forrester Research estimates that the market for SaaS will dominate the cloud computing market, accounting for approximately 90% of the market from 2008 to 2020.

**Source:** IDC, Worldwide SaaS Enterprise Applications 2014-2018 Forecast and 2013 Vendor Shares. Forrester Research, Inc. Cisco Global Cloud Index, 2013-2018.

## 9. Valuation approach adopted

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

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

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

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

### 9.1. Valuation of a Cre8tek share prior to the Transaction

In our assessment of the value of a Cre8tek share prior to the Transaction we have chosen to employ the following methodologies:

- NAV on a going concern basis as our primary valuation methodology; and
- QMP as our secondary valuation methodology.

We have chosen these methodologies for the following reasons:

- The NAV methodology is the most appropriate to consider given the Company is essentially a technology development company which is not yet generating operating cashflows;
- The QMP basis is a relevant methodology to consider because Cre8tek's shares are listed on the ASX. This means there is a regulated and observable market where Cre8tek's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in Section 10.2 of our Report;
- Cre8tek does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not considered appropriate; and
- In its current form, Cre8tek has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not considered appropriate.

### 9.2. Valuation of a Cre8tek share following the Transaction

In our assessment of the value of a Cre8tek share following the Transaction we have chosen to employ the sum-of-parts methodology. The sum-of-parts methodology comprises:

- The value of Cre8tek prior to the Transaction based on the NAV approach as a primary methodology and the QMP as our secondary methodology;
- The cash raised under the Capital Raising which is to be undertaken by the Company in conjunction with the Transaction;
- The expenses of completing the Transaction;
- The value of Flamingo, as discussed in further detail below;

- The number of shares on issue following the Transaction will include the issue of the Founder Consideration Shares, Vendor Consideration Shares, Capital Raising Shares and Facilitator Shares in the Undiluted Scenario, and the Performance Shares considered in the Diluted Scenario; and
- A minority discount is applied to the final value to arrive at the value of a Cre8tek share following the Transaction on a minority interest basis.

In our assessment of the value of Flamingo, we have taken into consideration the following items when assessing the appropriate valuation methodology:

- Flamingo's shares are not listed on the ASX (or any other exchange) and hence, there is no regulated and observable market where Flamingo's shares are traded. Accordingly, we cannot value the shares of Flamingo based on the QMP methodology;
- The FME approach is most commonly applicable to profitable businesses with relatively steady growth histories and forecasts. However, we have been unable to use this approach with regard to the valuation of Flamingo, given that it has been operating at a normalised loss historically. This means that we do not have a reasonable basis to assess future maintainable earnings of Flamingo at this point in time;
- The DCF approach is particularly applicable to businesses with limited lives, experiencing growth and that are in the start-up phase, with irregular cash flows. The DCF approach has not been considered, given that sufficient information for a DCF valuation to be undertaken is not available at this point in time and even if they had been available we do not consider that we have reasonable grounds, under RG 111, based on Flamingo's historical performance to consider the DCF approach; and
- The NAV methodology has therefore been considered as the only appropriate valuation methodology to undertake. However, it should be noted that asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets at the valuation date as they do not recognise the potential value of intangible assets such as management, intellectual property and goodwill. This is particularly important in the case of Flamingo given its early stage of development and growth potential.

Based on the above, we consider the most appropriate methodology to value Flamingo is the NAV methodology.

## 10. Valuation of Cre8tek

### 10.1 Net Asset Valuation of Cre8tek

The value of Cre8tek assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position	Notes	Reviewed as at 31-Dec-15 \$	Adjusted NAV \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	a	3,339,528	2,663,691
Trade and other receivables		8,704	8,704
Other assets	b	653,435	-
Development asset	c	-	129,990
<b>TOTAL CURRENT ASSETS</b>		<b>4,001,667</b>	<b>2,802,385</b>
<b>TOTAL ASSETS</b>			
		<b>4,001,667</b>	<b>2,802,385</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	d	185,519	42,337
Borrowings	e	195,000	-
Funds held in trust	f	3,329,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,709,519</b>	<b>42,337</b>
<b>TOTAL LIABILITIES</b>		<b>3,709,519</b>	<b>42,337</b>
<b>NET ASSETS</b>		<b>292,148</b>	<b>2,760,048</b>
Shares on issue (number)			234,426,409
Value per share			0.012

Source: BDO analysis

The above figures for cash and cash equivalents, other assets, development assets, trade and other payables, borrowings and funds held in trust have not been audited and reflect a position as at 31 May 2016 only to the extent of material adjustments made to the 31 December 2015 balances. We have not undertaken a review of Cre8tek's financial position as at 31 May 2016 in accordance with Australian Auditing and Assurance Standard 2405 "Review of Historical Financial Information" and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest that the financial information derived from the material adjustments made, has not been prepared on a reasonable basis.

The table above indicates the net asset value of a Cre8tek share is \$0.012.

The following adjustments were made to the net assets of Cre8tek as at 31 December 2015 in arriving at our valuation.



#### Note a) Cash and cash equivalents

The Company's cash and cash equivalents balance has been adjusted for the period to 31 May 2016 due to the payment of creditors, the acquisition of the Agenda Platform and payment of legal, director and administrative fees.

#### Note b) Other assets

Other assets relates to the deferred costs of performing the equity raising which the company completed on 22 January 2016 upon transferring Cre8tek shares to the participants of the raising. The deferred cost relates to advisor fees which were to be paid contingent on the equity raising. The advisor fees have since been paid.

#### Note c) Development asset

Development asset consists of the price paid for the Agenda Platform, as well as costs incurred in developing the Agenda Platform in the period from 31 December 2015 to 31 May 2016.

#### Note d) Trade and other payables

The Company's trade and other payables have been reduced due to the Company repaying a number of its creditors during the period from 31 December 2015 to 31 May 2016.

#### Note e) Borrowings

The Company's borrowings balance relates to a loan from entities associated with directors of Cre8tek, as well as from an unrelated entity. This loan was repaid in full during the period from 31 December 2015 to 31 May 2016.

#### Note f) Funds held in trust

The Company recognised funds held in trust as a liability due to receiving the proceeds of an equity raising, and not having transferred the Cre8tek shares to the participants of the equity raising, at the reporting date of 31 December 2015. The Company transferred the Cre8tek shares to the equity raising participants in the period from 31 December 2015 to 31 May 2016, clearing the liability.

## 10.2 Quoted Market Prices for Cre8tek Securities

To provide a comparison to the valuation of Cre8tek in Section 10.1, we have also assessed the quoted market price for a Cre8tek share.

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

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

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

Whilst Dr Catriona Wallace will not be obtaining 100% of Cre8tek, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

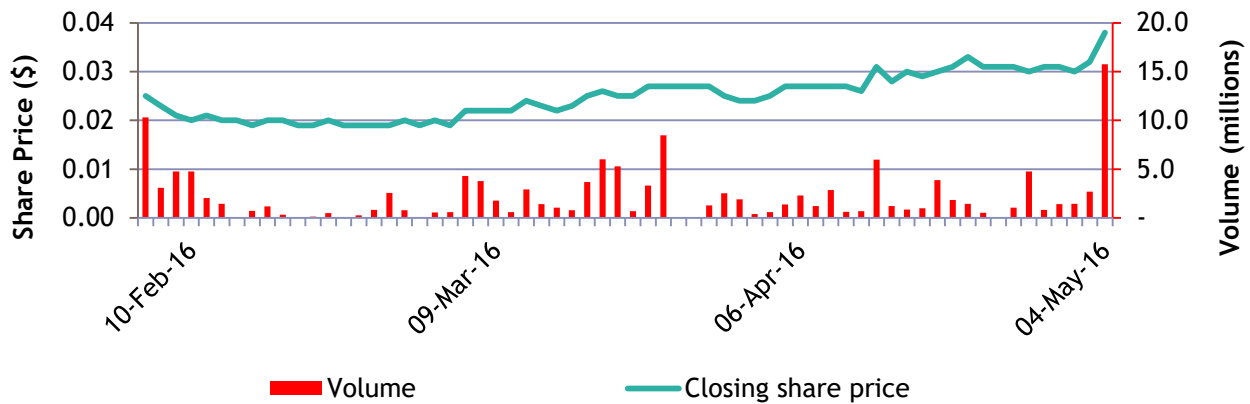
Therefore, our calculation of the quoted market price of a Cre8tek share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a Cre8tek share is based on the pricing prior to the announcement of the Transaction. This is because the value of a Cre8tek share after the announcement may include the affects of any change in value as a result of the Transaction. However, we have considered the value of a Cre8tek share following the announcement when we have considered reasonableness in Section 13.

Information on the Transaction was announced to the market on 5 May 2016. Given that Marion changed its nature and scale and began trading as Cre8tek on 5 February 2016, we have assessed the share price movements of Cre8tek over the 3 months to 4 May 2016, which was the last trading day prior to the announcement. We note that the Company has been suspended from Official Quotation on the ASX since the Transaction was announced.

### CR8 share price and trading volume history



Source: Bloomberg

The daily price of Cre8tek shares from 5 February 2016 to 4 May 2016 has ranged from a low of \$0.019 on 4 March 2016 to a high of \$0.039 on 4 May 2016. From 5 February 2016 to 4 May 2016, Cre8tek’s share price displayed an upwards trend. The highest single day of trading was on 4 May 2016, when approximately 15.7 million shares were traded.

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

Date	Announcement	Closing Share Price Following Announcement	Closing Share Price Three Days After Announcement
		\$ (movement)	\$ (movement)
04/05/2016	Trading Halt Market Release	0.038 ▲ 18.8%	0.000 ▼ 100.0%
02/05/2016	Acquisitions update	0.030 ▼ 3.2%	0.038 ▲ 26.7%
29/02/2016	Appendix 4D and Half Year Report	0.019 ▶ 0.0%	0.020 ▲ 5.3%

On 29 February 2016, Cre8tek announced its half year report and Appendix 4D. In the half year report, the auditors stated they were unable to provide a qualified review conclusion due to insufficient appropriate evidence being provided to them to do so. Insufficient evidence arose from the Directors of Cre8tek not having oversight or control over the reporting system for the Company until 28 October 2015 and as such could not provide evidence to the Company’s movement in accounts between 1 July 2015 and 28 October 2015. The share price rose from \$0.019 to \$0.020 over the following 3 days, being a 5.3% increase.

On 2 May 2016, the Company announced it was seeking to expand its asset portfolio of technology solutions, with a particular focus on software marketing solutions, application software, SaaS, online social networking services, and security and encryption. The Company confirmed it was in advanced negotiations and an exclusive due diligence period with an unnamed party, regarding a potential acquisition. The Company announced that the acquisition would involve an equity issue and may include an associated capital raising to provide expansionary and working capital.

On 4 May 2016, the Company announced that it would be put into a trading halt at the request of the Company, pending a response to an ASX price and volume query.

To provide further analysis of the market prices for a Cre8tek share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 4 May 2016.

Share Price per unit	04-May-16	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.038				
Volume weighted average price (VWAP)		\$0.034	\$0.031	\$0.027	\$0.027

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of Cre8tek shares that has occurred since the Transaction was announced.

An analysis of the volume of trading in Cre8tek shares for the two months to 4 May 2016 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.035	\$0.039	15,761,746	6.72%
10 Days	\$0.028	\$0.039	29,910,789	12.76%
30 Days	\$0.024	\$0.039	68,846,028	29.37%
60 Days	\$0.019	\$0.039	116,527,654	49.71%
90 Days	\$0.019	\$0.039	139,436,206	59.48%

Source: Bloomberg, BDO analysis

This table indicates that Cre8tek's shares display a high level of liquidity, with 59.48% of the Company's current issued capital being traded in a three month period. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

Regular trading in a company's securities;

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

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

In the case of Cre8tek, we do consider there to be a deep market for the Company's shares due to 59.48% of the Company's issued capital being traded over the three months prior to 4 May 2016. However we note that the Company did not have any substantial ongoing operations prior to its announcement of a prospective acquisition target on 2 May 2016, this means the majority of the liquidity was likely based on speculation and not indicative of the intrinsic value of the Company.

Our assessment is that a range of values for Cre8tek shares based on market pricing, after disregarding post announcement pricing, is between \$0.024 and \$0.039.

## Control Premium

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

### All companies listed on the ASX:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2015	33	702.29	27.16
2014	43	463.35	31.16
2013	43	177.79	43.36
2012	55	322.52	37.03
2011	67	766.18	48.45
2010	69	741.25	37.60
2009	64	328.15	46.22
2008	42	743.72	39.04
2007	84	1008.24	21.79
	<b>Mean</b>	<b>583.72</b>	<b>36.87</b>
	<b>Median</b>	<b>702.29</b>	<b>37.60</b>

Source: Bloomberg and BDO Analysis

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

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

The tables above indicate the long term average control premiums paid by acquirers of all companies on the ASX.

In assessing the sample of transactions that were included in the table, we have excluded the transactions within the list which appear to be extreme outliers. These outliers include all transactions where the announced control premium was in excess of 100% and all transactions where the acquirer obtained a controlling interest at a discount (i.e. less than 0%).

If the Transaction is approved, Dr Catriona Wallace will hold approximately 26.65% of the Company's issued capital under the Diluted Scenario. As a result, Dr Catriona Wallace should expect to pay a control premium. Given that Cre8tek does not hold any significant assets and is not producing operating cashflows, and that Dr Catriona Wallace is becoming a controlling shareholder due to her interest in Flamingo which is being acquired by Cre8tek, we consider an appropriate control premium to be lower than the historical average. As such, we have assessed an appropriate control premium to be in the range of 20% and 30%.

### Quoted market price including control premium

Applying a control premium to Cre8tek’s quoted market share price results in the following quoted market price value including a premium for control:

	Low	Midpoint	High
	\$	\$	\$
Quoted market price value	0.024	0.032	0.039
Control premium	20%	25%	30%
<b>Quoted market price valuation including a premium for control</b>	<b>0.029</b>	<b>0.040</b>	<b>0.051</b>

Source: BDO analysis

Therefore, our valuation of a Cre8tek share based on the quoted market price method and including a premium for control is between \$0.029 and \$0.051, with a midpoint value of \$0.040.

### 10.3 Assessment of Cre8tek’s Value

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

	Low	Midpoint	High
	\$	\$	\$
NAV methodology (Section 10.1)	0.012	0.012	0.012
QMP methodology (Section 10.2)	0.029	0.040	0.051

Source: BDO analysis

Our valuation of a Cre8tek share under the QMP methodology (including a premium for control) is higher than our valuation under the NAV methodology. In our assessment of the value of a Cre8tek share prior to the Transaction we have taken into consideration the following items:

- Our share price analysis in section 10.2 indicates that while there is a deep market for the Company’s shares with 59.48% of the Company’s share capital traded in the three months prior 4 May 2016, we note that the Company did not have any ongoing substantial operations prior to its announcement of a prospective acquisition target on 2 May, meaning the majority of the liquidity was likely based on speculation and not indicative of the intrinsic value of the Company.
- Over the past 12 months there had been limited operations in Cre8tek, with the Company undergoing a period of restructuring, changing from an oil and gas exploration company to a technology development company. Marion, now Cre8tek, had been evaluating alternative opportunities, which led to the acquisition of the Agenda Platform, an early stage technology company and therefore the QMP value reflects investors’ perception of the future prospects of Cre8tek, which is not necessarily its intrinsic value.
- We conclude that there is no apparent reason why the quoted market price of a Cre8tek share should materially exceed its net asset value.



For the reasons described above, we conclude that the value obtained under the NAV approach is more reflective of the value of a Cre8tek share prior to the Transaction. Therefore, we consider the value of a Cre8tek share to be \$0.012.



## 11. Valuation of Cre8tek following the Transaction

We have employed the sum-of-parts valuation method in estimating the fair market value of Cre8tek following the Transaction as shown below.

	Sections/ Notes	Low/ Diluted \$	High/ Undiluted \$
NAV of Cre8tek prior to the Transaction	10.1	2,760,048	2,760,048
NAV of Flamingo prior to the Transaction	1	723,962	723,962
Adjustments:			
Cash raised under the Capital Raising	2	3,000,000	3,000,000
Expenses of the Transaction	3	(500,000)	(500,000)
<b>NAV of Cre8tek following the Transaction (control basis)</b>		<b>5,984,010</b>	<b>5,984,010</b>
Discount for minority interest	4	23%	17%
<b>NAV of Cre8tek following the Transaction (minority interest basis)</b>		<b>4,603,085</b>	<b>4,986,675</b>
Number of shares on issue post Transaction	5	869,180,955	589,303,682
<b>Value of a Cre8tek share following the Transaction (minority interest basis)</b>		<b>0.005</b>	<b>0.008</b>

Source: BDO analysis

Based on the above, we consider the value of a share in Cre8tek following the Transaction on a minority interest basis to be between \$0.005 and \$0.008. We note the following in relation to the sum-of-parts valuation above:

### Note 1) NAV of Flamingo prior to the Transaction

The net asset balance of Flamingo is shown below:

	Audited as at 31-Mar-16 \$
<b>Statement of Financial Position</b>	
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	135,738
Trade and other receivables	508,448
<b>TOTAL CURRENT ASSETS</b>	<b>644,186</b>
<b>NON-CURRENT ASSETS</b>	
Property, plant and equipment	33,336
Other assets	499,023
<b>TOTAL NON-CURRENT ASSETS</b>	<b>532,359</b>
<b>TOTAL ASSETS</b>	<b>1,176,545</b>



## LIABILITIES

## CURRENT LIABILITIES

Trade and other payables	278,217
Borrowings	140,000
Provisions	34,366

TOTAL CURRENT LIABILITIES	452,583
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TOTAL LIABILITIES	452,583
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NET ASSETS	723,962
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Source: Flamingo's audited financial statements as at 31 March 2016

We have been advised that there has not been significant change in the net assets of Flamingo since 31 March 2016. We have assumed that the fair market values of the assets and liabilities as at 31 March 2016 are equal to the carrying values.

### Note 2) Cash raised under the Capital Raising

As set out in section 4, as part of the Transaction, Cre8tek will undertake a Capital Raising through the issue of up to 75,000,000 shares at an issue price of \$0.04 each. The total raising amount will be \$3,000,000.

### Note 3) Expenses of the Transaction

As part of the Transaction, the Company is paying the facilitators of the Transaction with shares and cash. The Company will also incur costs associated with the Capital Raising. Management has advised that the expenses of the Transaction will be \$500,000.

### Note 4) Discount for minority interest

The net asset value of a Cre8tek share following the Transaction is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and value of the company. Therefore, if the Transaction is approved, Shareholders may become minority interest shareholders in Cre8tek as Dr Catriona Wallace could hold a controlling interest, meaning that Shareholders' individual holding will not be considered significant enough to have an individual influence in the operations and value of the Company.

Therefore, we have adjusted our valuation of a Cre8tek share following the Transaction to reflect a minority interest holding. A minority interest discount is the inverse of a premium for control and is calculated using the formula  $1 - [1 / (1 + \text{control premium})]$ . As discussed in Section 10.2, we consider an appropriate control premium for Cre8tek to be in the range of 20% to 30%, giving rise to a minority interest discount in the range of approximately 17% to 23%.

## Note 5) Number of shares on issue post Transaction

The number of shares following the Transaction is shown below.

Number of shares on issue following the Transaction	Undiluted	Diluted
<b>Number of shares on issue prior to the Transaction</b>	<b>234,426,409</b>	<b>234,426,409</b>
Founder Consideration Shares	115,814,391	115,814,391
Vendor Consideration Shares	156,912,882	156,912,882
Capital Raising Shares	75,000,000	75,000,000
Facilitator Consideration	7,150,000	7,150,000
Performance Shares	-	279,877,273
<b>Number of shares on issue following the Transaction</b>	<b>589,303,682</b>	<b>869,180,955</b>

Source: BDO analysis

We have considered both the Undiluted Scenario and Diluted Scenario when assessing the value of a Cre8tek share following the Transaction.

We note that we have not increased our value of Flamingo to reflect the performance barrier being met for the diluted basis. The Performance Shares will only be issued if the milestones are met, and if they are met the value of Cre8tek is likely to increase, however we cannot assess with any reasonable grounds on how value accretive the milestones may be to Cre8tek.

## 12. Is the Transaction fair?

The value of a Cre8tek share prior to the Transaction on a control basis and the value of a Cre8tek share following the Transaction on a minority basis is compared below:

	Low	High
	\$	\$
Value of a Cre8tek share prior to the Transaction on a control basis	0.012	0.012
Value of a Cre8tek share following the Transaction on a minority basis	0.005	0.008

We note from the table above that the value of a Cre8tek share following the Transaction on a minority basis is lower than the value of a Cre8tek share prior to the Transaction on a control basis. Therefore, we consider that the Transaction is not fair.

## 13. Is the Transaction reasonable?

### 13.1 Advantages of Approving the Transaction

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

Advantage	Description
Shareholders of Cre8tek will own shares in an operating company with a greater potential to generate a return for Shareholders	<p>The Transaction allows Shareholders to own shares in a Company that is generating revenue and has a client base. While Flamingo is an early stage technology company, substantial development of the product has occurred and it is moving towards a commercialisation and marketing phase. The Transaction also provides the capital necessary to begin growing the Flamingo Platform which will be used for further development, sales and marketing.</p> <p>If the Company can successfully implement the Flamingo business plan, there will be the potential for the Company to grow and derive revenues. This in turn, has the potential to generate a return for Shareholders.</p>
The Transaction provides the Company with a cash injection	<p>As a condition of the Transaction, Cre8tek will undertake a Capital Raising in order to raise \$3.0 million at an issue price of \$0.04 per share. The Company will utilise these funds towards repaying liabilities, developing the Flamingo and Agenda platforms, sales and marketing. The Board believes the Capital Raising will also provide sufficient working capital to achieve these objectives.</p> <p>We also note that the capital raising price is higher than the QMP range (excluding a control premium) and the NAV per share pre Transaction. Companies raising funds with similar operations of Cre8tek typically would do so at a discount. This indicates that the capital raising, if successful, is supportive of the potential for Flamingo create value for shareholders in the future.</p>
The nominee directors of Flamingo bring additional experience and knowledge to the Board	<p>As part of the Transaction and subject to Shareholder approval, directors and key personnel of Flamingo, Dr Catriona Wallace and Ms Cathie Reid, will become directors of Cre8tek.</p> <p>Both Dr Catriona Wallace and Ms Cathie Reid have prior and current experience growing and running commercially successfully companies. Dr Catriona Wallace is the founder and Chief Executive Officer of Flamingo and has successfully founded four businesses, including a customer experience design consulting firm, Fifth Quadrant. Ms Cathie Reid is the co-founder and managing partner of Epic Pharmacy Group, a nationwide healthcare provider.</p>
The Company is acquiring the business for no	Under the Transaction, the consideration is made up of the issue of the Founder Consideration Shares, Vendor Consideration Shares and

Advantage	Description
initial cash outlay	Performance Shares. As such we consider the nature of the consideration payable in exchange for the acquisition of Flamingo enables Cre8tek to retain its existing cash balance for further business development and working capital purposes.
The issue of Performance Shares ensures that Dr Catriona Wallace and the Vendors interests are aligned to Shareholders' interests	<p>The Performance Shares issued to Dr Catriona Wallace and the Vendors have the following vesting conditions:</p> <ul style="list-style-type: none"><li>• Class A Performance Shares will convert to ordinary shares if Flamingo executes a legally binding MSA and completes a security audit with a substantial US corporation and either:<ul style="list-style-type: none"><li>- the MSA remains valid, binding and enforceable for at least 12 months after its execution; or</li><li>- the Flamingo Platform technology is applied in another business vertical of the substantial US corporation outside any business unit where the technology is being trialled.</li></ul></li><li>• Class B Performance Shares will convert to ordinary shares upon Flamingo achieving \$13 million in revenue in any 12 month period within 36 months of completion of the acquisition; and</li><li>• Class C Performance Shares will convert to ordinary shares upon Flamingo achieving \$28 million in revenue in any 12 month period within 36 months of completion of the acquisition.</li></ul> <p>In our view, although the conversion of the Performance Shares will result in further dilution for Shareholders, the vesting conditions ensure that this will only occur once milestones which are likely to be value accretive to Shareholders, have been met. On this basis, we consider this ensures that the interests of Dr Catriona Wallace, the Vendors and the Shareholders are aligned.</p>

### 13.2 Disadvantages of Approving the Transaction

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

Disadvantage	Description
The Transaction is not fair	As set out in section 12, the Transaction is not fair. RG 111 states that a Transaction is reasonable if it is fair - in this case it is not fair.
Flamingo has a limited financial history and absence of significant revenues	The Flamingo business was launched in 2013 and therefore has a limited operating history. Although Flamingo is in the commercialisation stage for its platform, there are no significant revenues as yet generated. Therefore, if Shareholders approve the Transaction, there is a higher degree of uncertainty in relation to the future prospects of Flamingo and the ability of the Company to successfully implement the business plan.
Dilution of existing Shareholders' interests	<p>As set out in section 4, if the Transaction is approved, existing Shareholder's interests in Cre8tek will be diluted from 100% to approximately 35.60% under the Diluted Scenario and 52.51% under the Undiluted Scenario. If existing Shareholders do not participate in the Capital Raising, existing Shareholders' ownership could be diluted below 35.60%.</p> <p>The dilution will reduce the capacity of Shareholders to influence the operations of the Company.</p>

### 13.3 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Cre8tek a premium over the value ascribed to, resulting from the Transaction.

### 13.4 Practical Level of Control

If the Transaction is approved then Dr Catriona Wallace will hold an interest of approximately 26.65% in Cre8tek under the Diluted Scenario. In addition to this, Cre8tek will have two Board members nominated by Flamingo, being Dr Catriona Wallace and Ms Cathie Reid.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Transaction is approved then Dr Catriona Wallace will be able to block special resolutions under the Diluted Scenario.

Cre8tek's Board currently comprises of three directors, with one director stepping down at completion of the Flamingo acquisition. Flamingo will nominate two additional directors which will take Cre8tek's Board to four directors. This means that Flamingo nominated directors will make up 50% of the Board.

Dr Catriona Wallace's control of Cre8tek following the Transaction will be significant when compared to all existing Shareholders.

## **14. Conclusion**

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of Cre8tek.

We have determined that the Transaction is not fair as the value of a Cre8tek share following the Transaction on a minority basis is less than the value of a Cre8tek share prior to the Transaction on a control basis. However, we consider the Transaction to be reasonable due to significant advantages the Transaction will bring to the Company. In particular, we consider the Transaction will allow the Shareholders to benefit from an operating company which will be managed by directors with significant commercial experience, and incentives that align directors and Shareholders' interests. The Transaction will also provide sufficient cash to develop the business and provide working capital for normal operations.

## 15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Sale and purchase agreement;
- Audited financial statements of Cre8tek for the year ended 30 June 2015 and reviewed financial statements for the year ended 31 December 2015;
- Audited financial statements of Flamingo for the nine months to 31 March 2016 and for the year ended 30 June 2015;
- Share registry information of Cre8tek;
- Information in the public domain; and
- Discussions with Directors and Management of Cre8tek.

## 16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$22,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Cre8tek in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Cre8tek, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Flamingo and Cre8tek and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Flamingo and Cre8tek and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Cre8tek, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Cre8tek and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

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

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

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

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

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of the Directors of Cre8tek for inclusion in the Notice of Meeting which will be sent to all Cre8tek Shareholders. Cre8tek engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the issue of shares to Dr Catriona Wallace in acquiring Flamingo.

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

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

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



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

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Cre8tek, or any other party.

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

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

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

A handwritten signature in black ink, appearing to read 'Sherif Andrawes'.

**Sherif Andrawes**

Director

A handwritten signature in blue ink, appearing to read 'Adam Myers'.

**Adam Myers**

Director

# Appendix 1 - Glossary of Terms

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Reference	Definition
The Act	The <i>Corporations Act 2001</i> (Cth)
Agenda	Global Agenda Technologies Pty Ltd
Agenda Platform	The scheduling application developed by Agenda
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Capital Raising	The \$3.0 million capital raising, with 75,000,000 shares being issued at \$0.04 per share
Capital Raising Shares	The 75,000,000 shares being issued as part of the Capital Raising
Class A Performance Shares	Class A performance shares issued to Dr Catriona Wallace and the Vendors
Class B Performance Shares	Class B performance shares issued to Dr Catriona Wallace and the Vendors
Class C Performance Shares	Class C performance shares issued to Dr Catriona Wallace and the Vendors
The Company	Cre8tek Limited
Cre8tek	Cre8tek Limited
DCF	Discounted Future Cash Flows
Diluted Scenario	The scenario which includes the Performance Shares converting
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings
Facilitator Cash	The \$135,000 cash payment being made to Mr Paul Hunyor
Facilitator Consideration	The consideration of shares and cash paid to the facilitators of the Transaction

Reference	Definition
Flamingo	Flamingo Customer Experience Inc.
Flamingo Platform	The customer experience platform developed by Flamingo
Founder Consideration Shares	The shares being issued to Dr Catriona Wallace as consideration for her interest in Flamingo
Founder Performance Shares	The performance shares being issued to Dr Catriona Wallace as consideration for her interest in Flamingo
IDC	IDC Research Inc.
IT	Information Technology
Marion	Marion Energy Limited (now Cre8tek Limited)
MSA	Master services agreement
NAV	Net Asset Value
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
SaaS	Software as a Service
Section 611	Section 611 of the Act
Shareholders	Shareholders of Cre8tek not associated with Dr Catriona Wallace and the Vendors
The Transaction	The proposal to issue securities in Cre8tek to Dr Catriona Wallace, the Vendors, the Facilitators and the associated Capital Raising
Undiluted Scenario	The scenario which does not include the Performance Shares converting
US	United States of America

Reference	Definition
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
Vendors	The shareholders of Flamingo
Vendor Consideration Shares	The shares being issued to the Vendors as consideration for their interest in Flamingo
Vendor Performance Shares	The performance shares being issued to the Vendors as consideration for their interest in Flamingo
VWAP	Volume Weighted Average Price

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

## Appendix 2 - Valuation Methodologies

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

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

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

Orderly realisation of assets method

Liquidation of assets method

Net assets on a going concern method

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **5 Market Based Assessment**

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

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Holder Number

## Security Holder Appointment of Proxy – Annual General Meeting

I/We being a Shareholder entitled to attend and vote at the Meeting, hereby appoint

(Name of Proxy)

OR

The Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair’s nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10:00am (WST) on Wednesday, 14 September 2016 at 108 Outram Street, West Perth, Western Australia and at any adjournment thereof.

### AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

**The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.**

Unless indicated otherwise by ticking the “for,” against” or “abstain” box you will be authorising the Chair to vote in accordance with the Chair’s voting intention.

### VOTING ON BUSINESS OF THE MEETING

Resolutions	For	Against	Abstain	Resolutions	For	Against	Abstain
1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7 Approval to Issuer Facilitator Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director – Faldi Ismail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8 Approval to Issue Capital Raising Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval to Change in Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9 Approval to Issuer Employee Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Performance Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Approval of Employee Incentive Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval to Issue Founder Consideration Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Election of Director – Dr Catriona Wallace	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval to Issue Non-Founder Vendors’ Consideration Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Election of Director – Ms Cathie Reid	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

### SIGNATURE OF SHAREHOLDER(S):

**Individual or Shareholder 1**

Sole Director or  
Sole Director / Company Secretary

**Shareholder 2**

Director

**Shareholder 3**

Director / Company Secretary



## INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

### APPOINTING A PROXY

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. The appointed proxy may be an individual or body corporate.

If a Body Corporate is appointed to act as your proxy then a representative of that Body Corporate must be appointed to act as its representative. When attending the meeting, the representative must bring a formal notice of appointment as per section 250D of the Corporations Act. Such notice must be signed as required by section 127 of the Corporations Act or the Body Corporate's Constitution.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll.

The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

**Note:** If you wish to appoint a second proxy, you may copy this form but you must return both forms together.

### VOTING ON BUSINESS OF MEETING

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the number of votes that the proxy may exercise by writing the number of Shares next to the box marked for the relevant item of business.

Where a box is not marked the proxy may vote as they choose subject to the relevant laws.

Where more than one box is marked on an item the vote will be invalid on that item.

### SIGNING INSTRUCTIONS

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

### ATTENDING THE MEETING

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

### LODGEMENT OF VOTES

To be effective, a validly appointed proxy must be received by the Company **not less than 48 hours** prior to commencement of the Meeting.

Proxy appointments can be lodged by:

- a) **Hand Delivery** – to Automic Registry Services, Suite 310, 50 Holt Street, Surrey Hills NSW 2010; or
- b) **Post** - to Automic Registry Services, PO Box 2226, Strawberry Hills NSW 2012; or
- c) **Online** – via our share registry @ <https://automic.7g.com.au/loginlisted.aspx> and follow the below instructions:
  1. Security Code – using the dropdown box select "**Cre8tek Limited**"
  2. SRN/HIN – enter your personal holder number
  3. Enter your postcode if your holding has a registered address in Australia or your Country if it is registered overseas
  4. Click the "Login" button
  5. Click on the "Voting" tab to commence registering your voting intention

**Proxy Forms received later than this time will be invalid**