

31 October 2019

ASX Limited
Company Announcement Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ASIC REGISTRATION OF KONEKT SCHEME BOOKLET

Konekt Limited (ASX: KKT) ("Konekt") refers to the proposed recommended acquisition of Konekt by Advanced Personnel Management International Pty Ltd ("APM") by way of a scheme of arrangement, as described in its announcement of entering into a Scheme Implementation Deed dated 8 October 2019 ("Scheme Implementation Deed"), and the orders made by the Federal Court of Australia of 30 October 2019 approving the convening of the Scheme Meeting and the despatch of an explanatory statement and notice of the Scheme Meeting (together, the Scheme Booklet) to Konekt shareholders.

Konekt is pleased to announce that the Australian Securities and Investments Commission ("ASIC") has registered the Scheme Booklet. A copy of the Scheme Booklet is attached to this announcement including the independent expert's report from Lonergan Edwards and Associates Limited, which concludes that the Scheme is fair and reasonable and, therefore, is in the best interests of Konekt shareholders in the absence of a superior proposal. Lonergan Edwards' conclusion should be read in context with the full independent expert's report and the Scheme Booklet.

A copy of the Scheme Booklet, which includes the independent expert's report and the notice of Scheme Meeting, is expected to be sent to Konekt shareholders on 1 November 2019. Konekt shareholders who have previously elected to receive communications electronically will be sent an email allowing them to access the materials electronically and Konekt will send the materials to all other shareholders by post.

The Scheme Meeting will be held at 10.00am on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

About Konekt Group

With 700 staff and over 107 branches across Australia, Konekt is one of the largest integrated employment placements, workplace injury management and workplace health solutions providers in Australia. Konekt's focus is on helping organisations, individuals and government to maximize workforce participation and productivity, and minimize the impact of workplace injury. We help organisations minimise workplace costs, resulting in increased participation, reduced workers' compensation premiums and safer workplaces. Konekt Employment is a leading jobactive, NEIS and DES provider, with Konekt Workcare assisting injured workers returning to the workforce.

All Konekt Shareholders are encouraged to vote either by attending the Scheme Meeting in person or by appointing a proxy, attorney or corporate representative to attend the meeting and vote on their behalf.

The directors of Konekt unanimously recommend that Konekt shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Scheme is in the best interests of Konekt shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5 of the Scheme Booklet.

Subject to those same qualifications, all directors of Konekt, representing collectively 23.3% of the total Konekt shares on issue, intend to vote or procure the vote of those shares in favour of the Scheme.

Once received, Konekt encourages shareholders to read the Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Scheme at the Scheme Meeting. Konekt also encourages shareholders to note key events and indicative dates as set out in the Scheme Booklet.

If, after reading the Scheme Booklet, you have any further questions in relation to the Scheme or the Scheme Booklet, please contact the Konekt Limited Shareholder Information Line on 1300 671 080 or +61 8022 7954 between 9.00am and 5.00pm (Sydney time), Monday to Friday.

Reena Minhas
Company Secretary
Konekt Limited

T: +61 2 9307 4007

E: shareholderinfo@konekt.com.au

Scheme Booklet

For a scheme of arrangement in relation to the proposed acquisition of Konekt Limited ACN 009 155 971 (**Konekt**) by Advanced Personnel Management International Pty Ltd ACN 606 330 910 (**APM**) and by way of a scheme of arrangement

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU APPROVE THE SCHEME BY VOTING IN FAVOUR OF THE SCHEME RESOLUTION, IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO CONSIDER THE SCHEME TO BE FAIR AND REASONABLE AND IN THE BEST INTEREST OF KONEKT SHAREHOLDERS

This is an important document and requires your immediate attention. You should read this document carefully and in its entirety before deciding whether or not to vote in favour of the resolution to approve the Scheme. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

If, after reading this Scheme Booklet, you have any questions about the Scheme or the number of Konekt Shares you hold or how to vote, please call the Shareholder Information Line on 1300 671 080 (within Australia) or +61 2 8022 7954 (outside Australia) Monday to Friday between 9.00am and 5.00pm (Sydney time).

If you have recently sold all of your Konekt Shares, please disregard this document.

Financial Adviser



Legal Adviser



Important notices

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in section 9 of this Scheme Booklet.

This Scheme Booklet

This Scheme Booklet includes the explanatory statement required to be sent to Konekt Shareholders in relation to the Scheme under Part 5.1 of the Corporations Act. A copy of the proposed Scheme is set out in Attachment C to this Scheme Booklet.

You should read this Scheme Booklet carefully and in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

Responsibility for information

- (a) Except as provided in paragraphs (b) to (d) below, the information in this Scheme Booklet has been provided by Konekt and is the responsibility of Konekt. APM and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of any such Konekt information.
- (b) APM has provided and is responsible for the APM Information. Konekt and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the APM Information.
- (c) Gilbert + Tobin has provided and is responsible for the information contained in section 7 of this Scheme Booklet. Neither Konekt nor the APM assumes any responsibility for the accuracy or completeness of the information contained in section 7 of this Scheme Booklet. Gilbert + Tobin does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in section 7.
- (d) The Independent Expert, Lonergan Edwards & Associates, has provided and is responsible for the information contained in Attachment E to this Scheme Booklet. Konekt does not assume any responsibility for the accuracy or completeness of the information contained in Attachment E to this Scheme Booklet except in relation to information given by it to the Independent Expert. APM does not assume any responsibility for the accuracy or completeness of the information contained in Attachment E to this Scheme Booklet. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Attachment E.
- (e) Computershare Investor Services Pty Ltd ACN 078 279 277 has had no involvement in the preparation of any part of this Scheme Booklet other than being named as Konekt's Share Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Scheme Booklet.

Investment decisions

The information in this Scheme Booklet does not constitute financial product advice.

This Scheme Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any Konekt Shareholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent legal, financial and taxation advice should be sought before making any investment decision in relation to your Konekt Shares.

ASIC and ASX involvement

This document is the explanatory statement for the scheme of arrangement between Konekt and the holders of Konekt Shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act. A copy of the proposed Scheme is included in this Scheme Booklet as Attachment C.

A copy of this Scheme Booklet (including the Independent Expert's Report) has been lodged with and registered for the purposes of section 412(6) of the Corporations Act by ASIC. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court on the Court Approval Date.

Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet will be lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the explanatory statement.

Notice regarding Second Court Hearing and if a Konekt Shareholder wishes to oppose the Scheme

The date of the Second Court Hearing to approve the Scheme is scheduled for Monday, 9 December 2019. The hearing will be at 10.15am (Sydney time) at the Federal Court of Australia at Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

Each Konekt Shareholder has the right to appear and be heard at the Second Court Hearing and if so advised, oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file and serve on Konekt a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely at the hearing. The notice of appearance and affidavit must be served on Konekt at its address for service at least one day before the Second Court Date. The address for service for Konekt is:

Level 3, 338 Pitt Street, Sydney NSW 2000

Attention: Ms Reena Minhas, Company Secretary

Email: rminhas@konekt.com.au

Disclosure regarding forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements.

The forward-looking statements in this Scheme Booklet are not based on historical facts, but rather reflect the current views of Konekt or, in relation to the APM Information and APM, held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipated”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimated”, “potential”, or other similar words and phrases. Similarly, statements that describe Konekt’s and APM’s objectives, plans, goals or expectations are or may be forward-looking statements.

The statements in this Scheme Booklet about the impact that the Scheme may have on the results of Konekt’s operations, and the advantages and disadvantages anticipated to result from the Scheme, are also forward-looking statements.

Any forward-looking statements included in the APM Information have been made on reasonable grounds. Although APM believes that the views reflected in any forward-looking statements included in the APM Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any other forward-looking statements included in this Scheme Booklet and made by Konekt have been made on reasonable grounds. Although Konekt believes that the views reflected in any forward-looking statements in this Scheme Booklet (other than the APM Information, the information in section 7 and the information in Attachment E) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either Konekt’s or APM’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. Konekt Shareholders should note that the historical financial performance of Konekt is no assurance of future financial performance of Konekt (whether the Scheme is implemented or not). Konekt Shareholders should review carefully all of the information included in this Scheme Booklet. The forward-looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. Neither Konekt, nor APM nor their directors give any representation, assurance or guarantee to Konekt Shareholders that any forward-looking statements will actually occur or be achieved. Konekt Shareholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, Konekt and APM do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

Konekt and APM may collect personal information to implement the Scheme. The personal information may include the names, contact details and details of holdings of Konekt Shareholders, plus contact details of individuals appointed by Konekt Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting.

The collection of some of this information is required or authorised by the Corporations Act.

Computershare advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Computershare organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. Some or all of your personal information may be disclosed to contracted third parties, or related Computershare companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about our personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au/privacy-policies>.

The information may be disclosed to print and mail service providers, and to Konekt and APM and their respective related bodies corporate and advisers to the extent necessary to effect the Scheme. If the information outlined above is not collected, Konekt may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively or at all. Konekt Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

Notice to persons outside Australia

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Sydney, Australia. All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see section 1.2 of this Scheme Booklet).

Currency

The financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$ and cents is to Australian currency, unless otherwise stated.

Date

This Scheme Booklet is dated 30 October 2019.

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Chairman's Letter

Dear Konekt Shareholder,

On behalf of the Konekt Directors, I am pleased to provide you with this Scheme Booklet which contains information for your consideration in relation to the proposed acquisition of Konekt by APM.

On Tuesday 8 October 2019, Konekt announced that it had entered into a Scheme Implementation Deed with APM under which it was agreed that APM would acquire 100% of all the shares in Konekt by way of scheme of arrangement, subject to regulatory, Court and Konekt Shareholder and other approvals. Founded in Perth, Western Australia in 1994, APM is one of the world's largest human services organisations, delivering allied health services, assessment services, psychological intervention, employment assistance, vocational rehabilitation and community-based services on behalf of Governments and private clients across 10 countries.

If the Scheme proceeds, Konekt Shareholders will receive an aggregate cash payment of \$0.49 per Konekt Share (**Total Cash Consideration**). The Scheme Consideration payable by APM under the Scheme is \$0.44 per Konekt Share. On 25 October 2019, Konekt declared a fully franked Special Dividend of \$0.05 per Konekt Share. The Special Dividend will be paid on 20 December 2019 to those Konekt Shareholders who are on the Share Registry on 11 December 2019 (**Special Dividend Record Date**). The Special Dividend is conditional upon the Scheme becoming Effective.

The Total Cash Consideration is comprised of:

- a fully franked Special Dividend of \$0.05 per Konekt Share held by each Konekt Shareholder on the Special Dividend Record Date, payable by Konekt¹; and
- the Scheme Consideration of \$0.44 per Konekt Share held by each Scheme Shareholder on the Scheme Record Date, payable by APM.

Any Konekt Shareholder that acquires Konekt Shares after the Special Dividend Record Date who is registered as such on the Scheme Record Date will receive \$0.44 per Konekt Share if the Scheme is implemented.

Konekt Shareholders may be able to realise the benefit of franking credits that are attached to the fully franked Special Dividend. The franking credits attached to the Special Dividend will depend on your own personal circumstances which we encourage you to seek independent legal and taxation advice around the franking credits and the fully franked Special Dividend.

The Total Cash Consideration of \$0.49 cash for each Konekt Share represents a significant premium to recent historical Konekt Share prices, prior to the announcement of the Scheme:

- 69% to the closing price of \$0.29 per Konekt Share on 4 October 2019, the last trading day prior to the announcement of the Scheme;
- 89% to the 1 month VWAP of \$0.26 per Konekt Share;
- 100% to the 3 month VWAP of \$0.25 per Konekt Share; and
- 162% to the 6 month VWAP of \$0.20 per Konekt Share.

Independent Expert

The Konekt Directors appointed Lonergan Edwards & Associates Limited as the Independent Expert to assess the merits of the Scheme.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders in the absence of a Superior Proposal.

¹ See section 8.11 for further information in relation to how the Special Dividend will be funded.

The Independent Expert has assessed the value of a Konekt Share to be in the range of \$0.39 to \$0.43. The Total Cash Consideration of \$0.49 is above this range.

A complete copy of the Independent Expert's report is included in Attachment E of this Scheme Booklet.

Konekt Directors' recommendation

The Konekt Directors (who collectively hold approximately 23.3% of the Konekt Shares on issue as at the date of this Scheme Booklet) have carefully considered the proposal from APM and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal and provided that the Independent Expert continues to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

While the Konekt Directors have confidence in the current operations and market position of Konekt, they also recognise the Total Cash Consideration represents a significant premium relative to historical trading prices, prior to the announcement of the Scheme. They further recognise the certain value outcome that the 100% cash offer provides to Konekt Shareholders.

Each Konekt Director intends to vote all the Konekt Shares held or controlled by them in favour of the Scheme. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

Outlined below are reasons why you may choose to vote in favour of this Scheme in section 2.2 and under section 2.3 are reasons why you may choose not to vote in favour of this Scheme.

How to vote

Your vote as a Konekt Shareholder is important and the Konekt Directors and I encourage you to submit your vote on this Scheme of Arrangement. You can vote by attending the Scheme Meeting or alternatively by completing the Proxy Form accompanying this Scheme Booklet.

The Scheme requires Court approval as well as approval from Konekt Shareholders. The vote will be held at a Scheme Meeting 10.00 on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

Further information

This Scheme Booklet sets out important information regarding the Scheme, including general advantages and disadvantages that may affect your voting decision, the Konekt Directors' recommendation and the Independent Expert's Report.

Should you require additional information or have any questions in regards to the Scheme itself, please contact 1300 671 080 (inside Australia) or +61 2 8022 7954 (outside Australia) from Monday to Friday between 9.00am to 5.00pm (Sydney time).

All Konekt Shareholders should consult their taxation, financial and/or legal adviser for further implications on how the Scheme will affect your personal circumstances. There is additional information provided in the Frequently Asked Question section containing answers to a range of questions on the Scheme and its implications.

Conclusion

The Konekt Directors unanimously recommend that you approve the scheme by voting in favour of the scheme resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have

regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

On behalf of the Konekt Directors, I would like to personally thank you for your continued involvement and support of the Konekt business and Board. I look forward to your participation at the Scheme meeting.

Your sincerely,

A handwritten signature in black ink, appearing to read 'Douglas Flynn', with a long horizontal stroke extending to the right.

Douglas Flynn
Chairman
Konekt Limited

Key dates

DATE	EVENT
10.00am on Sunday, 1 December 2019	Scheme Meeting proxies - the last date and time by which proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representative for the Scheme Meeting must be received by the Registry
7.00pm on Sunday, 1 December 2019	Scheme Meeting record date - Date and time for determining eligibility to vote at the Scheme Meeting
10.00am on Tuesday, 3 December 2019	Scheme Meeting
IF KONEKT SHAREHOLDERS APPROVE THE SCHEME AT THE SCHEME MEETING	
Monday, 9 December 2019	Second Court Date to approve the Scheme
Tuesday, 10 December 2019	<p>Effective Date - this is the date on which the Scheme comes into effect and is binding on Konekt Shareholders. Court order lodged with ASIC and announced on ASX.</p> <p>Konekt Shares will be suspended from trading at the close of trading on ASX on the Effective Date. If the Scheme proceeds, this will be the last day that Konekt Shares will trade on ASX.</p>
Wednesday, 11 December 2019	Special Dividend Record Date - all Konekt Shareholders who hold Konekt Shares on the Special Dividend Record Date will be entitled to receive the fully franked Special Dividend.
Monday, 16 December 2019	Scheme Record Date - all Konekt Shareholders who hold Konekt Shares on the Scheme Record Date will be entitled to receive the Scheme Consideration.
Friday 20 December 2019	Implementation Date and Special Dividend Payment Date - all Scheme Shareholders will be paid the Scheme Consideration to which they are entitled, and paid the fully franked Special Dividend.

All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see section 1.2 of this Scheme Booklet). All dates and times, unless otherwise indicated, refer to the date and time in Sydney, Australia. Any changes to the above timetable will be announced to ASX and notified on Konekt's website at www.konekt.com.au.

Purpose of this Scheme Booklet

This Scheme Booklet provides Konekt Shareholders who have invested in Konekt Limited (ASX:KKT) with information about the proposed acquisition by APM for all the Konekt shares.

Konekt is pleased to announce that the Australian Securities and Investments Commission (ASIC) has registered the Scheme Booklet in relation to the proposed scheme of arrangement under which APM, will acquire all Konekt Shares from Konekt Shareholders for a Total Cash Consideration of \$0.49 per Konekt Share. The Konekt Board has declared a fully franked Special Dividend of \$0.05 per Konekt Share, with the Total Cash Consideration comprising the fully franked Special Dividend of \$0.05 per Konekt Share and the Scheme Consideration of \$0.44 per Konekt Share.

This Scheme Booklet includes the Independent Expert's Report and Notice of Scheme Meeting as well as information about Konekt and APM.

In the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interest of Konekt Shareholders, each Konekt Director continues to recommend that Konekt Shareholders vote in favour of the Scheme and intends to vote all Konekt Shares that he or she controls in favour of the Scheme. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

The transaction will be effected by way of a scheme of arrangement, enabling Konekt Shareholders to vote on the Scheme.

The purpose of this Scheme Booklet is to explain the terms of the proposed Scheme and provide you with information on the Scheme to assist you in your decision whether or not to vote in favour of the Scheme.

Voting will take place at the Scheme Meeting to be held at 10.00am on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000. You should read this Scheme Booklet in full before deciding how to vote. The Scheme has a number of advantages, disadvantages and risks, which may affect Konekt Shareholders in different ways depending on their individual circumstances. Konekt Shareholders should seek professional advice on their particular circumstances, as appropriate.

Reasons to vote in favour of the Scheme

✓	The Konekt Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.
✓	The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders
✓	The Total Cash Consideration of \$0.49 cash per Konekt Share represents a significant premium for your Konekt Shares relative to historical trading prices, prior to the announcement of the Scheme

✓	The Scheme provides the opportunity to realise certain cash value for your investment in Konekt
✓	Konekt has declared a fully franked Special Dividend of \$0.05 per Konekt Share. Konekt Shareholders may be able to realise the benefit of franking credits as part of the fully franked Special Dividend
✓	No Superior Proposal has emerged since the announcement of the Scheme
✓	If the Scheme does not proceed, and no Superior Proposal emerges, Konekt's Shares may fall, including to a price that is well below the value of the Total Cash Consideration
✓	If the Scheme does not proceed, you will continue to be subject to the risks associated with Konekt's business and general market risks, rather than realising certain value for their Konekt Shares through the Scheme

For more information about the reasons to vote in favour of the Scheme, please see section 2.2 of this Scheme Booklet which Konekt Shareholders should read carefully and in its entirety.

Reasons not to vote in favour of the Scheme

X	You may disagree with the Konekt Directors' unanimous recommendation and the conclusion of the Independent Expert and believe that the Scheme is not in your best interests
X	You may consider that the Total Cash Consideration does not reflect Konekt's long term potential
X	You may prefer to participate in the future financial performance of the Konekt business
X	You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future
X	You may believe it is in your best interests to maintain your current investment and risk profile
X	The tax consequences of the Scheme may not be suitable having regard to your individual circumstances

For more information about the reasons to vote against the Scheme, please see section 2.3 of this Scheme Booklet which Konekt Shareholders should read carefully and in its entirety.

Next steps

(a) **Carefully read this Scheme Booklet**

This is an important document and you should read it carefully and in its entirety before making a decision on how to vote at the Scheme Meeting.

(b) **Vote on the Scheme**

As a Konekt Shareholder, if you are on the Register as at 7.00pm on Sunday, 1 December 2019, you are entitled to vote on whether the Scheme should proceed at the Scheme Meeting.

Please refer to the following pages of this Scheme Booklet for details on how to vote at the Scheme Meeting, including by proxy.

(c) **Seek further information**

If you have any questions in relation to the Scheme or the number of Konekt Shares you hold or how to vote, please call the Shareholder Information Line on 1300 671 080 (*within Australia*) or +61 2 8022 7954 (*outside Australia*) Monday to Friday between 9.00am and 5.00pm (Sydney time).

If you have any doubts as to the actions you should take or you have further questions, please contact your legal, investment or other professional adviser.

How to vote

Who is entitled to vote at the Scheme Meeting?

If you are registered on the Register as a Konekt Shareholder at 7.00pm (Sydney time) on Sunday, 1 December 2019, then you will be entitled to attend and vote at the Scheme Meeting in person, by proxy, by attorney or, in the case of a body corporate which is a Konekt Shareholder, by its corporate representative. Voting is not compulsory.

Joint Holders

In the case of Konekt Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one shareholder votes in respect of jointly held Konekt Shares, only the vote of the Konekt Shareholder whose name appears first in the Register will be counted.

Your vote is important

In order for the Scheme to be implemented, the Scheme Resolution must be approved by Konekt Shareholders at the Scheme Meeting.

For this reason the Konekt Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

If you are unable to attend the Scheme Meeting, the Konekt Directors urge you to complete and return, in the enclosed reply paid envelope, the personalised proxy form that accompanies this Scheme Booklet or lodge your proxy form online at Computershare's website (www.investorvote.com.au) in accordance with the instructions given there.

Location and details of Scheme Meeting

The details of the Scheme Meeting are as follows:

Location	The offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000
Date	Tuesday, 3 December 2019
Time	10.00am (Sydney Time)

Scheme Meeting

A copy of the Notice of Scheme Meeting is set out in Attachment A to this Scheme Booklet.

Section 3.2(b) of this Scheme Booklet provides details of the Scheme Resolution and the voting majorities that are required for the Scheme Resolution.

Voting in person, by attorney or corporate representative

If you wish to vote in person, you must attend the Scheme Meeting.

If you cannot attend the Scheme Meeting, you may vote by proxy by completing the proxy form accompanying this Scheme Booklet.

Attorneys who plan to attend the Scheme Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

A body corporate which is a Konekt Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Scheme Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

If you wish to appoint a proxy to attend and vote at the Scheme Meeting on your behalf, please complete and sign the personalised proxy form accompanying this Scheme Booklet in accordance with the instructions set out on the proxy form or lodge your proxy vote online at Computershare's website (www.investorvote.com.au) in accordance with the instructions given there. You may complete the proxy form in favour of the Chairperson of the Scheme Meeting or appoint up to two proxies to attend and vote on your behalf at the Scheme Meeting.

TO BE VALID, PROXY FORMS FOR THE SCHEME MEETING MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 10.00AM (SYDNEY TIME) ON SUNDAY, 1 DECEMBER 2019.

Proxy forms, duly completed in accordance with the instructions set out on the proxy form, may be returned to the Registry:

- (a) by posting them in the reply-paid envelope provided;
- (b) by posting them to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- (c) by delivering in person to Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000, Australia;
- (d) by faxing them to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside of Australia); or
- (e) online at www.investorvote.com.au

Login to the Computershare website using the details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online voting facility, Konekt Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

Frequently asked questions

QUESTION	ANSWER
AN OVERVIEW OF THE SCHEME	
What is the Scheme?	<p>A scheme of arrangement is a statutory procedure under the Corporations Act that is commonly used in Australia to undertake an acquisition of a publicly listed company.</p> <p>On 8 October 2019, Konekt Group announced the proposed Scheme to the ASX. If the Scheme is approved and implemented, Konekt Shareholders who hold Konekt Shares on both the Scheme Record Date and the Special Dividend Record Date will receive Total Cash Consideration of \$0.49 for each Konekt Share they own. If the Scheme becomes Effective, APM will acquire all the Scheme Shares for the Scheme Consideration and Konekt will be removed from the official list of the ASX.</p>
Why have I received this Scheme Booklet?	<p>This Scheme Booklet has been sent to you because you are a Konekt Shareholder and all Konekt Shareholders are being asked to vote on a Scheme which, if approved, will result in APM acquiring all Konekt Shares for the Total Cash Consideration of \$0.49 cash for each Konekt share held on the Scheme Record Date (less the amount of the Special Dividend). If you are a Konekt Shareholder on the Special Dividend Record Date you will also receive the fully franked Special Dividend of \$0.05 per Konekt Share.</p> <p>This Scheme Booklet is intended to help you to decide how to vote on the Scheme Resolution which needs to be passed at the Scheme Meeting to enable the Scheme to proceed.</p>
Who is APM?	<p>APM is a leading global human services organisation. APM works with both the private sector and governments across the world through a range of programs, including allied health services, assessment services, psychological intervention, employment assistance, vocational rehabilitation and community-based services. APM delivers these services within the health, disability, employment, justice, defence, ageing, early childhood, youth, skills and training sectors.</p> <p>For more information on APM, please see section 5 of this Scheme Booklet.</p>
How will the Scheme be implemented?	<p>In order for the Scheme to be implemented, all Conditions under the Scheme Implementation Deed must be satisfied or waived (if applicable), the Scheme Resolutions must be approved by Konekt Shareholders at the Scheme Meeting and the Scheme must be approved by the Court.</p>
What do the Konekt Directors recommend?	<p>The Konekt Directors have considered all of the advantages and disadvantages of the Scheme, and unanimously recommend that you vote in favour of the Scheme Resolution to approve the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the</p>

QUESTION	ANSWER
	<p>best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.</p> <p>The Konekt Directors consider that the reasons for Konekt Shareholders to vote in favour of the Scheme outweigh the reasons to vote against it.</p> <p>The Konekt Directors encourage you to seek independent financial, taxation, legal, or other professional advice in relation to your vote on the Scheme.</p>
How are the Konekt Directors intending to vote?	<p>All of the Konekt Directors intend to vote in favour of the Scheme in respect of all the Konekt Shares they hold or control, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders.</p>
What is the Independent Expert's opinion of the Scheme?	<p>The Independent Expert concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders.</p> <p>The Independent Expert has estimated the full underlying value of Konekt to be in the range of \$0.39 and \$0.43 per Konekt Share.</p> <p>The Independent Expert's Report is included as Attachment E to this Scheme Booklet.</p> <p>The Konekt Directors recommend that you read the Independent Expert's Report carefully and in its entirety.</p>
Why you may consider voting in favour of the Scheme	<ul style="list-style-type: none"> • The Konekt Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5. • The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders. • The Total Cash Consideration of \$0.49 cash per Konekt share represents a significant premium for your Konekt shares relative to historical trading prices, prior to the announcement of the Scheme. • The Scheme provides the opportunity to realise certain cash value for your investment in Konekt. • The Konekt Board has declared a fully franked Special Dividend of up to \$0.05 per Konekt Share. Eligible Konekt Shareholders

QUESTION	ANSWER
	<p>may be able to realise benefit from franking credits as part of the fully franked Special Dividend.</p> <ul style="list-style-type: none"> • No Superior Proposal has emerged since the announcement of the Scheme. • If the Scheme does not proceed, and no Superior Proposal emerges, Konekt's Shares are likely to trade at a lower price. • If the Scheme does not proceed, you will continue to be subject to the risks associated with Konekt's business and general market risks, rather than realising certain value for your Konekt Shares in a certain timeframe.
<p>Why you may consider voting against the Scheme</p>	<p>You may disagree with the Konekt Directors' unanimous recommendation and the conclusion of the Independent Expert and believe that the Scheme is not in your best interests.</p> <ul style="list-style-type: none"> • You may consider that the Total Cash Consideration does not reflect Konekt's long term potential. • You may prefer to participate in the future financial performance of the Konekt business. • You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future. • You may believe it is in your best interests to maintain your current investment and risk profile. • The tax consequences of the Scheme may not be suitable having regard to your individual circumstances.
<p>What happens if the Scheme does not proceed?</p>	<p>If the Conditions to the Scheme are not satisfied or waived or the Scheme Implementation Agreement is terminated then the Scheme will not be implemented. As a result:</p> <ul style="list-style-type: none"> • You will retain your Konekt Shares and they will not be acquired by APM and you will continue to participate in the benefits and risks of your investment in Konekt; • You will not receive the Scheme Consideration or the fully franked Special Dividend; and • Konekt will remain on the ASX as a standalone entity. <p>Depending on the reason for the Scheme not proceeding, Konekt may be liable for the Reimbursement Fee to APM. No Reimbursement Fee is payable merely because Konekt Shareholders do not approve the Scheme.</p>
<p>Is there a break fee payable?</p>	<p>Under the Scheme Implementation Deed, Konekt must pay APM a Reimbursement Fee of \$528,000 if certain events occur, including if any</p>

QUESTION	ANSWER
	<p>Konekt Director withdraws or adversely revises their recommendation of the Scheme or intention to vote in favour of the Scheme unless:</p> <ul style="list-style-type: none"> • The Independent Expert concludes in the Independent Expert's Report that the Scheme is not fair and reasonable and not in the best interests of Konekt Shareholders (except where that conclusion is due (in whole or in part) to the existence, announcement or publication of a Competing Proposal); or • Konekt terminates the agreement pursuant to clause 13.1(a)(i) of the Scheme Implementation Deed and has given the appropriate termination notice to APM. <p>No Reimbursement Fee is payable merely because Konekt Shareholders do not approve the Scheme.</p>
<p>What are the risks associated with an investment in Konekt if the Scheme does not become Effective?</p>	<p>You will remain a Konekt Shareholder and be subject to the business and general risks of holding your Konekt Shareholding as you would have prior to the commencement of the Scheme.</p> <p>Further information on the risks associated with the Scheme not becoming Effective are in section 6 of this Scheme Booklet.</p>
<p>AN OVERVIEW OF THE SCHEME CONSIDERATION</p>	
<p>What is the Total Cash Consideration?</p>	<p>The Scheme Consideration payable by APM under the Scheme is \$0.44 per Konekt Share.</p> <p>In addition, the fully franked Special Dividend of \$0.05 per Konekt Share will be paid on the Special Dividend Payment Date of 20 December 2019 to those Konekt Shareholder on the Share Register on the Special Dividend Record Date (11 December 2019). The fully franked Special Dividend is conditional on the Scheme becoming Effective.</p> <p>Accordingly, if the Scheme proceeds, those Konekt Shareholder who receive the fully franked Special Dividend and the Scheme Consideration will, in aggregate, receive the Total Cash Consideration of \$0.49 per Konekt Share. Any Konekt Shareholder that acquires Konekt Shares after the Special Dividend Record Date (11 December 2019) will receive \$0.44 per Konekt Share if the Scheme proceeds.</p>
<p>What is the Special Dividend?</p>	<p>The Special Dividend is a cash dividend that will be paid by Konekt if the Scheme becomes Effective.</p> <p>The Special Dividend will be \$0.05 per Konekt Share, fully franked and has a record date of 7.00pm (Sydney Time) on Wednesday, 11 December 2019. The fully franked Special Dividend will be paid on the Special Dividend Payment Date of Friday, 20 December 2019.</p> <p>Konekt Shareholders may be able to realise the benefit of franking credits in relation to the Special Dividend. Your own personal</p>

QUESTION	ANSWER
	circumstances will determine whether or not you are able to realise the benefit of franking credits.
Am I eligible to receive the Special Dividend?	Yes, if you are a Konekt Shareholder on the Special Dividend Record Date. Any Konekt Shareholder that acquires Konekt Shares after the Special Dividend Record Date (11 December 2019) will not receive the Special Dividend but rather will receive the Scheme Consideration of \$0.44 per Konekt Share if the Scheme Proceeds.
When will I receive the Special Dividend?	The fully franked Special Dividend will be paid to Konekt Shareholders on the Special Dividend Payment Date, being Friday, 20 December 2019.
What is the premium of the Total Cash Consideration to Konekt's Share price?	<p>The Total Cash Consideration of \$0.49 cash for each Konekt Share represents a significant premium to recent historical Konekt Share prices, prior to the announcement of the Scheme:</p> <ul style="list-style-type: none"> • 69% premium to the closing price of \$0.29 per Konekt Share on 4 October 2019, the last trading day prior to the announcement of the Scheme; • 89% premium to the 1 month VWAP of \$0.26 per Konekt Share; • 100% premium to the 3 month VWAP of \$0.25 per Konekt Share; and • 162% premium to the 6 month VWAP of \$0.19 per Konekt Share.
How is APM funding the Scheme Consideration?	APM has sufficient funding to meet its funding obligations under, or in connection with, the Scheme. APM intends to fund the Scheme Consideration from a combination of third party bank debt and existing cash on hand.
How will the Special Dividend be funded?	<p>Konekt will fund the Special Dividend pursuant to the Dividend Loan to be provided by APM to Konekt.</p> <p>See section 8.11 of this Scheme Booklet for further details in relation to how the Special Dividend will be funded.</p>
Who is entitled to participate in the Scheme?	Each person who is a Konekt Shareholder as at 7.00 pm (AEST) on the Scheme Record Date will be entitled to participate in the Scheme.
When will I receive the Scheme Consideration?	If you are a Konekt Shareholder on the Scheme Record Date, you will receive the Scheme Consideration on the Implementation Date (currently expected to be 20 December 2019).

QUESTION	ANSWER
How will I be paid?	All payments will be made by direct deposit into your nominated bank account, as advised to the Share Registry. If you have not nominated a bank account, payments will be made by cheque sent by post to your registered address as shown on the Share Register.
What are the tax implications of the Scheme for you?	<p>If the Scheme is implemented, there will be tax consequences for Konekt Shareholders, which may include tax being payable on any gain on disposal of Konekt Shares.</p> <p>General information about the likely Australian tax consequences of the Scheme is set out in section 7. However, the tax consequences arising to Konekt Shareholders will vary depending on their own specific profile, characteristics and circumstances. Accordingly, Konekt Shareholders should obtain professional tax advice having regard to their own particular circumstances.</p>
Will I have to pay brokerage or stamp duty?	<p>You will not have to pay brokerage or stamp duty on the transfer of your Konekt Shares to APM under the Scheme.</p> <p>If you dispose of your Konekt Shares before the Scheme Record Date, brokerage fees may be payable.</p>
Can I sell my Konekt Shares now?	<p>You can sell your Konekt Shares on market at any time before or on the Effective Date at the then prevailing market price, which may differ from the Total Cash Consideration.</p> <p>Konekt intends to apply to the ASX for Konekt Shares to be suspended from trading on the ASX from the Effective Date. You will not be able to sell your Konekt Shares on market after this date.</p> <p>If you sell your Konekt Shares on the ASX, you will not receive the Scheme Consideration and you may pay brokerage fees on the sale.</p>
SCHEME, VOTING AND APPROVALS	
Are there any conditions that must be satisfied or waived in order for the Scheme to be implemented?	<p>There are a number of Conditions that must either be satisfied or waived (if applicable) in order for the Scheme to be implemented, including:</p> <ul style="list-style-type: none"> • APM obtaining FIRB approval obtained before the Second Court Date; • Konekt Shareholders approving the Scheme; • The Independent Expert issuing an Independent Expert's Report concluding the Scheme is fair and reasonable and in the best interests of Konekt Shareholders and the Independent Expert does not publicly withdraw, qualify or change that opinion at any time before the Second Court Date; • Court approval of the Scheme; • No Konekt Prescribed Occurrence occurring;

QUESTION	ANSWER
	<ul style="list-style-type: none"> • No Konekt Regulated Event occurring; • No Material Adverse Change; • No Konekt director changes, qualifies or withdraws their voting intention or their recommendation in relation to the Scheme; • Having received consent to the change of control in relation to the Fundamental Key Contracts and confirmation that those contracts will not be terminated; and • Not having received any written indication from a counterparty to a Key Contract (other than a Fundamental Key Contract) that that party intends to terminate the Key Contract as a result of the change of control of Konekt, or a subsidiary of Konekt. <p>As at the date of this Scheme Booklet, neither Konekt nor APM is aware of any reason why these Conditions should not be satisfied or waived (as applicable).</p>
What happens if the Scheme becomes Effective?	<p>If the Scheme becomes Effective and you remain a Konekt Shareholder as at the Scheme Record Date, all of your Konekt Share will be transferred to APM under the Scheme and you will receive the Total Cash Consideration of \$0.49 per Konekt Share you hold on both the Special Dividend Record Date and the Scheme Record Date, comprising:</p> <ul style="list-style-type: none"> • a fully franked special dividend of \$0.05 per Konekt Share payable by Konekt on the Special Dividend Payment Date; and • the Scheme Consideration of \$0.44 per Konekt Share payable by APM on the Scheme Record Date.
Can the Scheme be terminated?	<p>The Scheme Implementation Deed may be terminated in certain circumstances as described in clause 13 of the Scheme Implementation Deed. If the Scheme Implementation Deed is terminated, the Scheme will not proceed.</p>
Am I entitled to vote at the Scheme Meeting?	<p>If you are registered as a Konekt Shareholder on the Register at 7.00pm (AEST) on 1 December 2019, you will be entitled to vote at the Scheme Meeting.</p>
How do I vote?	<p>You may vote in person by attending the Scheme Meeting.</p> <p>Alternatively, you may vote by appointing a proxy or attorney to attend and vote on your behalf. The Proxy Form can be lodged in person, by mail or online.</p> <p>Corporate Shareholders may also vote by appointing a corporate representative.</p>

QUESTION	ANSWER
When and where will the Scheme Meeting be held?	The Scheme Meeting to approve the Scheme will be held at 10.00am on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.
Is voting compulsory?	<p>Voting is not compulsory. However, the Scheme will only be successful if it is approved by the required majorities of Konekt Shareholders and therefore voting is important, and Konekt Directors encourage you to vote.</p> <p>If the Scheme is approved, you will be bound by the Scheme whether or not you voted and whether or not you voted in favour of it.</p>
What vote is required to approve the Scheme?	<p>For the Scheme to be approved, the Scheme must be agreed by:</p> <ul style="list-style-type: none"> • A majority in number (more than 50%) of Konekt Shareholders present in person or by proxy, attorney or representative and voting; and • At least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting. <p>The Court has the discretion to waive the first of the above two requirements if it considers appropriate to do so.</p> <p>Even if the Scheme is approved at the Scheme Meeting, it is still subject to approval by the Court, as well as other Conditions to become Effective.</p>
What happens if I do not vote or if I vote against the Scheme?	<p>If you do not vote or vote against the Scheme, the Scheme may not be approved at the Scheme Meeting. If this occurs the Scheme will not proceed, you will not receive the Total Cash Consideration and you will remain a Konekt Shareholder.</p> <p>However, even if you did not vote or you voted against the Scheme, if the Scheme is approved and implemented, your Konekt Shares will be transferred to APM and you will receive the Total Cash Consideration.</p>
Can I keep my shares in Konekt?	If the Scheme is implemented, all your Konekt Shares will be transferred to APM. This will happen even if you did not vote or you voted against the Scheme.
When will the results of the Scheme Meeting be available?	The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX.
Should I vote?	Voting is not compulsory. However, the Konekt Directors believe that the Scheme is important for all Konekt Shareholders and the Konekt Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the

QUESTION	ANSWER
	Independent Expert continues to consider that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.
FURTHER INFORMATION	
What if I want further information?	<p>If you have any questions about the Scheme or you would like additional copies of this Scheme Booklet, please contact the Shareholder Information Line on 1300 671 080 (<i>within Australia</i>) or +61 2 8022 7954 (<i>outside Australia</i>) Monday to Friday between 9.00am and 5.00pm (Sydney time).</p> <p>For information about your individual financial or taxation circumstances please consult your financial, legal, taxation or other professional adviser.</p>

1 Summary of the Scheme

1.1 Scheme

On Tuesday, 8 October 2019, Konekt announced that it had executed a Scheme Implementation Deed with APM. Pursuant to the Scheme Implementation Deed, APM will acquire all Konekt Shares on issue by way of the Scheme.

If the Scheme is approved by Konekt Shareholders at the Scheme Meeting and by the Court, and if all other necessary approvals and Conditions for the Scheme are satisfied or waived (as applicable), Konekt will become a wholly-owned subsidiary of APM and will be delisted from the ASX and you will receive the Total Cash Consideration. If the Scheme is not approved, the Scheme will not be implemented, you will not receive the Scheme Consideration or the fully franked Special Dividend and Konekt will continue as a standalone entity listed on the ASX.

1.2 Conditions precedent

The conditions of the Scheme are set out in clause 3.1 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet.

1.3 Implementation of the Scheme

The Scheme is proposed to be undertaken pursuant to a Court approved scheme of arrangement. A scheme of arrangement is a legal arrangement that shareholders vote on and, if the Requisite Majorities of shareholders vote in favour of it and it is approved by the Court, it binds the company and all of its shareholders upon the Court orders approving the scheme of arrangement being lodged with ASIC. Approval of a scheme of arrangement requires a 50% majority of the number of shareholders voting (unless the Court orders otherwise) and a 75% majority of the total votes cast being in favour of the scheme, as well as approval by the Court.

The Scheme will become binding on Konekt and Konekt Shareholders only if the conditions to the Scheme are satisfied or waived (as applicable).

1.4 If the Scheme becomes Effective

If the Scheme becomes Effective and you remain a Konekt Shareholder as at the Scheme Record Date, each of your Konekt Shares will be acquired by APM on the Implementation Date, even if you do not vote on the Scheme Resolution or if you vote against the Scheme Resolution at the Scheme Meeting.

2 Konekt Directors' recommendation and matters relevant to your vote on the Scheme

2.1 Recommendation

Konekt Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and provided that the Independent Expert continues to consider the Scheme is fair and reasonable and in the best interest of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

2.2 Reasons for recommendation and advantages of the Scheme

2.2.1 The Konekt Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders.

The Konekt Directors unanimously recommend that you vote in favour of the Scheme at the upcoming Scheme Meeting in the absence of a Superior Proposal and provided that the Independent Expert continues to consider that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

In reaching their recommendation, the Konekt Directors have assessed the Scheme having regard to reasons to vote in favour of, or against, the Scheme, as set out in this Scheme Booklet.

Each of the Konekt Directors, in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider that the Scheme is fair and reasonable and in the best interests of the Konekt Shareholders, will vote in favour of the Scheme.

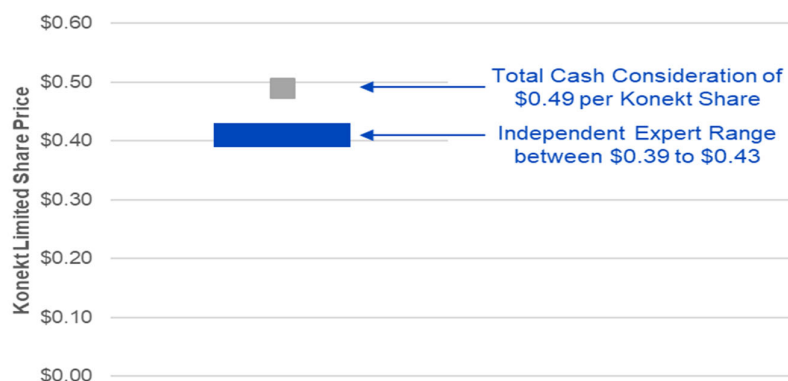
2.2.2 The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders

Konekt appointed Lonergan Edwards & Associated Limited to prepare an Independent Expert's Report providing an opinion as to whether the Scheme is fair and reasonable and in the best interests of Konekt Shareholders.

The Independent Expert has analysed the Konekt business including its growth, options and opportunities available to the company.

In conclusion, the Independent Expert has summarised that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders as the Total Cash Consideration of \$0.49 per Konekt Share is above the Independent Expert's valuation range of \$0.39 to \$0.43.

Figure 1: Analysis of the Independent Expert's valuation range



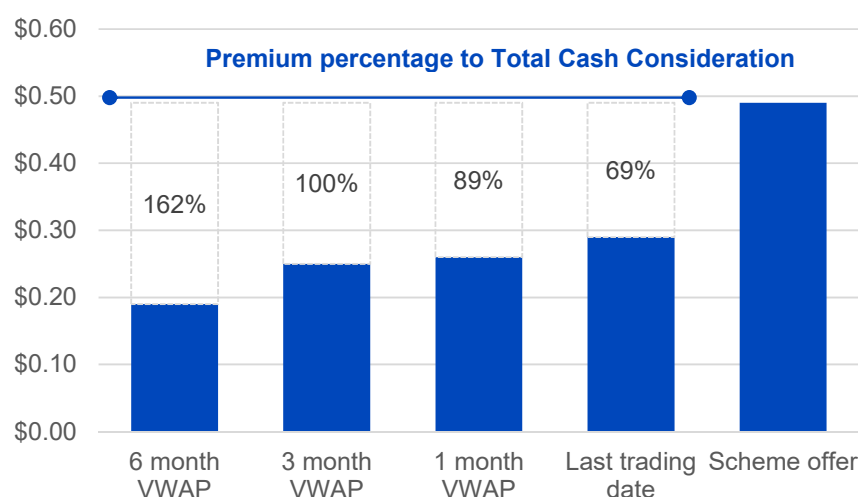
Source: Independent Expert's Report

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report. Konekt Shareholders should read the Independent Expert's Report which is in Attachment E of this Scheme Booklet.

2.2.3 The Total Cash Consideration of \$0.49 cash per Konekt Share represents a significant premium for the Konekt Shares you hold relative to historical trading prices, prior to the announcement of the Scheme

The Total Cash Consideration of \$0.49 cash for each Konekt Share, which will be paid to Konekt Shareholders if the Scheme is approved and implemented, represents a significant premium to recent and historical trading prices of your Konekt Shares, prior to the announcement of the Scheme.

Figure 2: Analysis of the Total Cash Consideration against Konekt Share trading prices



Source: Capital IQ

2.2.4 The Scheme provides the opportunity to realise certain cash value for your investment in Konekt

The Scheme will provide you with the opportunity to obtain certain value of \$0.49 per Konekt Share for each of your Konekt Shares. The Scheme also provides you an opportunity to dispose of 100% of your Konekt Shares in a single transaction. The offer from APM is a 100% cash offer. This provides a high degree of certainty of value and timing. More specifically, if the Scheme is implemented, Konekt Shareholders will receive the Scheme Consideration (payable by APM) of \$0.44 per Konekt Share. Konekt Shareholders that hold Konekt Shares on the Special Dividend Record Date will also receive \$0.05 cash per Konekt Share by way of the fully franked Special Dividend resulting in such Konekt Shareholder receiving the Total Cash Consideration of \$0.49 per Konekt Share.

In contrast, if the Scheme does not proceed, the amount which Konekt Shareholders will be able to realise for their investment in Konekt Shares will be uncertain. The 100% cash offer provides certainty against all future risks of the business in relation to your investment in Konekt. Further information in relation

to the risks associated with your investment in Konekt are set out in section 6.3 of this Scheme Booklet.

2.2.5 Konekt Shareholders may be entitled to receive franking credits as part of the fully franked Special Dividend

The Konekt Board has declared a fully franked Special Dividend of \$0.05 per Konekt Share which, if the Scheme becomes Effective, will be paid on the Special Dividend Payment Date.

Konekt Shareholders may be able to realise benefits from franking credits as part of the fully franked Special Dividend. Your own personal circumstances will determine whether or not you are entitled to receive and realise benefits from franking credits.

While this Scheme Booklet outlines general taxation advice in section 7, you should consult your own legal and taxation adviser in determining whether the franking credits apply.

2.2.6 No Superior Proposal has emerged since the announcement of the Scheme

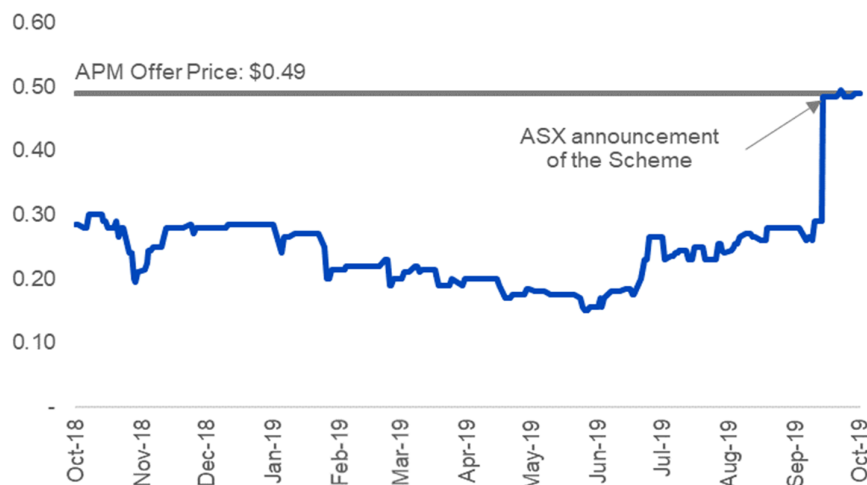
Since the announcement of the execution of the Scheme Implementation Deed on Tuesday, 8 October 2019 and up to date of this Scheme Booklet, no Superior Proposal has emerged and your Directors are not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

2.2.7 If the Scheme does not proceed, and no Superior Proposal emerges, Konekt Shares are likely to trade at a lower price

Although the Konekt Directors are unable to predict the price at which Konekt Shares will trade in the future, if the Scheme does not proceed and no Superior Proposal emerges, the Konekt Directors believe that the market price of Konekt Shares may fall, including to a price that is well below the value of the Total Cash Consideration of \$0.49 per Konekt Share.

The chart below shows the Konekt Share price performance over the last twelve months to Friday 25 October 2019.

Figure 3: Konekt Share price performance



Source: Capital IQ

2.2.8 If the Scheme does not proceed, you will continue to be subject to the risks associated with Konekt's business and general market risks, rather than realising certain value for their Konekt Shares in a certain timeframe

If the Scheme does not proceed, the value that Konekt Shareholders will be able to realise from their Konekt Shares (in terms of any future dividends and the price of those Shares) will be uncertain and subject to a number of risks.

These risks include the future performance of the Konekt business, general economic and market conditions and movements in the stock markets. Some of the other specific business risks associated with the investment in Konekt may be heightened in circumstances where the Scheme does not proceed. Further information in relation to the risks associated with your investment in Konekt are set out in section 6.3 of this Scheme Booklet.

There is no guarantee that, in the foreseeable future (or otherwise), Konekt Shareholders will be able to realise a price equal to, or greater than, the Total Cash Consideration of \$0.49 per Konekt Share.

The Scheme removes these risks for Konekt Shareholders and allows Konekt Shareholders to exit their investment in Konekt at a price that the Konekt Directors consider to be fair and reasonable.

2.3 Reasons why Konekt Shareholders may consider voting against the Scheme and disadvantages of the Scheme

Although the Konekt Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders, factors which may lead Konekt Shareholders to vote against the Scheme include:

2.3.1 You may disagree with the Konekt Directors' unanimous recommendation and the conclusion of the Independent Expert and believe that the Scheme is not fair and reasonable and in your best interests

Despite the view of the Konekt Directors and the Independent Expert, you may believe that the Scheme is not fair and reasonable and in the best interests of Konekt Shareholders or not in your individual best interests.

2.3.2 You may consider that the Scheme Consideration does not reflect Konekt's long term potential

If the Scheme is approved and implemented, you will cease to be a Konekt Shareholder. However, you may consider that Konekt has stronger long-term growth potential than the Total Cash Consideration of \$0.49 per Konekt Share, which does not fully reflect your views on the long-term value of Konekt.

You may therefore prefer to retain your Konekt Shares and realise the value of them over the longer term. However, there is no guarantee as to Konekt's future performance or value.

2.3.3 You may prefer to participate in the future financial performance of the Konekt business

If the Scheme is implemented, you will no longer be a Konekt Shareholder and will forego any benefits that may result from being a Konekt Shareholder.

This will mean you will not retain an interest in Konekt, be able to participate in the future potential of Konekt and forego in any benefits in the future performance of Konekt.

2.3.4 You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future

It is possible that a Superior Proposal may emerge before the implementation of the Scheme which is more attractive to Konekt Shareholders (including because a third party may offer an offer price that is higher than the Total Cash Consideration).

However, there has been no Superior Proposal to date and the Konekt Directors do not anticipate there to be a Superior Proposal to emerge.

2.3.5 You may believe it is in your best interests to maintain your current investment and risk profile

You may prefer to keep your Konekt Shares to preserve your current investment strategy in a listed company with specific characteristics of Konekt including its size, growth and earnings profile.

Implementation of the Scheme may result in a disadvantage to those who wish to maintain their investment profile. Konekt Shareholders who wish to maintain their investment profile may find it difficult to find an investment with a similar investment profile to that of Konekt and they may incur transaction costs in undertaking any new investment.

You may consider that despite the risk factors associated with Konekt and Konekt's potential future operations, Konekt may be able to return greater value by remaining as a standalone entity rather than under the ownership of APM. You may also might find it difficult to identify or invest in a similar Konekt alternative which fits your current investment strategy and profile.

2.3.6 The tax consequences of the Scheme may not be suitable having regard to your individual circumstances

Implementation of the Scheme may trigger taxation consequences for Konekt Shareholders which will depend on your own personal situation. A general guide to taxation implications is set out in section 7 of this Scheme Booklet. Section 7 is expressed as a guide only referring to general terms and all Konekt Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Scheme.

3 Overview of the Scheme

3.1 Scheme Consideration

If the Scheme becomes Effective, Scheme Shareholder will receive the Total Cash Consideration of \$0.49 per Konekt Share, comprising:

- (a) a fully franked special dividend of \$0.05 per Konekt Share payable by Konekt on the Special Dividend Payment Date; and
- (b) the Scheme Consideration of \$0.44 per Konekt Share payable by APM on the Scheme Record Date.

3.2 Steps for implementing the Scheme

- (a) Preliminary steps

Konekt and APM entered into the Scheme Implementation Deed on Tuesday, 8 October 2019, under which Konekt agreed to, amongst other things, propose the Scheme.

APM has executed the Deed Poll, under which APM agrees to, subject to the Scheme becoming effective, provide the Scheme Consideration to which each Scheme Shareholder is entitled under the terms of the Scheme.

A copy of the proposed Scheme is set out at Attachment C to this Scheme Booklet. A copy of the Deed Poll is set out at Attachment D to this Scheme Booklet.

- (b) Scheme Meeting

The Court has ordered that the Scheme Meeting be held at 10.00am on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000 for the purposes of approving the Scheme Resolution. The Notice of Scheme Meeting for Konekt Shareholders which sets out the Scheme Resolution is included in Attachment A to this Scheme Booklet.

Each Konekt Shareholder who is registered on the Register at 7.00pm (Sydney time) on Sunday, 1 December 2019 is entitled to attend and vote at the Scheme Meeting, either in person or by proxy or attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Instructions on how to attend and vote at the Scheme Meeting in person, or to appoint a proxy to attend and vote on your behalf, are set out in the "How to vote" section located on page 17 of this Scheme Booklet.

- (c) Scheme Resolution approval requirements

The Scheme Resolution must be approved by:

- (i) a majority in number (more than 50%) of Konekt Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate Konekt Shareholders, by a corporate representative) (the **Headcount Test**); and

- (ii) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

It should be noted that the Court has the power to waive the Headcount Test.

(d) Second Court hearing

In the event that:

- (i) the Scheme Resolution is approved by the Requisite Majorities of Konekt Shareholders at the Scheme Meeting; and
- (ii) all conditions precedent of the Scheme (other than the condition relating to court approval) have been satisfied or remain capable of being satisfied, or waived (if applicable),

Konekt will apply to the Court for orders approving the Scheme.

The Second Court Hearing is expected to take place at 10.15am on Monday, 9 December 2019. Any Konekt Shareholder has the right to appear at the Second Court Hearing.

(e) Effective Date

If, at the Second Court Hearing, the Court makes orders approving the Scheme, Konekt will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme. It is anticipated that this will occur on the Business Day immediately following the Court Approval Date. Once such Court orders are lodged with ASIC, the Scheme will become "Effective".

Once the Scheme becomes Effective:

- (i) APM will become bound to pay Scheme Shareholders the Scheme Consideration on the Implementation Date;
- (ii) the fully franked Special Dividend will become payable;
- (iii) each Scheme Shareholder, without the need for any further action, irrevocable appoints Konekt as its attorney and agent for the purposes of enforcing the Deed Poll against APM (see section 8.3 for more information); and
- (iv) subject to payment of the aggregate Scheme Consideration by APM as referred to in section 3.1 of this Scheme Booklet above, Konekt will become bound to take the steps required for APM to become the holder of all Konekt Shares.

3.3 Determination of persons entitled to the Special Dividend

Those Konekt Shareholders on the Share Register on the Special Dividend Record Date, being Wednesday, 11 December 2019, will be entitled to receive the fully franked Special Dividend of \$0.05 per Konekt Share that they hold at that date.

3.4 Determination of persons entitled to Scheme Consideration

Those Konekt Shareholders on the Share Register on the Scheme Record Date, being 7.00pm on Monday, 16 December 2019, will be entitled to receive the Scheme

Consideration in respect of the Konekt Shares they hold on that date. Further information on the payment of the Scheme Consideration is provided at section 3.10.

3.5 Dealing with Konekt Shares on, or prior to, the Scheme Record Date

To determine who is a Scheme Shareholder (i.e. a Konekt Shareholder on the Scheme Record Date), dealings in Konekt Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Share Register as a holder of the relevant Konekt Shares at or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Share Register is kept (in which case, Konekt must register such transfers or transmission applications at or before the Scheme Record Date).

For the purposes of determining entitlements under the Scheme, Konekt will not accept for registration or recognise any transfer of transmission applications regarding Konekt Shares that are not in registrable form or are received after the Scheme Record Date.

3.6 Dealings with Konekt Shares after the Scheme Record Date

For the purposes of determining entitlements to Scheme Consideration, Konekt will maintain the Share Register in accordance with the terms of the Scheme until:

- (a) the Scheme Consideration has been paid to the Scheme Shareholders; and
- (b) the name and address of APM has been entered in the Share Register as the holder of all the Konekt Shares.

The Share Register in this form will solely determine entitlements to the Scheme Consideration. After the Scheme Record Date:

- (a) all statements of holding for Scheme Shares will cease to have any effect as documents relating to title in respect of such Konekt Shares; and
- (b) each entry in the Share Register will cease to have effect, other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

3.7 Konekt Options and Konekt Performance Rights

By the Effective Date:

- (a) all Konekt Options will have either been exercised or acquired or cancelled for consideration; and
- (b) all Konekt Performance Rights will have either been exercised or lapsed in accordance with their terms.

Please see section 4.7 for further details in relation to the treatment of Konekt Options and Konekt Performance Rights in accordance with the Scheme.

3.8 Special Dividend

If the Scheme becomes Effective, Konekt Shareholders will receive the amount of the Special Dividend on the Special Dividend Payment Date (currently anticipated to be Friday, 20 December 2019). The Special Dividend Payment Date is expected to occur on the same date as the Implementation Date.

3.9 Implementation of the Scheme - payment of Scheme Consideration

If the Scheme becomes Effective, Scheme Shareholders will receive their Scheme Consideration on the Implementation Date (currently anticipated to be Friday, 20 December 2019). Immediately after the Scheme Consideration is paid to Scheme Shareholders, all Konekt Shares will be transferred to APM.

3.10 Deed Poll

APM has executed the Deed Poll, pursuant to which APM has undertaken to provide the \$0.49 per Scheme Share held by each Scheme Shareholder under the Scheme, subject to the Scheme becoming Effective.

Under the Scheme, each Scheme Shareholder irrevocably appoints Konekt and each of its Directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (a) enforcing the Deed Poll against APM; and
- (b) executing and document or doing any other act necessary, desirable or expedient to give full effect to the Scheme and the transactions contemplated by it.

This includes executing a proper instrument of transfer in respect of a Scheme Shareholder's Scheme Shares.

Payments of Aggregate Scheme Consideration

The following steps will occur in relation to the payment of the Aggregate Scheme Consideration by APM:

- (a) **APM deposits the Aggregate Scheme Consideration:** before 12 noon on the date that is one Business Day before the Implementation Date, APM is required to pay the Aggregate Scheme Consideration, in cleared funds, into a trust account operated by Konekt for the benefit of the Scheme Shareholders.
- (b) **Konekt pays the Scheme Shareholders and transfers all Konekt Shares to APM:** subject to payment of the Aggregate Scheme Consideration by APM as referred to in paragraph (a) above, on the Implementation Date:
 - (i) Konekt will pay (or procure the payment) to each Scheme Shareholder the proportion of the Aggregate Scheme Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date;
 - (ii) Konekt will transfer all Konekt Shares to APM; and
 - (iii) Konekt will then enter the name of APM in the Share Register in respect of all Konekt Shares.

A copy of the Deed Poll is set out at Attachment D to this Scheme Booklet.

3.11 Termination rights

Termination rights are set out in clause 13 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet. In summary, the Scheme Implementation Deed may be terminated, before 8.00am on the Second Court Date:

- (a) **By APM:** if any Konekt Director publicly withdraws, changes or adversely modifies his or her recommendation that Konekt Shareholders vote in favour of the Scheme Resolution, makes any public statement that is inconsistent with the recommendation or voting intention, or publicly recommends a Competing Proposal or if a Konekt Regulated Event or a Konekt Prescribed Occurrence occurs.
- (b) **By Konekt:** if all or a majority of Konekt Directors withdraw or change their recommendation in circumstances where Konekt receives a Superior Proposal and Konekt has complied with the exclusivity arrangements that are summarised in section 3.12 below.
- (c) **By Konekt or APM:** if the other party materially breaches the Scheme Implementation Deed and the breach is not remedied within 5 Business Days, or a condition precedent has not been satisfied or waived (as applicable) and Konekt and APM are unable to agree on a course of action within 10 Business Days.

If the Scheme Implementation Deed is terminated, the Scheme will not proceed.

3.12 Exclusivity

The Scheme Implementation Deed includes certain exclusivity arrangements that Konekt has agreed to with APM which are customary in schemes of arrangement. These are summarised below.

- (a) **'No-shop' obligation:** Konekt must not solicit, encourage, initiate or invite a Competing Proposal.
- (b) **'No-talk' obligation:** Konekt must not participate in or continue any discussions or negotiations about, or which may reasonably lead to or encourage, a Competing Proposal.
- (c) **'No-due diligence' obligation:** Konekt must not provide, or make available, non-public information regarding Konekt (including due diligence information) to a Third Party for the purposes of formulating, developing or finalising a Competing Proposal.
- (d) **Notification of approaches:** Konekt must notify APM in writing as soon as practicable but in any event within 48 hours if Konekt is approached in relation to an actual or potential Competing Proposal or a request is made by a third party for any information about Konekt which may lead to a Competing Proposal.
- (e) **Matching right:** If a Competing Proposal received, Konekt must not enter into a legally binding agreement in relation to the Competing Proposal and must ensure that no Konekt director changes, qualifies or withdraws their voting intention or their recommendation in relation to the Scheme unless APM is given an opportunity to submit another proposal.

The "no-talk" and "no-due diligence" obligations do not apply to a bona fide Competing Proposal that the Konekt Board determines is, or could reasonably be expected to

become, a Superior Proposal, where failing to respond to the Competing Proposal may constitute a breach of the Konekt Board's fiduciary or statutory duties.

In addition, Konekt is required to notify APM within 48 hours of any Competing Proposals that Konekt receives and also provide APM with a matching right if a Superior Proposal is received by Konekt. As at the date of this Scheme Booklet, no Superior Proposal has been received.

3.13 Reimbursement Fee

The Reimbursement Fee provisions are set out in clause 12 of the Scheme Implementation Deed which is Attachment B to this Scheme Booklet. In summary, Konekt must pay the Reimbursement Fee to APM if:

- (a) **Recommendation of Konekt Directors:** before the Second Court Date, a Konekt Director withdraws or adversely revises their recommendation that Konekt Shareholders vote in favour of the Scheme (except where the Independent Expert concludes that the Scheme is not or no longer fair and reasonable and in the best interest of Konekt Shareholders or where Konekt was entitled to terminate the Scheme Implementation Deed due to a material breach by APM that is not remedied within 5 Business Days);
- (b) **Material Breach by Konekt:** APM terminates the Scheme Implementation Deed due to a material breach of the Scheme Implementation Deed by Konekt and such breach is not remedied within 5 Business Days (except where the Independent Expert ceases to consider that the transaction is fair and reasonable and in the best interest of Konekt Shareholders other than in circumstances where that conclusion is due (in whole or in part) to the existence, announcement or publication of a Competing Proposal);
- (c) **Entry into Competing Proposal:** before the Scheme Meeting a Competing Proposal is announced and within 12 months of the date of such announcement, a third party either: (a) completes a Superior Proposal; or (b) acquires a Relevant Interest in more than 50% of the Konekt Shares or otherwise comes to control Konekt or acquires substantially all of the assets of Konekt.

3.14 Delisting

If the Scheme becomes Effective, on or after the Implementation Date (to be determined by APM), Konekt will apply for termination of the official quotation of Konekt Shares on ASX and for Konekt to be removed from the official list of ASX.

3.15 End date

If the Scheme does not become Effective on or before the End Date (being 29 February 2020), either Konekt or APM is able to terminate the Scheme Implementation Deed. If the Scheme Implementation Deed is terminated, the Scheme will not proceed and the fully franked Special Dividend will not be paid.

3.16 Further questions

If you have any further questions, you should call the Shareholder Information Line on 1300 671 080 (within Australia) or +61 2 8022 7954 (outside Australia) Monday to Friday between 9.00am and 5.00pm (Sydney time).

4 Information on Konekt

4.1 Overview of Konekt

Konekt is a public company, headquartered in Sydney, Australia and listed on the Australian Securities Exchange under the ASX code: KKT.

Konekt is one of the largest integrated employment placement, workplace injury management and workplace health solutions providers in Australia. Konekt's focus is on helping organisations, individuals and government to maximize workforce participation and productivity, and minimise the impact of workplace injury.

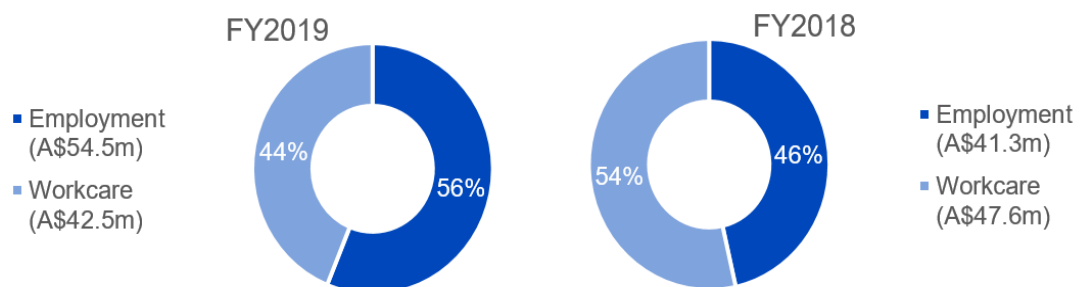
Konekt has over 700 staff, including more than 200 allied health professionals, operating from a national footprint of over 107 offices and 30 outreach sites.

4.2 Overview of Operations

Konekt provides new employment, return to work, mentally healthy workplace, safe employment and consulting services, to corporate, government and insurance customers. During the financial year, the principal continuing revenue generating activities of the consolidated entity consisted of Employment and Workcare:

- Employment services as a contracted service provider to the Federal Government's jobactive, New Enterprise Incentive Scheme (NEIS) and Disability Employment Services (DES) programs; and
- Workplace injury prevention (including mental health and safe employment consulting) and Return to Work injury management services.

Figure 4: Revenue contribution of Employment and Workcare



Source: Annual Report 2019

4.3 Konekt Directors

Konekt's current Board of Directors comprises the following members (who collectively hold approximately 23.3% of the Konekt Shares on issue as at the date of this Scheme Booklet):

Douglas Flynn – Chairman

Mr Flynn has held senior management roles and directorships in major media organisations in Australia and overseas. He was Managing Director of London based

News International PLC. He was appointed a Non-Executive Director of Aegis Group plc Board in 1996. Aegis Group is a marketing services company operating in some 60 countries. After being appointed Chief Executive of Aegis Group in 1999, Mr Flynn was instrumental in doubling the size of the company and established a global market research business Synovate and internet services business, Isobar. In April 2005, he joined Rentokil Initial plc, a global business services company, as Chief Executive and after extensive restructuring of the company's portfolio, balance sheet and organisation left in 2008. In mid-2008, Doug became Director of West Australian Newspapers Holdings Limited and later Seven West Media Limited. Other past board positions include chairing iSentia Limited, APN Outdoor Limited and he currently chairs data centre company, NEXTDC Limited.

Date of appointment: 19 July 2012

Damian Banks – Group Chief Executive Officer and Managing Director

Mr Banks has had a wide variety of roles across banking, finance, health and consulting, and has been CEO of Konekt since April 2012. During his tenure at Konekt, Mr Banks has led the significant growth within the company both through acquisitions and from organic expansion. Prior to Konekt, Mr Banks had a 15-year career in banking, where he led several businesses including equities, corporate, institutional and transactional banking.

Date of appointment: 12 September 2011

Philip Small – Non-Executive Director

Mr Small is an experience executive and has worked in Australia, New Zealand and Europe for companies in financial services technology and professional services. He has held a number of senior management positions and was President of Computer Sciences Corporation's Financial Services Group in Asia Pacific. Prior to that, Mr Small worked for Continuum and was responsible for their operations in Asia Pacific. He worked for Paxus Corporation where he was an Executive Director, headed up their European division and led their expansion through internal growth and acquisition, to become the leading provider of insurance software in Europe. Mr Small is an experienced advisor and has worked with companies in the technology, professional services and outsourced business services sector.

Date of appointment: 19 November 2009

Anthony Crawford – Non-Executive Director

Mr Crawford is the Chairman of Hospitals Benefits Fund of Australia Ltd, Energy and Water Ombudsman of NSW Ltd and Heart Research Australia. He is also a Non-Executive Director of NSW Rugby Union and has previously served as the Independent Chairman of accounting and advisory firm Grant Thornton Australia. Mr Crawford has had an extensive career of over 30 years with leading Australian commercial law firm, DLA Phillip Fox. As a partner for 25 years, he served as the firm's Chief Executive between 1999 and 2010 and prior to that as Chairman of the Board.

Date of appointment: 16 July 2013

4.4 Konekt Management

Konekt's current senior management comprises the following members:

Name	Current position
Damian Banks	Group Chief Executive Officer and Managing Director
Reena Minhas	Group Chief Financial Officer and Company Secretary
Hugh Fitzsimmons	Group Executive of Shared Services
Geoff Martin	Group Executive of People, Performance & Culture
Peter Bouhalis	Group Chief Information Officer
Adam Collison	Chief Executive of Konekt Employment
Lylea McMahon	Chief Executive of Konekt Workcare
Adrianna Loveday	Chief Executive of CommuniCorp

4.5 Financial Information

The Profit & Loss Statement, Balance Sheet and Cash Flow Statement below are from the Annual Report 2019 which was released to the ASX on 23 August 2019.

The financial information contained in this section is from the Annual Report 2019. It does not contain all the disclosures and accompanying financial notes that usually found in an annual report. These financial statements should be read in conjunction with the accounting policies of Konekt which can be found in the Annual Report 2019.

Copies of the Annual Report 2019 can be found on the ASX and Konekt websites.

FY18 figures presented in this Scheme Booklet are as restated in the Annual Report 2019.

Figure 5: Konekt Profit & Loss Statement

Konekt Profit & Loss Statement (AUD \$000)	FY2018	FY2019
<u>Revenue</u>		
Revenue from continuing operations	87,914	96,257
Re-measurement of contingent consideration	160	41
Other income	1,032	728
<u>Expenses</u>		
External consultants	(4,584)	(4,000)
Depreciation and amortisation expenses	(6,017)	(7,334)
Finance costs	(1,027)	(1,139)
Share based payments expense	(159)	(207)
Salaries and employment related costs	(55,916)	(63,355)

Property expenses	(9,640)	(9,608)
Communication expenses	(1,765)	(1,648)
Motor vehicle and equipment expenses	(1,350)	(1,336)
Travel and accommodation expenses	(1,107)	(1,120)
Other expenses from continuing operations	(7,223)	(5,498)
Profit before income tax expense	318	1,781
Income tax credit / (expense)	336	(156)
Profit after income tax expense for the year	654	1,625
Other comprehensive income for the year, net	-	-
Total comprehensive income for the year	654	1,625

Figure 6: Konekt Balance Sheet

Konekt Balance Sheet (AUD \$000)	FY2018	FY2019
<u>Current assets</u>		
Cash and cash equivalents	5,661	-
Trade and other receivables	9,818	9,852
Work in progress	298	138
Current tax assets	-	642
Other assets	460	400
Total current assets	16,237	11,032
<u>Non-current assets</u>		
Other assets	55	90
Property, plant and equipment	4,530	3,835
Deferred tax asset	7,808	7,086
Intangibles assets	44,725	41,586
Total non-current assets	57,118	52,597
Total assets	73,355	63,629
<u>Current liabilities</u>		
Trade and other payables	11,176	8,398
Deferred revenue	5,033	5,308
Deferred consideration	1,349	-

Employee benefits	4,793	4,192
Provisions	1,773	681
Current tax liabilities	328	-
Borrowings	5,014	4,656
Total current liabilities	29,466	23,235
<u>Non-current liabilities</u>		
Trade and other payables	36	70
Provisions	472	472
Employee benefits	728	674
Borrowings	11,978	8,683
Total non-current liabilities	13,214	9,899
Total liabilities	42,680	33,134
Net assets	30,675	30,495
<u>Equity</u>		
Contributed equity	53,334	53,420
Reserves	553	760
Profits reserve	3,694	4,266
Accumulated losses	(26,906)	(27,951)
Total equity	30,675	30,495

Figure 7: Konekt Cashflow Statement

Konekt Cashflow Statement (AUD \$000)	FY2018	FY2019
<u>Cash flows from operating activities</u>		
Receipts from customers (inclusive of GST)	99,278	106,620
Payments to suppliers and employees (inclusive of GST)	(90,933)	(100,487)
Payments of on-off acquisition expenses	(2,126)	(909)
Interest received	27	-
Interest paid	(515)	(1,025)
Income taxes paid	(1,871)	(445)

Net cash flows from operating activities	3,860	3,755
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(1,603)	(1,156)
Purchase of intangible assets	(1,914)	(2,331)
Payments for Deferred Consideration	(1,255)	(1,339)
Payment for purchase of business, net of cash acquired	(24,857)	-
Net cash from (used in) investing activities	(29,629)	(4,826)
<u>Cash flows from financing activities</u>		
Payments for cost of issue of shares	(1,090)	-
Proceeds from Issue of Shares	15,771	86
Payments for on market share buyback	(237)	-
Dividends Paid	(547)	(1,053)
Payments of financial lease liability	(567)	(1,008)
Proceeds from borrowings	18,252	1,130
Repayment of borrowings	(3,000)	(4,000)
Net cash flows from (used in) financing activities	28,582	(4,845)
Net increase (decrease) in cash and cash equivalents	2,813	(5,917)
Cash and cash equivalents at the beginning of the year	2,848	5,661
Cash and cash equivalents at the end of the year	5,661	(256)

Note: at the end of FY2019 (as at 30 June 2019), Konekt had nil cash and cash equivalents in its Balance Sheet. This was as a result of Konekt being in an overdraft position of \$256,000 as shown by the cash and cash equivalents balance in the cash flow statement at the end of the FY2019 (as at 30 June 2019).

4.6 Issued Konekt Shares

As at the date of this Scheme Booklet, there are 105,786,835 Konekt Shares on issue and are quoted on ASX.

On Friday 23 August 2019, Konekt announced a FY19 dividend of \$0.01 per Konekt Share, fully franked and paid in cash. The FY19 dividend is payable to Konekt Shareholders who were on the Share Register as at 19 September 2019. The FY19 dividend is payable on 29 November 2019 and is not conditional upon the Scheme becoming Effective.

Please refer to section 3.7 of this Scheme Booklet for further details in relation to the treatment of the Konekt Options and Konekt Performance Rights in connection with the Scheme.

4.7 Konekt Options and Konekt Performance Rights

Capital structure

As at the date of this Scheme Booklet, Konekt has the following unlisted securities on issue:

- (a) 960,000 Konekt Options; and
- (b) 2,878,885 Konekt Performance Rights.

The Konekt Options have the following details:

Expiry Date	Exercise Price
29 February 2020	\$0.362

The Konekt Options are currently exerciseable. The only condition applicable to exercise of the Konekt Options is that the exercise price is paid by the relevant holder to Konekt.

All of the Konekt Performance Rights have the following vesting conditions:

Performance Level	Earnings Per Share before Amortisation Compound Annual Growth Rate	% of Stretch / Maximum / Grant Vesting
Target	12%	100%
Between Threshold and Target	≥ 8%, < 12%	Pro-rata
Threshold	8%	50%
Below Threshold	<8%	0%

Treatment of Konekt Options and Konekt Performance Rights in connection with the Scheme

Set out below is a description of the proposed treatment of the Konekt Options and Konekt Performance Rights in connection with the Scheme:

- (a) Konekt Options

Konekt and APM have, in respect of each outstanding Konekt Option, entered into legally binding agreements with each relevant Konekt optionholder such that, subject only to the Scheme becoming Effective, the Konekt Options will be cancelled for a cash sum equivalent to the difference between the exercise price of those Konekt Options and the Total Cash Consideration (**Konekt Options Offer**). Konekt has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.2 enabling Konekt to cancel the Konekt Options for consideration.

Some of the other key terms of the Konekt Options Offer are as follows:

- (i) the Konekt Options Offer may be terminated on two Business Days' notice if a waiver is not obtained before the Second Court Date, the Scheme does not become Effective by the End Date or the Konekt Optionholder deals with the Konekt Option in a manner contrary to the Konekt Options Offer; and
- (ii) the consideration offered under the Konekt Options Offer will be payable on or about the Implementation Date.

(b) Konekt Performance Rights

Konekt Board intends to exercise its discretion under the Konekt Incentive Plan to determine that 1,039,804 Konekt Performance Rights become exercisable and are exercised in accordance with their terms. Such Konekt Performance Rights, once exercised, will result in the issue of Konekt Shares to their holders on a one-for-one basis. The Konekt Board will use its discretion to lapse the balance of Konekt Performance Rights in accordance with their terms.

4.8 Konekt Directors' intentions

It is the intention of all Konekt Directors (who collectively hold approximately 23.3% of the Konekt Shares on issue as at the date of this Scheme Booklet) to vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to consider the Scheme to be fair and reasonable and in the best interests of Konekt Shareholders.

4.9 Material changes to Konekt's financial position and performance

To the understanding and knowledge of the Konekt Directors, the financial position and performance of Konekt has not materially changed since the release of the latest annual results in the Annual Report 2019 which were laid before Konekt Shareholders at its annual general meeting held on 3 October 2019.

4.10 Risks relating to Konekt's business

There are existing risks relating to Konekt's business and an investment in Konekt which will continue to be relevant to Konekt Shareholders if the Scheme does not become Effective. A summary of the key risks relating to Konekt if the Scheme is not implemented is set out in Section 6 of this Scheme Booklet.

4.11 Outlook for FY2020

As detailed in its ASX announcement dated Friday 23 August 2019, Konekt expects its FY20 revenue to be in the range of \$88.0 million to \$91.0 million and EBITDA in the range of \$8.1 million to A\$9.0 million, consistent with forecast guidance released to ASX on Thursday 3 October 2019.

As at the date of this Scheme Booklet, to the knowledge of the Konekt Directors, Konekt's outlook has not materially changed.

4.12 Recent Konekt Share price performance

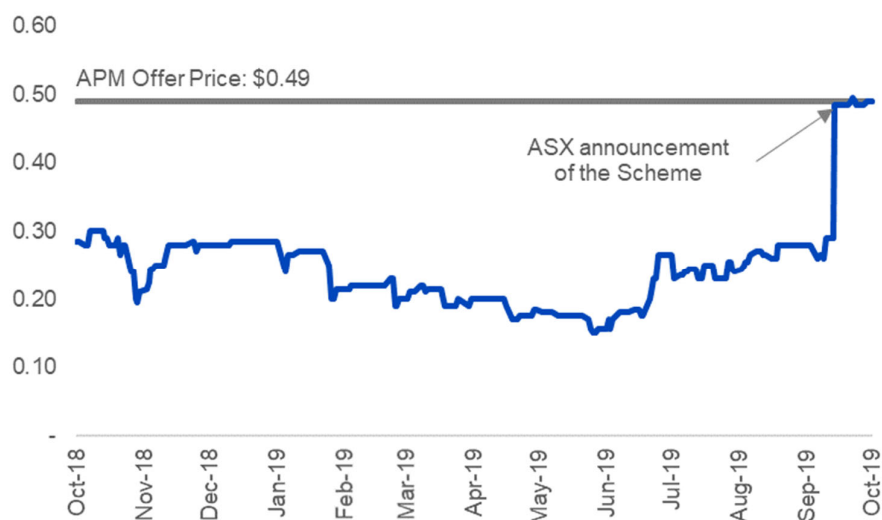
The Total Cash Consideration of \$0.49 cash for each Konekt Share represents a significant premium to recent historical Konekt Share prices, prior to the announcement of the Scheme:

- 69% premium to the closing price of \$0.29 per Konekt Share on 4 October 2019, the last trading day prior to the announcement of the Scheme;

- 89% premium to the 1 month VWAP of \$0.26 per Konekt Share;
- 100% premium to the 3 month VWAP of \$0.25 per Konekt Share; and
- 162% premium to the 6 month VWAP of \$0.19 per Konekt Share.

The Konekt Share price chart below shows the performance over the last twelve months to Friday 25 October 2019.

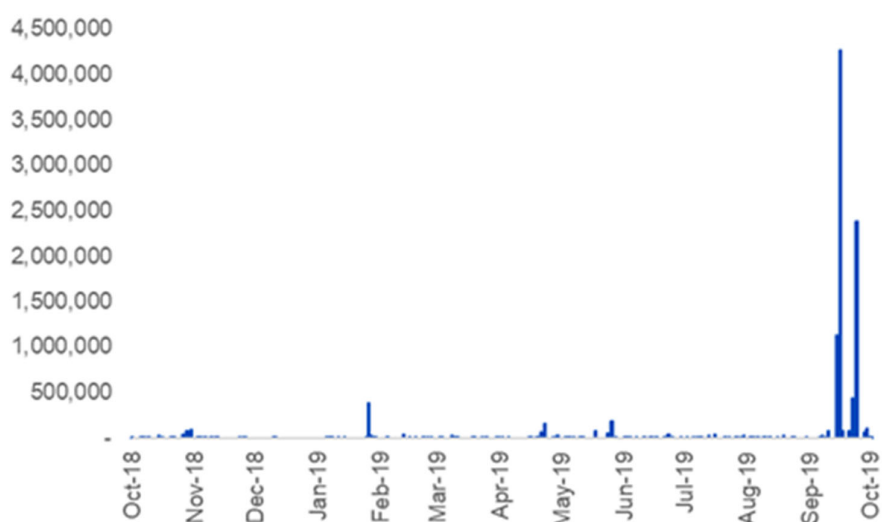
Figure 8: Konekt Share price performance



Source: Capital IQ

The chart below shows the amount of value on-market traded each day over the last twelve months to Friday 25 October 2019.

Figure 9: Konekt Share value traded performance



Source: Capital IQ

The following table shows a breakdown of the total value and volume for Konekt Shares over the last twelve months to Friday 25 October 2019. The total value is the total dollar amount of on-market trades whereas the total volume is the total number of on-market shares traded each month. The VWAP is the total value divided by the total volume.

Figure 10: Konekt Share value and volume over last 12 months

Month	Total Value (\$)	Total Volume	VWAP (\$)
25-31 October 2018	15,322	54,250	0.28
November 2018	282,977	1,278,840	0.22
December 2018	19,854	70,990	0.28
January 2019	10,302	39,070	0.26
February 2019	448,151	2,222,980	0.20
March 2019	70,259	331,640	0.21
April 2019	44,554	212,780	0.21
May 2019	262,848	1,499,500	0.18
June 2019	385,381	2,424,060	0.16
July 2019	99,424	455,440	0.22
August 2019	127,908	518,740	0.25
September 2019	44,143	166,170	0.27
1-25 October 2019	9,585,572	19,913,750	0.48

Source: Capital IQ

Note: in the table above, the first row only includes five trading days for October 2018 (25th to 31st), while in the last row is from the 1st until the 25th of October 2019, not the full October month.

4.13 Publicly available information

Konekt is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Specifically, as a company listed on the ASX, Konekt is subject to Listing Rules which require (subject to some exceptions) continuous disclosure of any information. This includes:

- preparing and lodging with ASX and ASIC both half year and annual reports and financial statements; and
- announcing price sensitive information immediately after it becomes aware of the information. This is subject to certain exceptions for information that is confidential.

The ASX maintains files containing publicly disclosed information about all entities listed on the ASX. Information disclosed to the ASX by Konekt is available on the ASX's website at www.asx.com.au.

ASIC also maintains a record of documents lodged with it by Konekt, and these may be obtained from, or inspected at, any office of ASIC.

Further announcements concerning developments at Konekt will continue to be made available on the company's website (www.konekt.com.au) and the ASX website after the date of this Scheme Booklet.

5 Information on APM

This section 5 has been prepared by APM. The information concerning APM and the views and opinions in this section 5 are the responsibility of APM.

5.1 Overview of APM

Founded in Perth, Western Australia in 1994, APM is a leading, international human services organisation, with a global team of more than 5,000 people. APM operates from over 700 locations across 10 countries, including Australia, New Zealand, the United Kingdom, Spain, Germany, Switzerland, South Korea, Singapore, Canada and the United States.

APM is a leading Australian Disability Employment Services provider. APM works with both the private sector and governments across the world through a range of programs, including allied health services, assessment services, psychological intervention, employment assistance, vocational rehabilitation and community-based services. APM delivers these services within the health, disability, employment, justice, defence, ageing, early childhood, youth, skills and training sectors.

In 2017 Quadrant Private Equity Pty Ltd, a leading Australian private equity investment fund manager established in 1996, through certain affiliated entities, acquired a majority interest in APM.

In 2018, APM's global footprint expanded with the acquisition of United Kingdom headquartered human services organisation, Ingeus. The combination of Ingeus and APM has allowed for the delivery of essential services on a significantly larger global scale.

To date, APM has assisted many Australians with injury, illness or disability, and supports people across the world to improve their lives.

For additional information about APM, please visit APM's website at www.apm.net.au.

5.2 APM Board of Directors

Michael Anghie

Chief Executive Officer

Michael Anghie graduated with a Bachelor of Business in 1990 from Curtin University and most recently held a number of senior leadership roles in Australia and overseas at global professional services firm, EY. His most recent positions were Managing Partner, Western Australia; Head of Markets Australia and New Zealand and Managing Partner, Middle Market, Asia Pacific.

Mr Anghie has strong relationships across government, corporate and community groups.

Mr Anghie is also involved in a number of not for profit organisations, including being Chairman of Celebrate WA, Member of CEOs for Gender Equity and a Business Champion for the New Colombo Plan and a former Director of the Art Gallery of Western Australia.

Megan Wynne

Founder of APM and Managing Director

Megan Wynne graduated from the School of Occupational Therapy at Curtin University in 1987 and was then appointed to Collie District Hospital to establish the first occupational therapy service within the region.

Ms Wynne holds a Masters of Science (Rehabilitation) and has practised as an Occupational Therapist since 1987 working in Neurology, Neurosurgery and Spinal Cord Injury at Royal Perth Rehabilitation Hospital, Orthopaedics at St John of God Hospital, and Vocational Rehabilitation and Occupational Therapy Services of Perth Pain Management Centre.

Ms Wynne founded APM in 1994.

Chris Hadley

Chairman

Chris Hadley is one of the longest serving executives in the Australian Private Equity Industry, and was one of the founding council members of the Australian Investment Council. He was appointed Managing Director of BLE Capital Pty Ltd and Westpac Private Equity Pty Ltd in 1996-2005. In 2005 Mr Hadley founded Quadrant Private Equity where he has led and managed the raising of all ten funds has overseen the Investment Committees of all funds. In addition to APM, Mr Hadley is Chairman of Quadrant investee companies Rite Bite Group, Rockpool Dining Group and Fitness and Lifestyle Group.

Alex Eady

Director

Alex Eady joined Quadrant Private Equity in 2008 and is today a Partner in the firm. Prior to Quadrant, Mr Eady spent a number of years working in Mergers & Acquisitions with boutique advisory firm Oaktower Partnership and with Ernst & Young.

Mr Eady is a director of Quadrant Private Equity investee companies APM, Superior Food Group, MotorOne, and Fitzpatrick Financial Group. He was formerly a Director of exited Quadrant Private Equity investee companies Burson Auto Parts, Canberra Data Centres and ZIP Industries.

Mr Eady holds a degree in Commerce and is a member of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

5.3 Post-acquisition intentions of the bidder

If the Scheme is implemented, APM intends to undertake a detailed review of Konekt's operations covering strategic, financial and commercial operating matters to determine the preferred manner of integrating, operating and managing the combined business.

Of utmost importance is ensuring that the clients of Konekt continue to receive quality service and APM will integrate the operations seeking to ensure this level of service is maintained and improved.

Final decisions about any material changes to the future commercial operating plan and management structure for Konekt will be made by APM following the completion of the

post-acquisition review described above and will be based on material facts and circumstances which have become apparent to APM management at the relevant time.

Accordingly, the statements set out in this section 5 are statements of current intention only and may change as new information becomes available or circumstances change.

(a) **Removal from ASX**

If the Scheme is implemented, it is intended that quotation of Konekt Shares on the ASX will be terminated and Konekt will be removed from the official list of the ASX on or around the Business Day immediately following the Implementation Date.

(b) **Board of directors**

If the Scheme is implemented, APM will replace the board members of Konekt and its subsidiaries with nominees of APM (who are yet to be identified).

(c) **Corporate structure**

If the Scheme is implemented, APM will become the holder of all Konekt Shares. As part of business as usual planning following implementation of the Scheme, there may be changes in Konekt Group's corporate and operating structure as part of integrating the Konekt Group into APM Group's corporate and operating structure.

(d) **Management and employees**

APM considers Konekt's employees to be critical to the future success of the business. Following implementation of the Scheme, APM will review Konekt's business operations and organisational structure to ensure Konekt has the appropriate mix and level of employees and skills to enhance the business going forward and to enable the business to pursue growth opportunities and service Konekt's customer base. Accordingly, final decisions on these matters will, if necessary, only be made by APM following the completion of the post-acquisition review process described above and will be based on all material facts and circumstances at the relevant time.

(e) **Business operations**

Subject to the findings of the post-acquisition review referred to above, APM's current intention is to continue the strategic direction of Konekt, including actively pursuing growth opportunities available to Konekt.

5.4 Funding arrangements for the Scheme Consideration

The Scheme Consideration is 100% cash.

If the Scheme is implemented, Scheme Shareholders will become entitled to receive the Scheme Consideration.

APM have executed a deed poll dated 24 October 2019 in favour of the Scheme Shareholders. Under the Deed Poll, APM has undertaken that, subject to the Scheme becoming Effective and in consideration for the transfer of each Konekt Share to APM, they will deposit (or procure the deposit) into an Australian dollar denominated trust account operated by Konekt as trustee for the Scheme Shareholders, by no later than the Business Day before the Implementation Date, an amount equal to the Aggregate Scheme Consideration.

Based on Konekt's total diluted share capital as at the date of this Scheme Booklet, the total amount of cash required to be paid by APM to the Scheme Shareholders under the Scheme is a maximum of \$52,467,933 (**Aggregate Scheme Consideration**) (which will be reduced by the Dividend Loan requested by the Konekt Directors, as described below).

APM intends to fund the Scheme Consideration using cash on hand and debt facilities.

As at 30 June 2019, APM has available cash reserves of approximately \$48m.

In addition, APM has available undrawn borrowing capacity of approximately \$40m under its existing committed facilities.

The APM facilities are provided by a syndicate of lenders, including ANZ, CBA, Investec, Macquarie Bank and Metrics. The availability of funds under the facilities is subject to customary conditions to drawdown which are within the control of APM. As at the date of this Scheme Booklet, APM is not aware of any reason why the debt facilities will not be available to be drawn down for the purpose of the acquisition of Konekt Shares pursuant to the Scheme.

On the basis of the arrangements outlined above, APM believes it has a reasonable basis for holding the view, and it does hold the view, that it will be able to satisfy its obligations to fund the Scheme Consideration as and when it is due and payable under the terms of the Scheme and provide the Dividend Loan for the purposes of funding the aggregate amount of the fully franked Special Dividend, if requested by the Konekt Directors.

As noted in section 8.11, under the terms of the Scheme Implementation Deed, the Konekt Directors have requested and APM must provide or procure an APM Group Member provides, the Dividend Loan for the purposes of funding the fully franked Special Dividend. Accordingly, the aggregate amount which APM is required to pay in connection with the Scheme will not be more than the Aggregate Scheme Consideration. APM does not believe that the Dividend Loan will adversely impact its ability to fund the Aggregate Scheme Consideration.

5.5 Other information

(a) Interests in Konekt Shares

As at the date of this Scheme Booklet, APM and its directors have zero Relevant Interest in Konekt Shares.

(b) No dealings in Konekt Shares in the previous four months

During the period of four months ending on the date of this Scheme Booklet, other than pursuant to the Scheme Implementation Deed, Scheme or Deed Poll, neither APM nor any of its associates, to the best of its knowledge, has agreed to provide consideration for any Konekt Shares under any purchase or agreement.

(c) Pre-scheme benefits

During the four months before the date of this Scheme Booklet, none of the Bidder or, to the best of its knowledge, any of its associates has given or offered to give or agreed to

give a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- vote in favour of the Scheme; or
- dispose of their Konekt Shares,

where the benefit was not offered to all Konekt Shareholders.

(d) **Benefits to Konekt officers**

None of APM or its associates has agreed to make any payment or give any benefit to any current officers of Konekt as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Scheme is implemented.

6 What if the Scheme is not implemented?

6.1 What if the Scheme is not implemented?

If the Scheme is not implemented, there will be no change to Konekt and it will continue to operate on a standalone basis. As such, Konekt will remain listed on ASX and you will retain your Konekt Shares. While it is not possible to predict the future performance of Konekt, in deciding whether or not to vote in favour of the Scheme Resolution you should have regard to the prospects of Konekt on a standalone basis (that is, if the Scheme is not implemented).

Some possible implications of the Scheme not being implemented are:

- (a) Konekt Shareholders will retain their Konekt Shares and they will not be acquired by APM;
- (b) Konekt Shareholders will not receive the Scheme Consideration or the Special Dividend;
- (c) Konekt will, in the absence of another proposal, continue to operate as a standalone company listed on ASX and, as such, Konekt Shareholders will be exposed to the risks relating to Konekt's business (refer to section 6.3 for a summary of those risks); and
- (d) If no Superior Proposal is received by the Konekt Board, then the Konekt Share price may fall (including to levels below its trading price prior to the announcement of the Scheme).

The Special Dividend is conditional on the Scheme and will only be paid to the extent that the Scheme becomes Effective.

Konekt estimates that, if the Scheme is not implemented, Konekt will be required to pay one-off Transaction Costs of approximately \$785,000 (excluding GST and disbursements and any Reimbursement Fee that may be payable to APM). This includes the following amounts:

- (a) fees and expenses paid or payable (excluding GST) to Konekt's professional advisers (including its financial, legal, accounting and tax advisers) of approximately \$600,000;
- (b) fees paid or payable to the Independent Expert of \$80,000; and
- (c) Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with convening and holding the Scheme Meeting, fees related to proxy solicitation services and other general and administrative expenses in connection with the Scheme, of approximately \$105,000.

The payment of these Transaction Costs would affect the cash balance of Konekt.

6.2 Strategy and intentions for Konekt if the Scheme does not proceed

If the Scheme was not to proceed and be implemented, nor a Superior Proposal to emerge, Konekt will continue to operate as a standalone business listed on the ASX.

Konekt will continue with its current focus as presented in the Chairman and CEOs' Address to Shareholders at the Annual General Meeting and released to the ASX on 3 October 2019. This includes:

- organic growth in both Konekt Employment (primarily NEIS and DES) and Konekt Workcare (mental health services, NDIS and Government clients);
- targeted bolt-on acquisitions; and
- reducing group operating cost base by 7-10% through property, telecommunications, other operational and head office efficiencies to optimise margins.

6.3 Risks associated with Konekt if the Scheme is not implemented

General risks associated with your investment in Konekt

The market price of Konekt Shares may be influenced by a number of factors, including:

- (a) changes in investor sentiment and overall performance of the Australian securities market;
- (b) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- (c) changes in government fiscal, monetary, taxation, employment and regulatory policies;
- (d) changes in laws and regulations including accounting and financial reporting standards;
- (e) government intervention in export and import markets, including sanction controls and import duties; and
- (f) weather conditions, natural disasters, terrorism and international conflicts.

Specific risks associated with your investment in Konekt

The specific risks to Konekt listed below are not an exhaustive list, either in the present or in the future. Many of the risks described below are beyond the control of the company and there is no guarantee that Konekt will achieve any of the forecasts or projections in the future.

- (a) Customer relationships and outcomes

Konekt's ability to maintain relationships and attract major customers (including insurance, corporate and government parties) is key to its financial prosperity. Providing high quality service to its clients mean it will continue to maintain and attract customers. However, poor performance will result in contract and customers losses which will in turn impact the financial performance of the business.

(b) Customer contracts

The Konekt Employment business is built off many contracts especially with government departments. For example, the jobactive programme, where there is no guarantee that:

- the government continues to outsource all or part of the jobactive programme to third-party providers such as Konekt after the expiration date of 30 June 2022;
- the current jobactive contract will continue in its current form or on the same terms after the expiration date of 30 June 2022; and
- Konekt is selected as a provider of the jobactive programme after the expiration date of 30 June 2022.

In order to continue being a part of the jobactive programme, Konekt will need to maintain relationships within the Department of Employment, Skill, Small and Family Business / any relevant government department and continue to provide the same level of service or better. Any change may impact the operational performance of Konekt Employment.

If the jobactive contract is terminated either in part or in full, Konekt is not selected as a provider on the same or better terms and conditions after the expiration date of 30 June 2022, then it is likely to have an adverse impact on the business.

(c) Government policy and regulation

The operations of Konekt's businesses are heavily reliant on the regulatory framework and policy. This is subject to government policy and regulatory changes, including the potential change in government policy which will adversely affect the future financial performance of the business.

(d) Competition

Konekt's ability to re-tender for the government contracts may be subject to increased competition and participants in the market. A new or existing entity which provides a better service and / or cheaper service to a government contract, may result in lower expected performance of the business.

(e) Key personnel

The overall performance of the company is reliant on Konekt retaining and attracting high-quality and experienced management and employees. Should the company lose key personnel it will likely negatively impact the operational performance of the business.

(f) Future acquisitions

Konekt has made several acquisitions in the past and one of its focus areas is acquiring bolt on acquisitions. There are several risks in integrating an acquired company including potential synergies not being realised and the acquisition focus taking away the focus from the day-to-day running of the business.

(g) Dividends

Future dividend payments are based on the amount of future distributable earnings and franking credits and the growth strategy of the company at that time. As such, future dividends are not guaranteed.

(h) Litigation and disputes

Konekt may become involved in litigation or disputes with either customers or employee, and if material, is likely to negatively impact the financial performance and reputation of the business.

(i) Economic conditions

General economic and business conditions, as mentioned in section 6.3, are likely to influence the operations of the business.

(j) Trading price of Konekt Shares

There are a multitude of factors that influence the trading price of Konekt Shares, many are listed above and in the Section 6.3. Neither the Konekt Directors nor the Konekt management team have any influence on the Konekt Share price now or in the future.

Unknown risks

Additional risks and uncertainties not currently known to Konekt also have a material adverse effect on Konekt's financial and operational performance. The information set out in this Section 6.3 does not purport to be, nor should it be construed as representing, an exhaustive list of all the risks affecting Konekt, its business or an investment in Konekt Shares.

7 Taxation implications for Scheme Shareholders

7.1 Introduction

This section 7 is a general outline of key Australian tax consequences of the Scheme for certain Konekt Shareholders, if the Scheme is implemented. The tax consequences for each Konekt Shareholder will vary depending on its specific profile, characteristics and circumstances. Accordingly, this outline is not tax advice and should not be relied on as such. Instead, each Konekt Shareholder should obtain professional tax advice having regard to its own particular circumstances.

The description of the key Australian tax consequences in this section 7 is based on the provisions of the ITAA 1936, the ITAA 1997 and the TAA 1953, the regulations made under those legislation, tax rulings issued by the ATO and administrative practices of the ATO (to the extent that those practices are publicly known), all as at the date of this Scheme Booklet. However, it is general in nature and is not a complete description of all tax implications that might apply to the particular circumstances of a Konekt Shareholder.

The outline in this section 7 is relevant to Konekt Shareholders who are described below and hold their Konekt Shares on capital account for Australian income tax purposes. This outline does not apply to persons: who are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their Konekt Shares; who are subject to special tax rules applicable to certain classes of entities, such as the investment manager regime, exempt entities, partnerships, insurance companies and superannuation funds with accounts in a tax-free pension phase (which includes the holders of Konekt Options and Konekt Performance Rights); who acquired their Konekt Shares pursuant to an employee share, option or rights plan; who are temporary residents for Australian income tax purposes; or who are under a legal disability or other special protections of the law.

This section 7 does not take into account the tax laws of any other countries, or the interaction of Australian tax laws with those of other countries.

7.2 Special Dividend

The Konekt Directors have declared a fully franked Special Dividend of \$0.05 per Konekt Share in connection with the Scheme.

(a) Resident shareholders

Konekt Shareholders who are Australian residents for Australian income tax purposes are required to include:

- 1 the cash amount of the Special Dividend; and
- 2 the franking credits attached to the Special Dividend,

in their assessable (taxable) income in their tax return for the income year in which they receive the Special Dividend.

They may also be able to claim a tax offset for the franking credits, which will reduce the tax that they otherwise have to pay and, in the case of Konekt Shareholders that are individuals or complying superannuation entities, they may be entitled to a refund of excess franking credits where the tax offset exceeds their tax liability for the income year. Konekt Shareholders that are companies will not be entitled to a refund of excess tax offsets but instead, may convert any excess tax offset to a tax loss for the income year.

However, Australian resident Konekt Shareholders will not be required to include the franking credits in assessable income and will not be entitled to a tax offset for the franking credits if they do not satisfy the “45 day rule”. This rule requires that they hold their Konekt Shares “at risk” for a continuous 45 day period from 28 October 2019 to 16 December 2019 (inclusive). Determining whether the Konekt Shares are held at risk can be complex, and appropriate advice should be sought.

(b) Non-resident shareholders not carrying on business in Australia

The fully franked Special Dividend should be non-assessable non-exempt income for non-resident Konekt Shareholders who do not receive the fully franked Special Dividend in carrying on business in Australia at or through a permanent establishment in Australia. They should not include the fully franked Special Dividend or the franking credits in their assessable income for Australian income tax purposes. They should also not be liable for Australian dividend withholding tax.

(c) Non-resident shareholders carrying on business in Australia

If a non-resident Konekt Shareholder receives the fully franked Special Dividend in carrying on business:

- 1 in the case of a Konekt Shareholder who is resident in a country with which Australia does not have a double tax agreement, in Australia; or
- 2 otherwise, at or through a permanent establishment in Australia,

the same tax implications arise as for resident shareholders as described above. They may also not be liable for Australian dividend withholding tax. However, they should not be entitled to a refund of excess franking credits.

7.3 Disposal of Konekt Shares

If the Scheme is implemented, Konekt Shareholders will dispose of all their Konekt Shares to APM for the Scheme Consideration. This will constitute a capital gains tax (CGT) event A1 for Konekt Shareholders. The time of the CGT event is the Implementation Date.

(a) Resident shareholders

This section (a) applies to Konekt Shareholders who are Australian residents for Australian income tax purposes.

Calculating capital gains and capital losses from the disposal

A Konekt Shareholder should make a capital gain from the CGT event equal to the amount by which the capital proceeds from the disposal exceed the cost base of the Konekt Shares disposed of. A Konekt Shareholder should make a capital loss from the CGT event equal to the amount by which the reduced cost base of the Konekt Shares exceeds the capital proceeds from the disposal.

Capital proceeds

The proceeds received by a Konekt Shareholder for a Konekt Share is the Scheme Consideration of \$0.44 plus the cash amount of the fully franked Special Dividend of \$0.05.

Cost base and reduced cost base

The cost base and reduced cost base of a Konekt Shareholder's Konekt Shares will depend on that Konekt Shareholder's specific circumstances. Broadly, the cost base of the Konekt Shares generally includes the cost of acquisition and certain non-deductible incidental costs of their acquisition, holding and disposal. Broadly, the reduced cost base of the Konekt Shares is usually determined in a similar, but not identical, manner, and excludes certain borrowing costs.

Reduction of capital gains for the Special Dividend

If a Konekt Shareholder makes a capital gain on the disposal of their Konekt Shares, the capital gain can be reduced by the cash amount of the fully franked Special Dividend (but not below zero). No such adjustment occurs if the Konekt Shareholder makes a capital loss.

Aggregation of capital gains and losses

A Konekt Shareholder must then add up all capital gains during the income year and all capital losses during the income year.

If the total capital gains exceed the total capital losses, the Konekt Shareholder makes a net capital gain for the year. This capital gain may be further reduced by any prior year capital losses of the Konekt Shareholder, subject to satisfaction of the applicable loss recoupment tests.

If the total capital losses exceed the total capital gains, the Konekt Shareholder makes a net capital loss for the year. The net capital loss may be carried forward to future years and may be used to offset capital gains, subject to satisfaction of the applicable loss recoupment tests.

CGT discount

If a Konekt Shareholder acquired its Konekt Shares at least 12 months before the Implementation Date, the amount of the capital gain (after being reduced by current year capital losses and prior year capital losses, if any) is reduced by:

- 1 50% if the Konekt Shareholder is an individual or a trust (other than a complying superannuation entity); and
- 2 33⅓% if a Konekt Shareholder is a complying superannuation entity.

No CGT discount is available for Konekt Shareholders that are companies.

The remaining net capital gain is included in the Konekt Shareholder's assessable income for the income year in which the Implementation Date occurs.

(b) Non-resident shareholders not carrying on business in Australia

This section (b) applies to Konekt Shareholders who are not Australian residents for Australian income tax purposes and do not carry on business in Australia at or through a permanent establishment in Australia.

Such non-resident Konekt Shareholders are only liable to tax on the disposal of their Konekt Shares if:

- 1 the Konekt Shareholder, together with persons that are regarded as their associates for Australian income tax purposes, holds 10% or more of Konekt (or did so during a 12 month period within the 24 month period ending on the Implementation Date); and
- 2 the direct and indirect assets of Konekt that are interests in Australian land exceed the value of all other assets of Konekt.

Konekt is of the view that the value of its assets that are not interests in Australian land far exceed the value of its assets that are interests in Australian land. Accordingly, no such non-resident Konekt Shareholder should be subject to tax in Australia on any gain made on the disposal of the Konekt Shares under the Scheme.

(c) Non-resident shareholders carrying on business in Australia

This section (c) applies to Konekt Shareholders who are not Australian residents for Australian income tax purposes and carry on business:

- 1 In the case of a Konekt Shareholder who is resident in a country with which Australia does not have a double tax agreement, in Australia;
- 2 Otherwise, at or through a permanent establishment in Australia,

and disposed of their Konekt Shares in connection with that business. The same tax implications arise as for resident shareholders as described above. However, they should not be entitled to the CGT discount.

7.4 Foreign resident capital gains tax withholding

The foreign resident capital gains tax withholding rules may require APM to withhold up to 12.5% of the Scheme Consideration otherwise payable to a Konekt Shareholder if:

- 1 the Konekt Shareholder is a non-resident;
- 2 the Konekt Shareholder, together with persons that are regarded as their associates for Australian income tax purposes, holds 10% or more of Konekt (or did so during a 12 month period within the 24 month period ending on the Implementation Date); and
- 3 the direct and indirect assets of Konekt that are interests in Australian land exceed the value of all other assets of Konekt.

8 Additional information

8.1 Konekt Shares, Konekt Options and Konekt Performance Rights held by Konekt Directors

The table below lists the Relevant Interests of Konekt Directors in Konekt Shares as at the date of this Scheme Booklet.

Konekt Director	Position	Relevant Interest in Konekt Shares	Implied value of Relevant Interest based on Scheme Consideration	Number of Konekt Performance Rights	Number of Konekt Options
Douglas Flynn	Chairman	6,546,801	\$3,207,932.49	Nil	Nil
Damian Banks	Managing Director and CEO	16,082,117	\$7,880,237.33	408,414	280,000
Tony Crawford	Independent Non-Executive Director	385,005	\$188,652.45	Nil	Nil
Philip Small	Independent Non-Executive Director	1,650,322	\$808,657.78	Nil	Nil

Konekt Directors who hold Konekt Shares will be entitled to vote at the Scheme Meeting and receive the Total Cash Consideration along with all other Konekt Shareholders.

In relation to Damian Banks, as noted below in section 8.5, 168,546 of his Konekt Performance Rights will be exercised in accordance with section 3.7 of this Scheme Booklet and will result in the 168,546 Konekt Shares being issued to Mr Banks. The remainder of the Konekt Performance Rights held by Mr Banks will be lapsed for nil consideration. As such, after the date of this Scheme Booklet but prior to the Scheme Record Date, Mr Banks' Relevant Interest in Konekt Shares will increase to 16,250,663. Mr Banks' Konekt Options will be cancelled for consideration as described in sections 3.7 and 8.5.

Each Konekt Director states that he or she intends to vote, or cause to be voted, all Konekt Shares held or controlled by them, or on their behalf, in favour of the Scheme, in the absence of a Superior Proposal. In relation to the recommendation of Damian Banks, Konekt Shareholders should have regard to the fact that, if the Scheme is implemented, Mr Banks will become entitled to the cash amounts described in section 8.5.

On 1 July 2019, Damian Banks and Douglas Flynn acquired 15,255 and 60,191 Konekt Shares on market, respectively. Other than as set out above, no Konekt Director acquired or disposed of a Relevant Interest in any Konekt Shares in the four month period ending on the date of this Scheme Booklet.

8.2 Interests in APM held by Konekt Directors

No Konekt Director holds any interest in an APM Group Member.

No Konekt Director acquired or disposed of a Relevant Interest in any shares in an APM Group Member in the 4 month period ending on the date immediately before the date of this Scheme Booklet.

8.3 Interests held by Konekt Directors in contracts of an APM Group Member

No Konekt Director has an interest in any contract entered into by an APM Group Member.

8.4 Other interests of Konekt Directors

Other than as set out in this section 8, no Konekt Director has any other interest, whether as a director, member or creditor of Konekt or otherwise, which is material to the Scheme, other than in their capacity as a holder of Konekt Shares, Konekt Options or Konekt Performance Rights.

8.5 Agreements or arrangements with Konekt Directors connected with or conditional on the Scheme

Damian Banks, Konekt's Managing Director and Chief Executive Officer holds:

- (a) 280,000 Konekt Options; and
- (b) 408,414 Konekt Performance Rights.

Damian's Konekt Performance Rights and Konekt Options will be treated in the manner set out in section 3.7 of this Scheme Booklet. This will result in 168,546 of Damian Banks' Konekt Performance Rights being exercised and will result in the issue of 168,546 Konekt Shares to Mr Banks. As described in section 3.7, the resultant Konekt Shares will participate in the Scheme alongside existing Konekt Shares. Mr Banks has entered into an option cancellation deed in relation to his Konekt Options pursuant to which his Konekt Options will be cancelled for aggregate consideration equal to \$35,840.

Consistent with the treatment of short term incentive payments as described in section 4.7 of this Scheme Booklet, the Konekt Board intends to exercise its discretion to pay to Damian Banks an amount of \$93,000, representing a pro rata proportion of the FY20 short term incentive payment Damian would have been eligible to receive (subject to satisfaction of applicable performance criteria).

In addition, Konekt has put in place specific retention arrangements with certain senior executives (each, a **Senior Executive**), including Damian Banks (as Chief Executive Officer of Konekt). The only Konekt Director that is entitled to receive a retention payment is Damian Banks. The Konekt Board considered it appropriate and in the interests of Konekt to put in place the retention arrangements:

- (a) to protect Konekt against the risk that it loses some of its Senior Executives given the uncertainty and disruption arising from the Scheme by incentivising them to remain with Konekt until, and for three months after, the Scheme is implemented; and
- (b) in recognition of the significant role of each Senior Executive both in respect of the process relating to the Scheme and in ensuring the continuity of the business regardless of the outcome of the Scheme.

Under these retention arrangements the Senior Executives will be entitled to receive the retention payments to the extent that they have not given notice of their resignation

pursuant to the terms of their employment agreement with the Konekt Group on or prior to the date that is three months after the Implementation Date.

The retention payments will be made on the earlier of the date:

- (a) which is three months after the Implementation Date; or
- (b) on which the Konekt Group has given the relevant Senior Executive notice of termination of their employment.

The maximum aggregate amount of the retention payments that may be payable to all Senior Executives is \$400,000. The amount of Damian Banks' retention payment is \$125,000.

Save as noted above, there is no agreement or arrangement made between any Konekt Director and any other person, including an APM Group Member, in connection with or conditional upon the outcome of the Scheme.

8.6 Payments and other benefits to directors, secretaries or executive officers of Konekt

Reena Minhas, Chief Financial Officer and Company Secretary of Konekt, holds:

- (a) 274,047 Konekt Performance Rights; and
- (b) 140,000 Konekt Options.

Reena's Konekt Performance Rights will be treated in the manner set out in section 3.7 of this Scheme Booklet.

Consistent with the treatment of short term incentive payments as described in section 8.5 of this Scheme Booklet, the Konekt Board intends to exercise its discretion to pay to Reena Minhas an amount of \$36,000, representing a pro rata proportion of the FY20 short term incentive payment Reena would have been eligible to receive (subject to satisfaction of applicable performance criteria).

Reena is a Senior Executive to whom the Konekt Board has agreed to pay a retention payment in the amount of \$100,000 on the same terms as the other Senior Executives (as described in section 8.5 above).

8.7 Top 20 Konekt Shareholders

As at 24 October 2019, the top 20 Konekt Shareholders in the Register held approximately 68.90% of all issued Konekt Shares.

No.	Name	Number of Konekt Shares	Percentage of issued Konekt Shares
1	National Nominees Limited	16,455,913	15.55
2	Nidmas Pty Ltd <Banks Family Super Fund A/C>	14,249,201	13.47
3	Dixson Trust Pty Limited	11,923,636	11.27
4	DR & LC Flynn Nominees Pty Ltd <Flynn Super Fund A/C>	6,271,028	5.93

No.	Name	Number of Konekt Shares	Percentage of issued Konekt Shares
5	HSBC Custody Nominees (Australia) Pty Ltd	5,123,775	4.48
6	Anacacia Pty Ltd <Wattle Fund A/C>	2,899,660	2.74
7	Factotum Group Pty Ltd <Factotum Holdings A/C>	2,000,000	1.89
8	Keiser Shipping & Transport Pty Ltd	1,632,623	1.54
9	Dr Vern Thomas Madden & Mrs Clare Maree Madden <Mad-Boy Super Fund A/C>	1,500,000	1.42
10	BFA Super Pty Ltd <GDN Super Fund A/C>	1,436,654	1.36
11	J P Morgan Nominees Australia Pty Limited	1,263,338	1.19
12	Mr Edward James Stephen Dally & Mrs Selina Dally <Lekdal Family A/C>	1,247,334	1.18
13	Nidmas Pty Ltd <Banks Family Super Fund A/C>	1,200,000	1.13
14	Maxlek Pty Ltd <Jims and Joels Super Fund>	1,171,950	1.11
15	Bumbleton Pty Ltd <William Coats S/F A/C>	1,010,596	0.96
16	Professional Consulting Pty Ltd <AJRP Super Fund A/C>	888,831	0.84
17	Laicos Securities Pty Ltd <Fraser Family Super A/C>	750,000	0.71
18	J W Gijet Pty Ltd	650,000	0.61
18	Yarrac Pty Ltd <Colebatch Property A/C>	650,000	0.61
20	C E Consultants Pty Ltd	570,000	0.54
TOTAL		72,884,539	68.90

8.8 Konekt's substantial holders

As at 24 October 2019, the substantial holders of Konekt Shares were as follows:

Name	Number of Konekt Shares	Percentage of issued Konekt Shares
Dixon Trust Pty Ltd	11,923,636	11.27
DR & LC Flynn Nominees Pty Ltd	6,546,801	6.19
Nidmas Pty Ltd, Mattmel Pty Ltd and Damian Banks	16,082,117	15.20
Pie Funds Management Limited	7,851,006	7.42
EPG Capital Pty Ltd	5,683,453	5.37

The shareholdings listed in this section 8.8 are as disclosed to Konekt by the shareholders in substantial holding notices or otherwise. Information in regard to substantial holdings arising, changing or ceasing after this time or in respect of which the relevant announcement is not available on the ASX website is not included above.

8.9 Suspension of trading of Konekt Shares

If the Court approves the Scheme, Konekt will immediately notify ASX. It is expected that suspension of trading on ASX in Konekt Shares will occur at the close of business on the Effective Date.

8.10 Warranty by Scheme Shareholders about their Konekt Shares

The effect of clause 8.2(b) of the Scheme is that all Scheme Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to APM that:

- (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (B) restrictions on transfer of any kind;
- (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those Scheme Shares; and
- (iii) except as otherwise provided for or contemplated in the Scheme Implementation Deed, they have no existing right to be issued any Konekt Shares, or any other Konekt securities.

Clause 8.2(b) of the Scheme is set out in Attachment C to this Scheme Booklet.

8.11 Financial Assistance for the Special Dividend

If the Scheme is approved by the Konekt Shareholders and the Court, then Konekt Shareholders will receive, for each Konekt Share held by them the Total Cash Consideration (being \$0.49), comprising the Special Dividend of \$0.05 per Konekt Share held on the Special Dividend Record Date, payable by Konekt Group; and the Scheme Consideration of \$0.44 per Konekt Share held on the Scheme Record Date, payable by APM.

Pursuant to section 7.6 of the Scheme Implementation Deed, Konekt has requested and APM must provide or procure that an APM Group Member provides, a loan on normal commercial terms up to the amount of the fully franked Special Dividend on the later of the first Business Day after the Effective Date and the first Business Day after the Permitted Dividend is declared by Konekt (**Dividend Loan**). The fully franked Special Dividend is currently expected to be paid on the Special Dividend Payment Date, being 20 December 2019.

Section 260A of the Corporations Act enables a company to financially assist a person to acquire shares in the company or a holding company only if certain conditions are satisfied. Financial assistance of this kind would be permitted if the giving of assistance does not materially prejudice:

- (a) the interest of the company;
- (b) the interests of its shareholders; or

- (c) the company's ability to pay its creditors.

The Corporations Act specifically contemplates that financial assistance (of the kind that is regulated under section 260A) may take the form of paying a dividend which may be given before the acquisition of shares. Konekt will only pay the fully franked Special Dividend if they can do so in compliance with section 260A.

The Directors of Konekt have determined to call on the Dividend Loan after assessing the financial position of Konekt and the expected impact on creditors. Based on the information currently available, and given that the payment of the fully franked Special Dividend is contingent on the Scheme becoming Effective, the Directors of Konekt believe that calling on the Dividend Loan to pay the fully franked Special Dividend was and is in the best interests of Konekt and Konekt Shareholders and did not and will not materially prejudice Konekt's ability to pay its creditors.

8.12 ASIC relief

No ASIC relief was required for the purposes of the Scheme or the issue of the Scheme Booklet.

8.13 ASX waiver

Konekt has applied for, and ASX has granted, a waiver from ASX Listing Rule 6.23.2 to enable the Konekt Board to cancel the Konekt Options for consideration without obtaining the approval of Konekt Shareholders.

8.14 Consents

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) Miles Advisory Partners as financial adviser to Konekt;
 - (ii) Computershare as the manager of the Registry; and
 - (iii) Gilbert + Tobin as legal and tax adviser to Konekt in relation to the Scheme.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Attachment E to this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) APM has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the APM Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Each person named in this section 8.14:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this section 8.14; and

- (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 8.14.

8.15 Documents available

An electronic version of this Scheme Booklet including the Independent Expert's Report and the Scheme Implementation Deed are available for viewing and downloading online at Konekt's website at www.investorvote.com.au.

8.16 Continuous disclosure

Konekt is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Konekt has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Konekt Shares.

Copies of documents filed with ASX may be obtained from ASX's website (www.asx.com.au).

In addition, Konekt is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation Konekt may be obtained from, or inspected at, an ASIC office.

8.17 Supplementary information

If Konekt becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Court Approval Date:

- (a) a material statement in this Scheme Booklet is false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Konekt may circulate and publish any supplementary document by:

- (e) making an announcement to ASX;
- (f) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (g) posting the supplementary document to Konekt Shareholders at their registered address as shown in the Register; or
- (h) posting a statement on Konekt's website at www.konekt.com.au,

as Konekt in its absolute discretion considers appropriate.

8.18 Other

(a) Lodgement of Scheme Booklet with ASIC

This Scheme Booklet was lodged with ASIC on Friday, 11 October 2019 in accordance with section 411(2)(b) of the Corporations Act.

(b) Other material information

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information that is contained in the Attachments to this Scheme Booklet, there is no other information that is material to the making of a decision by a Konekt Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme, being information that is known to any Konekt Director and which has not previously been disclosed to Konekt Shareholders.

9 Glossary

In this Scheme Booklet unless the context otherwise requires:

\$ means Australian dollars unless otherwise stated.

Aggregate Scheme Consideration has the meaning given to it in section 5.4.

Annual Report 2019 means Konekt's 2019 annual report released on ASX on 23 August 2019.

APM means Advanced Personnel Management International Pty Ltd ACN 606 330 910.

APM Group means APM and each of its Subsidiaries, and **APM Group Member** means any of those entities.

APM Information means the information contained in section 5, and under the headings "Who is APM" on page 17 and "How is APM funding the Scheme Consideration?" on page 21, of this Scheme Booklet.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules, from time to time, of ASX.

Business Day means a week day on which trading banks in Sydney are open for trading and the ASX is open for trading.

CHESS means the Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.

Competing Proposal means any inquiry, proposal, offer or transaction (including by way of takeover bid or scheme of arrangement) by a third party (other than Bidder or its Related Bodies Corporate) that, if completed, would mean:

- (a) a person would acquire the assets or business of the Target Group or otherwise acquire, become the holder of or have a right to acquire or an economic interest in all or a substantial part of the business, or any of the material assets, of the Konekt Group;
- (b) a person would acquire a relevant interest or voting power in 20% or more of the Konekt Shares or of the securities of any of member of the Konekt Group;
- (c) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 20% or more of the Konekt Shares or of the securities of any member of the Konekt Group;
- (d) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, Konekt or any member of the Konekt Group;
- (e) a person would acquire Control of Konekt or any member of the Konekt Group;

- (f) a person may otherwise acquire, or merge with, Konekt or any member of the Konekt Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or
- (g) Konekt will issue, on a fully diluted basis, 20% or more of its capital as consideration for the assets or share capital or another person,

or any proposal by Konekt to implement any reorganisation of capital. Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

Computershare means Computershare Investor Services Pty Ltd ACN 078 279 277 of Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067.

Conditions means the conditions precedent to the implementation of the Scheme set out in clause 3.1 of the Scheme Implementation Deed and **Condition** means any one of them.

Confirmation Deeds has the meaning given to it in the Scheme Implementation Deed.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Konekt and APM.

Court Approval Date means the date when the Court grants its approval to the Scheme under section 411(4) of the Corporations Act.

Deed Poll means the deed poll in the form of Attachment D to this Scheme Booklet, executed by APM in favour of Scheme Shareholders.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act is due to commence.

Dividend Loan has the meaning given to that term in section 8.11.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means the later of:

- (a) 29 February 2020; and
- (b) such other date and time agreed in writing between APM and Konekt.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of

the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

GST means a goods and services tax or similar value added tax levied or imposed under the GST Law.

GST Law has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Headcount Test has the meaning given to it in section 3.2 of this Scheme Booklet.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date as Konekt and APM may agree in writing.

Independent Expert means the expert appointed by Konekt, being Lonergan Edwards.

Independent Expert's Report means the report prepared by the Independent Expert, a copy of which is set out in Attachment E to this Scheme Booklet.

Konekt means Konekt Limited ACN 009 155 971.

Konekt Board means the board of directors of Konekt.

Konekt Director or **your director** means a director of Konekt as at the date of this Scheme Booklet and **Konekt Directors** is all of them.

Konekt Group means Konekt and each of its Subsidiaries, and **Konekt Group Member** means any of those entities.

Konekt Incentive Plan means Konekt's long term incentive plan adopted in May 2014.

Konekt Options means an option to acquire a Konekt Share granted pursuant to the Konekt Incentive Plan.

Konekt Performance Rights means a right to be issued a Konekt Share under the Konekt Incentive Plan.

Konekt Prescribed Occurrence means "Prescribed Occurrence", as that term is defined in the Scheme Implementation Deed.

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

Konekt Shareholder means a person who is registered in the Register of Konekt as the holder of Konekt Shares.

Register means the register of Konekt Shareholders kept by Konekt and **Registry** means the manager from time to time of the Register (currently Computershare).

Reimbursement Fee has the meaning given to that term in the Scheme Implementation Deed.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Requisite Majorities means the threshold for approval of the Scheme Resolution set out in section 1.3 of this Scheme Booklet, being votes in favour of the resolution received from:

- (a) a majority in number (more than 50%) of Konekt Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate Konekt Shareholders, by a corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

Scheme means a members' scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Konekt and Scheme Shareholders, on the terms described in Attachment C to this Scheme Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Booklet means this scheme booklet in relation to the Scheme.

Scheme Consideration means \$0.44 cash for each Konekt Share held by a Scheme Shareholder on the Scheme Record Date.

Scheme Implementation Deed means the Scheme Implementation Deed dated 8 October 2019 between Konekt and APM in the form set out in Attachment B of this Scheme Booklet.

Scheme Meeting means the meeting of Konekt Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme and includes any adjournment of that meeting.

Scheme Record Date means 7.00pm (Sydney time) on the fifth Business Day after the date on which the Scheme becomes Effective.

Scheme Resolution means a resolution of Konekt Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Attachment A to this Scheme Booklet.

Scheme Shareholder means a holder of Konekt Shares on the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Share Registry means Computershare, or any replacement provider of share registry services to Konekt.

Special Dividend means the fully franked cash dividend of \$0.05 per Konekt Share, that the Konekt Board has resolved for the Konekt Group to pay, conditional on the Scheme becoming effective to Konekt Shareholders registered on the Special Dividend Record Date.

Superior Proposal means a bona fide, written Competing Proposal received after the date of the Scheme Implementation Deed, which the Konekt Board determines, acting in good faith and in order to satisfy what the Konekt Board reasonably considers to be its fiduciary or statutory duties (after having obtained written advice from their legal and financial advisors), would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Konekt Shareholders as a whole than the

Transaction having regard to matters including, but not limited to, type of consideration offered, the actual or implied premium of the purchase price, conditionality, funding, certainty and timing.

Subsidiary has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Total Cash Consideration means \$0.49 per Konekt Share, comprising:

- (a) the fully franked Special Dividend, payable by Konekt Group; and
- (b) the Scheme Consideration, payable by APM.

Attachment A Notice of Scheme Meeting

Konekt Limited

Notice is hereby given that by an order of the Federal Court of Australia (**Court**) made on Wednesday, 30 October 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in Konekt Limited (**Konekt**) will be held at 10.00am (Sydney time) on Tuesday, 3 December 2019 at the offices of Gilbert + Tobin, Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000.

The Court has also directed that Douglas Flynn act as Chairperson of the meeting or failing him Philip Small and has directed the Chairperson to report the result of the meeting to the Court if the resolution is approved.

Business of the meeting – Scheme Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Konekt Limited and the holders of its ordinary shares (the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part)) is agreed to (with or without alterations or conditions as approved by the Court and which are agreed to by Konekt Limited and APM.) and, subject to approval of the Scheme by the Court, the Konekt Limited board of directors is authorised to implement the Scheme with any such alterations or conditions.”

By Order of the Court

Reena Minhas
Company Secretary

1 November 2019

Explanatory notes

To enable you to make an informed decision on the Scheme Resolution, further information on the Scheme is set out in the Scheme Booklet, of which this Notice of Scheme Meeting forms part. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary in section 9 of the Scheme Booklet.

These notes should be read in conjunction with the Notice of Scheme Meeting.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- (a) a majority in number of the holders of Konekt Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and
- (b) at least 75% of the votes cast on the Scheme Resolution.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meeting, Konekt Shares will be taken to be held by the persons who are registered as members of Konekt as of 7.00pm (Sydney time) on Sunday, 1 December 2019. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting at the meeting

You may vote in person at the Scheme Meeting, or appoint a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote for on your behalf.

If Konekt Shares are jointly held, either one of the joint shareholders is entitled to vote. If more than one joint shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the register will be counted.

Voting will be conducted by poll.

(a) Voting in person

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

(b) Voting by proxy

A Konekt Shareholder entitled to attend and vote at the Scheme Meeting is also entitled to vote by proxy. The proxy form is enclosed with the Scheme Booklet. You may not appoint more than two proxies to attend and act for you at the Scheme Meeting. A proxy need not be a holder of Konekt Shares. If 2 proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Please note that proxy forms must be received at Konekt's Share Registry, or lodged online at www.investorvote.com.au, by no later than 10.00am (Sydney time) on Sunday, 1 December 2019 (or if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

(c) Voting by attorney

Unless Konekt's Share Registry or Konekt already has this, original or certified copies of powers of attorney must be received by Konekt's Share Registry or Konekt at either their registered office (before the Scheme Meeting) or at the Scheme Meeting before the Scheme Meeting commences. An attorney will be admitted to the Scheme Meeting and given a voting card upon providing at the point of entry to the Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a Konekt Shareholder from attending in person and voting at the Scheme Meeting if the Konekt Shareholder is entitled to attend and vote.

(d) **Voting by corporate representative (in the case of a body corporate)**

To vote at the Scheme Meeting (other than by proxy or attorney), a body corporate that is a Konekt Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act.

The representative must bring to the Scheme Meeting evidence of his or her appointment including any authority under which it is signed, or it must be lodged with Konekt before the Scheme Meeting.

Lodgement of proxies and queries

Completed proxy forms should be sent to Konekt's Share Registry:

- (a) by posting them in the reply-paid envelope provided;
- (b) by posting them to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001, Australia;
- (c) by delivering in person to Computershare Investor Services Pty Limited, 60 Carrington Street, Sydney NSW 2000, Australia;
- (d) by faxing them to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside of Australia); or
- (e) by submitting online at www.investorvote.com.au. Login to the www.investorvote.com.au website and enter the control number shown on the proxy form. Select 'Submit' and follow the prompts to lodge your vote. To use the online voting facility, Konekt Shareholders will need their Securityholder Reference Number (**SRN**) or Holder Identification Number (**HIN**) as shown on the front of the proxy form, and their postcode or country of residence (if outside Australia),

so that it is received by no later than **10.00am (Sydney time) on Sunday, 1 December 2019**.

Alternatively, you may send your proxy form to Konekt's registered office at Level 3, 338 Pitt Street, Sydney NSW 2000.

If the proxy form is signed by an attorney, the original or a certified copy of the power of attorney must be received by Konekt's Share Registry or Konekt at the same time as the proxy form (unless previously provided to Konekt's Share Registry or Konekt).

Holders of Konekt Shares should contact Konekt's Share Registry on 1300 855 080 (within Australia) or + 61 3 9415 4000 (outside Australia) Monday to Friday between 8.30am and 5.00pm (Sydney time) with any queries regarding the number of Konekt Shares held, how to vote and lodgement of proxy forms.

Court approval

If the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

Scheme implementation deed

Konekt Limited
Advanced Personnel Management International Pty Ltd

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Parties

- 1 **Konekt Limited ACN 009 155 971** of Level 3, 338 Pitt Street, Sydney, NSW 2000 (**Konekt**); and
- 2 **Advanced Personnel Management International Pty Ltd ACN 606 330 910** of 58 Ord Street, West Perth, WA 6005 (**Bidder**).

The parties agree

Background

- A The parties have agreed that Bidder will acquire or will procure that Bidder Sub acquires (as the case may be) all of the Scheme Shares by way of a scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Konekt and the Konekt Shareholders.
 - B The parties have agreed to implement the Scheme on the terms of this deed.
-

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary;
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act; and
- (c) which is defined in the GST Law, but is not defined in the Dictionary or the Corporations Act, has the meaning given to it in the GST Law.

1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this deed.

2 Agreement to propose Scheme

2.1 Proposal of Scheme

- (a) Konekt will propose and implement the Scheme on and subject to the terms and conditions of this deed.
- (b) Bidder agrees to assist Konekt to propose the Scheme on and subject to the terms and conditions of this deed.
- (c) The parties agree to implement the Scheme on and subject to the terms of the deed.

- (d) Subject to clauses 2.1(e) and (f), Bidder will assist Konekt in proposing and implementing the Scheme on and subject to the terms and conditions of this deed.
- (e) Bidder may nominate any wholly owned Subsidiary of Bidder (**Bidder Sub**) to acquire the Scheme Shares under the Scheme by giving written notice to Konekt on before the date that is 5 Business Days before the First Court Date (**Sub Notification**).
- (f) If Bidder nominates a Bidder Sub to acquire the Scheme Shares under the Scheme, then:
 - (i) references in this deed to Bidder acquiring the Scheme Shares under the Scheme, or taking any other action under or in respect of the Scheme, are to be read as references to the Bidder Sub doing so;
 - (ii) Bidder must procure that Bidder Sub complies with its obligations under the Scheme; and
 - (iii) despite paragraphs 2.1(f)(i) and 2.1(f)(ii), Bidder will continue to be bound by all of the obligations of Bidder under this deed and will not be released from any obligations or liabilities under this deed following the Sub Notification. However, Konekt agrees that Bidder will not be in breach of, and will have no liability under, this deed for failing to discharge an obligation of Bidder under this deed if the Bidder Sub fully discharges that obligation.

2.2 Timetable

The parties acknowledge the Timetable is an indicative timetable and will consult with each other in good faith regularly in relation to:

- (a) performing their respective obligations within the framework established by the Timetable; and
- (b) any need to modify the Timetable.

3 Conditions precedent and pre-implementation steps

3.1 Conditions to Scheme

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Bidder in relation to the implementation of the Scheme (including under clause 4) are not binding, until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 3:

- (a) **FIRB approval:** before 5.00pm on the Business Day before the Second Court Date either:
 - (i) the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the Scheme either without conditions or with standard tax conditions or conditions acceptable to Bidder (acting reasonably); or
 - (ii) following notice of the proposed Scheme having been given under the FATA, the Treasurer has ceased to be empowered to make any order under Division 2 of Part 3 of the FATA because the applicable time limit on making orders and decisions under the FATA has expired.

For the purposes of this clause, a standard tax condition is a condition included in the list of tax conditions published on the Foreign Investment Review Board website at (https://firb.gov.au/files/2016/05/Tax_conditions.pdf);

- (b) **No restraints:** by 8.00am on the Second Court Date:
- (i) there is not in effect any temporary or final order, decision or decree issued, or other preliminary or final decision by any court of competent jurisdiction or Government Agency, nor is there in effect any other legal restraint or prohibition; and
 - (ii) no action or investigation is announced or commenced by any Government Agency,
- which restrains, prohibits, or otherwise materially adversely impacts upon (or could be reasonably expected to restrain, prohibit or otherwise materially adversely impact upon) completion of the Scheme;
- (c) **Konekt Shareholder approval:** the Scheme is approved by Konekt Shareholders at the Scheme Meeting by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act;
- (d) **Independent Expert:** the Independent Expert issues an Independent Expert's Report which concludes that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders before the time when the Scheme Booklet is registered with ASIC and the Independent Expert does not publicly withdraw, qualify or change that opinion at any time prior to 8.00am on the Second Court Date;
- (e) **Court approval:** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either Scheme Party (acting reasonably), except to the extent the Court orders otherwise under section 411(4)(a)(ii)(A) of the Corporations Act as contemplated by clause 3.6;
- (f) **No Konekt Prescribed Occurrence:** no Konekt Prescribed Occurrence occurs between (and including) the date of this deed and 8.00am on the Second Court Date;
- (g) **No Konekt Regulated Event:** no Konekt Regulated Event occurs between (and including) the date of this deed and 8.00am on the Second Court Date;
- (h) **No Material Adverse Change:** no Material Adverse Change occurs between the date of this deed and 8.00am on the Second Court Date;
- (i) **Konekt Warranties:** the Konekt Warranties being true and correct in all material respects on the date of this deed and 8.00am on the Second Court Date;
- (j) **No change of Konekt Board recommendation:** between and including the date of this deed and the date of the Scheme Meeting, none of the Konekt directors change, qualify or withdraw their Voting Intention or their Recommendation as provided by clause 6; and
- (k) **Fundamental Key Contracts:** before 8.00am on the Second Court Date a counterparty to each Fundamental Key Contract has provided:

- (i) written consent to the change of control or ownership of Konekt, or a subsidiary of Konekt, that will result from the implementation of the Scheme; or
- (ii) written confirmation that it will not terminate the Fundamental Key Contract to which it is a party as a result of the fact that a change of control or ownership of Konekt, or a subsidiary of Konekt, will arise from implementation of the Scheme and, where the contract provides for termination for convenience or on notice, will not terminate the Fundamental Key Contract to which it is a party for convenience or with notice prior to, or on, implementation of the Scheme,

in each case, in the manner agreed between Bidder and Konekt, provided that such consent or confirmation is not withdrawn, cancelled or revoked; and

- (l) **Other Key Contracts:** before 8.00am on the Second Court Date a counterparty to a Key Contract (which is not an Fundamental Key Contract) has not indicated in writing (including by email) to either party or their respective representatives or orally to Konekt or its representatives that it intends to terminate the Key Contract (which is not a Fundamental Key Contract) to which it is a party as a result of the fact that a change of control or ownership of Konekt, or a subsidiary of Konekt, that will result from the implementation of the Scheme.

3.2 Benefit and waiver of conditions precedent

- (a) The Condition in clause 3.1(d) is for the benefit of Konekt and any breach or non-satisfaction of it may only be waived by Konekt in writing.
- (b) The Conditions in clauses 3.1(f), 3.1(g), 3.1(h), 3.1(i), 3.1(j), 3.1(k) and 3.1(l) are for the sole benefit of Bidder and any breach or non-satisfaction of any of them may only be waived by Bidder in writing.
- (c) A party entitled to waive the breach or non-satisfaction of a Condition pursuant to this clause 3.2 (either individually or jointly) may do so in its absolute discretion.
- (d) Any waiver of the breach or non-satisfaction of a Condition by a party who is entitled to do so pursuant to this clause 3.2 is only effective if such waiver is given on or prior to 8.00am on the Second Court Date.
- (e) The Conditions in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(e) cannot be waived.
- (f) If a party waives the breach or non-satisfaction of any Condition, that waiver will not preclude it from suing another party for any breach of this deed including a breach that resulted in the non-satisfaction of the Condition that was waived.
- (g) Waiver of a breach or non-fulfilment in respect of one Condition does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
 - (ii) a waiver of breach or non-fulfilment of that Condition arising from any other event.

3.3 Reasonable endeavours

- (a) Konekt must use its reasonable endeavours to satisfy or procure that the Conditions in clauses 3.1(c), 3.1(d), 3.1(e), 3.1(f), 3.1(g), 3.1(i), 3.1(j), 3.1(k) and 3.1(l) are satisfied as soon as possible after the date of this deed.
- (b) Bidder must use reasonable endeavours to procure that the Conditions in clause 3.1(a) and 3.1(e) are satisfied as soon as possible after the date of this deed.
- (c) The parties will use their respective reasonable endeavours to ensure that:
 - (i) the Condition in clause 3.1(b) is satisfied as soon as reasonably practicable after the date of this deed or continues to be satisfied at all times until the last time they are to be satisfied (as the case may require); and
 - (ii) there is no occurrence within their control (as the context requires) that would prevent the Conditions being satisfied.
- (d) Without limiting clauses 3.4 and 3.5, the Scheme Parties must:
 - (i) promptly apply for all approvals necessary in order to satisfy the Condition in clause 3.1(a) and provide the other Scheme Parties with a copy of all such applications;
 - (ii) take all the steps for which it is responsible as part of the process to obtain the approvals necessary in order to satisfy the Condition in clause 3.1(a);
 - (iii) respond, at the earliest practicable time, to all requests for information in respect of the applications for approvals necessary in order to satisfy the Condition in clause 3.1(a);
 - (iv) provide the other with all information and assistance reasonably requested by the other and FIRB in connection with the application necessary in order to satisfy the Condition in clause 3.1(a); and
 - (v) so far as it is able, allow the other and its Authorised Persons the opportunity to be present and make submissions at any meetings with FIRB relating to the application necessary in order to satisfy the Condition in clause 3.1(a).
- (e) Without limiting clauses 3.3(d), 3.4, 3.5, in relation to the Conditions in clauses 3.1(k) and 3.1(l):
 - (i) Bidder and Konekt must promptly agree the manner and form of the consent to be obtained from the counterparty to the Key Contract, in each case, acting reasonably;
 - (ii) consult with each other and the relevant Government Agency that is a party to a Key Contract about how the Conditions in clauses 3.1(k) and 3.1(l) can be satisfied expeditiously;
 - (iii) Konekt must promptly apply for all such consents from the relevant counterparties to a Key Contract and, in any event, within 5 Business Days from the date of this deed;
 - (iv) Konekt will allow Bidder to attend any scheduled meetings and to conduct discussions with the counterparties to the Key Contracts (with or without Konekt or its representatives being present, provided that if neither Konekt

nor its representatives attends the meeting, that Bidder keeps Konekt informed in relation to any material correspondence in relation to the Conditions in clauses 3.1(k) and 3.1(l)) in relation to obtaining the consents required and will promptly provide Bidder with a copy of any material correspondence received from a counterparty with respect to the satisfaction of the Conditions in clauses 3.1(k) and 3.1(l); and

- (v) each party must keep the other party regularly informed in respect of its progress in satisfying the Conditions in clause 3.1(k) and 3.1(l) and any meetings, discussions or material correspondence with counterparties to the Key Contracts.
- (f) Before providing any document or other information to the other Scheme Party (in this clause 3.3(e), the **Recipient**) pursuant to clauses 3.3(d) or 7.3, a Scheme Party (in this clause 3.3(e), the **Discloser**) may redact any part of that document, or not disclose any part of that information, which contains or is confidential, Non-public Information (**Sensitive Commercial Information**) if the Discloser reasonably believes that:
 - (i) the Sensitive Commercial Information is of a commercially sensitive nature; or
 - (ii) the disclosure of the Sensitive Commercial Information to the Recipient would be damaging to the commercial or legal interests of the Discloser or any of its related bodies corporate,

and may provide the document or disclose the information to the Recipient with any Sensitive Commercial Information redacted or excluded, provided that, where Sensitive Commercial Information is so redacted or excluded, the Discloser must provide the Recipient with as much detail about the relevant communication, submission or correspondence (and any other relevant circumstances) as is reasonably possible without disclosing the Sensitive Commercial Information, and provide to the Recipient's external legal counsel a complete and unredacted version of the document or information, on the basis that the Recipient's external legal counsel will not share any information that is marked as Sensitive Commercial Information.

3.4 Notifications

Each of the Scheme Parties must:

- (a) keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- (b) promptly notify the other in writing if it becomes aware that any Condition has been satisfied; and
- (c) promptly notify the other in writing if it becomes aware that any Condition is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 3.3).

3.5 Certificate

On the Second Court Date, Konekt and Bidder will provide a joint certificate to the Court confirming whether or not the Conditions (other than the Condition set out in clause 3.1(e)) have been satisfied or waived in accordance with the terms of this deed.

3.6 Scheme voted down because of Headcount Test

If the Scheme is not approved by Konekt Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Konekt or Bidder considers, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Konekt must:

- (a) apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- (b) make such submissions to the Court and file such evidence as counsel engaged by Konekt to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Act by making an order to disregard the Headcount Test.

3.7 Conditions not capable of being satisfied

- (a) If:
 - (i) there is a breach or non-fulfilment of a condition precedent that has not been waived in accordance with clause 3.2;
 - (ii) a condition precedent becomes incapable of satisfaction and the breach or non-fulfilment of that condition precedent that has occurred, or would otherwise occur, has not been waived in accordance with clause 3.2; or
 - (iii) the Scheme has not become Effective by the End Date,

then either party may give the other written notice (**Consultation Notice**) within 5 Business Days after the relevant event (**Termination Event**). Bidder and Konekt must then consult in good faith to determine whether they can reach agreement with respect to:

- (iv) extending the time for satisfaction of the relevant condition precedent or the End Date (as the case may be), or both;
 - (v) changing the date on which an application is made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application to a date agreed between Bidder and Konekt (as applicable); or
 - (vi) the Transaction proceeding by way of alternative means or methods.
- (b) If Bidder and Konekt are unable to reach such agreement within 10 Business Days after a Consultation Notice is given, or if a Consultation Notice is not given within 10 Business Days after a Termination Event, either Bidder or Konekt (in this clause 3.7, the **Terminating Party**) may terminate this document by giving written notice (**Termination Notice**) to the other, provided that:
 - (i) if the basis upon which the Terminating Party is seeking to terminate this document is the occurrence of an event described in clause 3.7(a)(i) or 3.7(a)(ii), the Terminating Party has the benefit of the relevant condition precedent or the condition precedent is referred to in clause 3.2(e); and

- (ii) there has been no failure by the Terminating Party to comply with its obligations under this document, where that failure directly relates and materially contributed to the occurrence of the Termination Event.
- (c) Where a Termination Notice is given under this clause 3.7, this document will terminate with immediate effect and clause 13.4 will apply.

3.8 Interpretation

For the purposes of this clause 3, a Condition will be incapable of satisfaction, or incapable of being satisfied if there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-satisfaction that would otherwise have occurred has not already been waived in accordance with this deed).

3.9 FIRB Approval:

Without limiting clause 3.3, in relation to the Condition in clause 3.1(a) (**FIRB Approval**), Bidder must:

- (a) promptly apply for the FIRB Approval and provide a copy of such application to Konekt (redacted as required for any commercially sensitive information);
- (b) dedicate reasonable resources to promptly applying for, and securing, the FIRB Approval;
- (c) consult with Konekt about the progress of its application for the FIRB Approval and keep Konekt informed of the progress in relation to obtaining the FIRB Approval or consent, including any matters raised or conditions or other arrangements proposed by a relevant Government Agency; and
- (d) consult with Konekt with respect to any input that Bidder considers it is necessary or desirable for Konekt to provide in respect of anything contemplated by this clause 3.9.

4 Scheme and Scheme Consideration

4.1 Scheme

- (a) Konekt must propose the Scheme to the Konekt Shareholders on and subject to the terms of this deed and use all reasonable endeavours to do so substantially in accordance with the Timetable.
- (b) Konekt must not consent to any modification of, or amendment to, the Scheme, or to the making or imposition by a court of any condition in respect of the Scheme without the prior written consent of Bidder (which is not to be unreasonably withheld or delayed).
- (c) The parties acknowledge and agree that, subject to the Scheme becoming Effective, on the Implementation Date the general effect of the Scheme will be that all of the Scheme Shares will be transferred to Bidder and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Scheme Record Date, the Scheme Consideration.

4.2 Scheme Consideration

- (a) Each Scheme Shareholder is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder in accordance with the terms of this deed and the Scheme.
- (b) Bidder undertakes and warrants to Konekt that, if the Scheme becomes Effective, in consideration for the transfer to Bidder of the Scheme Shares held by each Scheme Shareholder under the terms of the Scheme, Bidder will accept that transfer and will provide to each Scheme Shareholder the Scheme Consideration for each Scheme Share held by them in accordance with the terms of the Scheme.

4.3 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded up to the nearest whole cent.

4.4 No amendment to Scheme without consent

Konekt must not consent to any modification of, or amendment to, or the making or imposition by the Court of any condition in respect of, the Scheme without the prior written consent of Bidder (or the consent of Bidder's legal counsel if such a request is made at a Court hearing).

4.5 Deed Poll

Bidder covenants in favour of Konekt (in its own right and separately as trustee for each of the Scheme Shareholders) to execute and deliver the Deed Poll prior to the First Court Date.

4.6 Konekt Options

- (a) Konekt and Bidder must, in respect of each outstanding Konekt Option that has not been exercised in accordance with its terms, use all reasonable endeavours to procure that legally binding agreements are entered into by the relevant Konekt Optionholder, Konekt and Bidder at least two Business Days prior to the First Court Date such that, subject only to the fulfilment of the Conditions in clause 3.1(c) and 3.1(e), the Konekt Options are either acquired by Bidder, or cancelled, for a cash sum equivalent to the difference between the exercise price of those Konekt Options as set out in Schedule 5 and the Scheme Consideration.
- (b) Bidder undertakes in favour of Konekt to comply with, and provide all reasonable assistance to Konekt in complying with, this clause 4.6, including obtaining any necessary Regulatory Approvals, entering into such legally binding agreements contemplated by this clause 4.6 to which Bidder is required to be a party and paying the consideration contemplated by clause 4.6(a) on the terms outlined in the legally binding agreements referred to in clause 4.6(a).
- (c) The Konekt Board will exercise its discretion under the terms of the Konekt Incentive Plan to determine that any Konekt Options not exercised, or the subject of a binding agreement as contemplated by 4.6(a) above be lapsed, on or before the Effective Date.

4.7 Konekt Performance Rights

- (a) The Konekt Board will exercise its discretion under the terms of the Konekt Incentive Plan to determine that:
 - (i) a maximum of 1,039,804 Konekt Performance Rights will become exercisable, will be exercised and such number of Konekt Shares will be issued; and
 - (ii) the balance of the Konekt Performance Rights not dealt with pursuant to (a) above be lapsed,on or before the Effective Date, subject only to the fulfilment of the Conditions in clause 3.1(c) and 3.1(e).
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5 Implementation of the Scheme

5.1 Konekt's obligations

Konekt must, acting at all times in good faith, take all steps reasonably necessary to propose and implement the Scheme as soon as reasonably practicable and, without limiting the foregoing, use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step, including taking each of the following steps:

- (a) **director's voting:** procure that each Konekt Director votes any Konekt Shares in which that Konekt Director has a Relevant Interest in favour of the Scheme (subject to no Superior Proposal emerging and the Independent Expert concluding in the Independent Expert's Report that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders and not changing that conclusion);
- (b) **promote the Transaction:** participate in efforts reasonably requested by Bidder to promote the merits of the Transaction, including meeting with key Konekt Shareholders at the reasonable request of Bidder and providing Bidder with such information and assistance that Bidder reasonably requests to enable it to promote the merits of the Transaction;
- (c) **Scheme Booklet:** prepare and despatch the Scheme Booklet in compliance with all applicable laws (in particular with the Corporations Act, RG 60 and the Listing Rules);
- (d) **drafts of Scheme Booklet:** make available to Bidder drafts of the Scheme Booklet including:
 - (i) providing to Bidder drafts of the Scheme Booklet and the Independent Expert's Report, in a timely manner, for the purpose of enabling Bidder to review and comment on those draft documents. In relation to the Independent Expert's Report, Bidder's review is to be limited to a factual accuracy review and Konekt makes no representation as to the extent to which the Independent Expert will receive or consider those comments;
 - (ii) taking into account in good faith all comments made by Bidder when producing a revised draft of the Scheme Booklet;
 - (iii) providing Bidder with a revised draft of the Scheme Booklet within a reasonable time before the Scheme Booklet is finalised, to enable Bidder to

review that draft before the date of its submission to ASIC for approval pursuant to section 411(2) of the Corporations Act; and

- (iv) obtaining written consent from Bidder for the form and content in which the Bidder Information appears in the Scheme Booklet;
- (e) **consultation with Bidder:** consult with Bidder as to the content and presentation of the Bidder Information in the Scheme Booklet, such consultation to include allowing Bidder a reasonable opportunity to review and make comments on a draft of the Scheme Booklet a reasonable time before its lodgement with ASIC and obtain Bidder's written consent to the inclusion of the Bidder Information (including in respect of the form and context in which the Bidder Information appears in the Scheme Booklet) prior to lodgement of the Scheme Booklet with ASIC;
- (f) **Independent Expert's Report:** as soon as reasonably practicable after the date of this deed (if the Independent Expert has not been appointed prior to the date of this deed) appoint an Independent Expert to provide the Independent Expert's Report (and request that the Independent Expert opines on whether or not the Transaction is fair and reasonable and in the best interests of Konekt Shareholders), and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report (including any updates to such report);
- (g) **liaison with ASIC:** as soon as reasonably practicable after the date of this deed:
 - (i) provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
 - (ii) liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet and keep Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet and use reasonable endeavours, in consultation with Bidder, to resolve any such matters;
- (h) **approval of Scheme Booklet:** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Konekt Board, or of a committee of the Konekt Board appointed for the purpose, is held to consider approving the Scheme Booklet for despatch to the Konekt Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
- (i) **section 411(17)(b) statements:** apply to ASIC for the production of:
 - (i) an indication of intent letter stating that ASIC does not intend to appear before the Court on the First Court Date; and
 - (ii) a statement under paragraph 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (j) **Court Documents:** prepare the Court Documents, provide a draft of those documents to Bidder in a timely manner and, acting reasonably and in good faith, take into account all reasonable comments from Bidder and its Representatives on those drafts, provided that such comments are provided in a timely manner;
- (k) **Bidder representation at Court Hearings:** allow, and not oppose, any application by Bidder for leave of the Court to be represented by counsel at a Court Hearing;

- (l) **first Court hearing:** lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approval in clause 5.1(h) has been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Konekt to convene the Scheme Meeting, and consult with Bidder as to the content of all relevant originating process, affidavits, submissions and draft minutes of Court orders. Such consultation must include providing Bidder with a reasonable opportunity to review and comment on the relevant Court documents before they are lodged, and Konekt must consider in good faith any comments provided by or on behalf of Bidder provided the comments are given in a timely manner;
- (m) **registration of Scheme Booklet:** if the Court directs Konekt to convene the Scheme Meeting, as soon as possible after such orders are made, request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;
- (n) **despatch Scheme Booklet:** as soon as reasonably practicable following registration of the Scheme Booklet by ASIC, despatch the Scheme Booklet to Konekt Shareholders following Bidder's written consent to the inclusion of the Bidder Information in the form and context in which the Bidder Information appears in such version of the Scheme Booklet;
- (o) **update Scheme Booklet:** until the date of the Scheme Meeting, promptly update the Scheme Booklet with any information that arises after the Scheme Booklet has been despatched that is necessary to ensure that the Scheme Booklet does not contain any material statement that is false or misleading in a material respect (including because of any material omission from that statement);
- (p) **supplementary disclosure:** if, after despatch of the Scheme Booklet, Konekt becomes aware:
 - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to Konekt Shareholders under any applicable law or RG 60 but was not included in the Scheme Booklet,

promptly consult with Bidder in good faith as to the need for, and form of, any supplementary disclosure to Konekt Shareholders, and make any such disclosure that it considers reasonably necessary in the circumstances, having regard to applicable laws and RG 60. Such consultation with Bidder includes, to the extent reasonably practicable, providing Bidder with a reasonable opportunity to review and comment on such disclosure before it is made and must consider in good faith any comments provided by or on behalf of Bidder, provided the comments are given in a timely manner. To the extent that the supplementary disclosure relates to (or constitutes) Bidder Information, it may only be made with Bidder's prior written consent (not to be unreasonably withheld or delayed);
- (q) **convening Scheme Meeting:** convene the Scheme Meeting to seek Konekt Shareholders' agreement to the scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (r) **Court approval application if parties agree that conditions are capable of being satisfied:** if the resolution submitted to the Scheme Meeting is passed by the requisite majorities under section 411(4)(a)(ii) of the Corporations Act (or, where clause 3.6 applies, the majority required under section 411(4)(a)(ii)(B) of the

Corporations Act) and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or waived prior to 8.00am on the proposed Second Court Date, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;

- (s) **Second Court Hearing:** subject to the Conditions Precedent (other than the Condition Precedent in clause 3.1(e)) being satisfied or waived in accordance with clause 3, apply to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme and consult with Bidder as to the content of all relevant affidavits, submissions and draft minutes of Court orders. Such consultation must include providing Bidder with a reasonable opportunity to review and comment on the relevant Court documents before they are lodged, and Konekt must consider in good faith any comments provided by or on behalf of Bidder, provided the comments are given in a timely manner;
- (t) **lodge copy of Court order:** lodge with ASIC an office copy of the Court order in accordance with section 411(10) of the Corporations Act approving the Scheme by no later than the Business Day after the date on which the Court order was made (or such later date as agreed in writing by Bidder);
- (u) **appeal process:** if the Court refuses to make any orders directing Konekt to convene the Scheme Meeting or approving the Scheme, Konekt and Bidder must:
 - (i) consult with each other in good faith as to whether to appeal the Court's decision; and
 - (ii) appeal the court decision unless the parties agree otherwise or an independent senior counsel opined that, in his or her view an appeal would have no reasonable prospect of success;
- (v) **implementation:** if the Scheme becomes Effective:
 - (i) procure ASX to suspend trading in Konekt Shares from the close of trading on the Effective Date;
 - (ii) finalise and close the Konekt Share Register as at the Scheme Record Date to determine the identity of the Scheme Shareholders and their entitlements to the Scheme Consideration in accordance with the Scheme and the Deed Poll;
 - (iii) subject to Bidder having paid the Scheme Consideration, execute, on behalf of Scheme Shareholders, proper instruments of transfer of and effect and register the transfer of the Scheme Shares to Bidder on the Implementation Date; and
 - (iv) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
- (w) **Bidder Information:** without the prior written consent of Bidder, not use the Bidder Information for any purpose other than those expressly contemplated by this deed or the Scheme;
- (x) **information:** provide Bidder all necessary information, and procure that the Share Registry provides all information reasonably requested, in each case in a form reasonably requested by Bidder, about the Scheme, the Scheme Shareholders

and Konekt Shareholders to Bidder, and its Authorised Persons, which Bidder reasonably requires in order to:

- (i) understand the legal and beneficial ownership of Konekt Shares (including the results of directions by Konekt to Konekt Shareholders under Part 6C.2 of the Corporations Act), proxy appointments, directions received by Konekt prior to the Scheme Meeting and soliciting votes in favour of the Scheme; and
- (ii) facilitate the payment by, or on behalf of, Bidder of the Scheme Consideration;
- (y) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(1) and paragraph 411(4)(b) of the Corporations Act;
- (z) **listing:** subject to clause 5.1(bb), not do anything to cause the Konekt Shares to cease being quoted on ASX or to become permanently suspended from quotation prior to implementation of the Transaction unless Bidder has agreed in writing;
- (aa) **compliance with laws:** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws, regulations and policy; and
- (bb) **suspension of trading:** apply to ASX to suspend trading in Konekt Shares with effect from the close of trading on the Effective Date.

5.2 Bidder's obligations

Bidder must take all steps reasonably necessary to assist Konekt to implement the Scheme as soon as reasonably practicable and, without limiting the foregoing, use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step, including taking each of the following steps:

- (a) **Bidder Information:** as soon as reasonably practicable after the date of this deed, prepare and promptly provide to Konekt all information regarding Bidder, the Scheme Consideration, and Bidder's intentions with respect to the assets, business and employees of Konekt if the Scheme is approved and implemented that is required by all applicable laws (in particular with the Corporations Act, RG 60 and the Listing Rules) for inclusion in the Scheme Booklet;
- (b) **drafts of Scheme Booklet:** review the drafts of the Scheme Booklet prepared by Konekt and provide comments promptly on those drafts in good faith;
- (c) **confirmation of Bidder Information:** subject to clause 5.5, promptly after Konekt requests that it does so, confirm in writing to Konekt that it consents to the inclusion of the Bidder Information in the Scheme Booklet (and Konekt must not lodge the Scheme Booklet with ASIC until such approval is obtained from Bidder), in the form and context in which the Bidder Information appears;
- (d) **Independent Expert:** subject to the Independent Expert agreeing to reasonable confidentiality restrictions, promptly provide all assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report (including any updates to such report);
- (e) **due diligence and verification:** undertake appropriate due diligence and verification processes in relation to Bidder Information;

- (f) **assistance with Scheme Booklet and Court documents:** promptly provide any assistance or information reasonably requested by Konekt or its Advisers in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to Konekt Shareholders) and any documents required to be filed with the Court in respect of the Scheme;
- (g) **representation:** procure that, if requested by Konekt, Bidder is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act;
- (h) **Deed Poll:** by no later than the Business Day prior to the First Court Date, execute and deliver to Konekt the Deed Poll;
- (i) **accuracy of the Bidder Information:** confirm in writing to Konekt the accuracy of the Bidder Information in the Scheme Booklet, including that it does not contain any material statement that is false or misleading in a material respect, whether because of any material omission from that statement or otherwise;
- (j) **share transfer:** if the Scheme becomes Effective:
 - (i) accept a transfer of the Scheme Shares as contemplated by clause 4.2(b); and
 - (ii) execute instruments of transfer in respect of the Scheme Shares;
- (k) **Scheme Consideration:** if the Scheme becomes Effective, procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4 and the terms of the Scheme and the Deed Poll;
- (l) **update Bidder Information:** until the date of the Scheme Meeting, promptly provide to Konekt any information that arises after the Scheme Booklet has been despatched that is necessary to ensure the Bidder Information contained in the Scheme Booklet does not contain any material statement that is false or misleading in a material respect including because of any material omission from that statement;
- (m) **promote merits of Transaction:** participate in efforts reasonably requested by Konekt to promote the merits of the Transaction and the Scheme Consideration, including meeting with key Konekt Shareholders at the reasonable request of Konekt;
- (n) **financing:** do everything reasonably within its power to ensure that all finance agreements and arrangements to which Bidder is party relating to the availability of funds for the purposes of paying the Scheme Consideration remain on foot, that all conditions precedent to draw down of funds have been satisfied or waived under those agreements or arrangements and to hold the proceeds of financing to the extent required to pay the Scheme Consideration to the Scheme Shareholders on the Implementation Date;
- (o) **compliance with laws:** do everything reasonably within its power to ensure that all transactions contemplated by this deed are effected in accordance with all applicable laws and regulations; and
- (p) **other things necessary:** promptly do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme in accordance with all applicable laws and regulations.

5.3 Court process

- (a) The Scheme Parties are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This deed does not give a Scheme Party any right or power to give undertakings to the Court for or on behalf of the other Scheme Party without that Scheme Party's written consent.
- (c) The Scheme Parties must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Transaction as contemplated by this deed.

5.4 Responsibility statements

The Scheme Booklet will include a responsibility statement, in a form to be agreed by the Scheme Parties, which will contain words to the following effect:

- (a) Bidder will be responsible for the Bidder Information contained in the Scheme Booklet and, to the maximum extent possible at law, Konekt will not be responsible for any Bidder Information and will disclaim any liability for Bidder Information appearing in the Scheme Booklet; and
- (b) Konekt will be responsible for the Konekt Information contained in the Scheme Booklet and, to the maximum extent possible at law, Bidder will not be responsible for the Konekt Information appearing in the Scheme Booklet and will disclaim any liability for the Konekt Information appearing in the Scheme Booklet.

5.5 Disagreement on content

If Bidder and Konekt disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If after 2 (two) Business Days complete agreement is not reached after reasonable consultation, then:

- (a) where the determination relates to Bidder Information, Bidder will make the final determination, acting reasonably, as to the form and content of the Bidder Information; and
- (b) in any other case, Konekt, acting reasonably, will make the final determination as to the form and content of the Scheme Booklet.

6 Board recommendation

6.1 Recommendation

Konekt must procure that subject to clause 6.2, each director of Konekt will recommend that Konekt Shareholders vote in favour of the Scheme at the Scheme Meeting, qualified only by the words to the effect of *"in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is fair and reasonable and in the best interests of Konekt shareholders"*.

6.2 Confirmation

Konekt represents and warrants to Bidder that, as at the date this document, each Konekt Director has confirmed that:

- (a) his or her recommendation in respect of the Scheme is that Konekt Shareholders vote in favour of the Scheme (**Recommendation**); and
- (b) he or she intends to vote, or cause to be voted, all Konekt Shares that he or she holds or controls in favour of the Scheme (**Voting Intention**),

in each case subject to:

- (c) no Superior Proposal emerging; and
- (d) the Independent Expert concluding in the Independent Expert's Report (and continuing to conclude) that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders.

6.3 Withdrawal or modification of Recommendation and Voting Intention

Konekt must procure that the Konekt Board collectively, and the members of the Konekt Board individually do not change, withdraw, modify its, his or her Recommendation or Voting Intention unless:

- (a) Konekt receives a Competing Proposal and the relevant director of Konekt determines that the Competing Proposal constitutes a Superior Proposal; or
- (b) the Independent Expert concludes in the Independent Expert's Report that the Scheme is not fair and reasonable and in the best interests of Konekt Shareholders, or the Independent Expert concludes in the Independent Expert's Report that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders but then adversely changes or publicly withdraws this conclusion prior to 8.00am on the Second Court Date.

6.4 Notification

Subject to the Listing Rules and all applicable laws and regulations, if any fact, matter or circumstance arises (including receipt or the expected receipt of an unfavourable report) from the Independent Expert, (including any supplementary or replacement report) which may lead to a Konekt Director changing, withdrawing or modifying his or her Recommendation or Voting Intentions, Konekt must immediately notify Bidder of this fact.

6.5 Further assurances

Konekt must ensure that each Director Recommendation and Voting Intention is included in each ASX announcement referencing the Scheme made by Konekt from the date of this deed until the date of the Scheme Meeting.

7 Conduct of business

7.1 Conduct of Konekt business

Subject to clause 7.2, from the date of this deed up to and including the Implementation Date, Konekt must conduct its business, and must cause each of its Subsidiaries to conduct their businesses, in the ordinary and usual course of business and:

- (a) operate those businesses consistent with past practice, in the same manner as conducted in the 12 months prior to the date of this deed;
- (b) in accordance with all applicable laws and regulations;

- (c) use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- (d) use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;
- (e) use reasonable endeavours to comply in all material respects with all material contracts to which a member of the Konekt Group is a party, and with laws, authorisations and licenses applicable to each member of the Konekt Group;
- (f) ensure no Konekt Regulated Event or Konekt Prescribed Occurrence occurs;
- (g) not take or fail to take any action that would, or would be likely to, prevent a Condition being satisfied or result in a Condition not being satisfied;
- (h) maintain existing policies of insurance as disclosed in the Konekt Due Diligence Materials; and
- (i) ensure that no member of the Konekt Group settles, compromises or otherwise deals with any Tax or Duty audits, reviews or investigations or Tax Demands without the prior written consent of Bidder (not to be unreasonably withheld or delayed).

7.2 Konekt permitted activities

The obligations of Konekt under clause 7.1 do not apply in respect of any matter:

- (a) Fairly Disclosed in an announcement by Konekt to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Konekt within 5 months prior to the date of this deed;
- (b) required to be done or procured by Konekt pursuant to this deed or the Scheme;
- (c) to the extent it is Fairly Disclosed in the Konekt Disclosure Materials;
- (d) required by law or by an order of a court or Government Agency; or
- (e) the undertaking of which Bidder has previously approved in writing.

7.3 Access

Between the date of this deed and the Implementation Date, Konekt must:

- (a) procure that Bidder is provided with reasonable access to information, documents, records, premises, senior executives, customers, agents and partners, of any member of the Konekt Group, reasonably requested by Bidder for the purposes of:
 - (i) implementation of the Transaction;
 - (ii) obtaining an understanding, or furthering its understanding, of the Konekt Group or its business, financial position (including trading performance, cash flow, working capital position and management control systems of the Konekt Group), prospects or assets, in each case consistent with the existing level of detail provided in Konekt's monthly management reports, in order to allow Bidder to develop, finalise and implement its plans for the Konekt Group following implementation of the Transaction;

- (iii) finalisation of Bidder's structuring arrangements for the Transaction;
 - (iv) keeping Bidder informed of material developments relating to the Konekt Group (including any material correspondence received from or provided to a Government Agency); or
 - (v) any other purpose agreed between Bidder and Konekt (acting reasonably),
- provided that compliance with any such request would not, in the reasonable opinion of Konekt (acting in good faith), result in undue disruption to the Konekt Group's business.
- (b) During the period from the date of this deed up to and including the Implementation Date, Konekt must promptly notify Bidder in writing of any of the following matter of which Konekt becomes aware, and such written notification must include a reasonable summary of the relevant matter to the extent the details are known to Konekt:
 - (i) events, facts, matters or circumstances which:
 - (A) would or would be likely to constitute a Material Adverse Change; or
 - (B) would or would be likely to have a material adverse effect on: (x) the financial or operational performance, or the reputation, of the Konekt Group; or (y) the Konekt Group's relationships with Government Agencies or key customers, suppliers, licensors, licensees, or other persons with whom the Konekt Group has material business dealings;
 - (ii) changes to the composition of Konekt's senior management team;
 - (iii) any breach of, or default under, any law, contract, arrangement, permit, licence or authorisation that is binding upon any member of the Konekt Group and which is reasonably likely to result in a material liability on the part of any member of the Konekt Group; and
 - (iv) any breach of this deed by Konekt (including any Konekt Warranty being or becoming untrue or incorrect).
 - (c) Konekt agrees to consult with Bidder in respect of any lease renegotiations or renewals including promptly providing Bidder with copies of all material correspondence reasonably requested by Bidder and take into consideration Bidder's reasonable comments on the proposed lease terms.
 - (d) Konekt must consult with Bidder in connection with the transaction it has entered into with Artius Pty Limited and take into consideration Bidder's reasonable comments in relation to the waiver of any rights in respect of any approvals or consents the subject of the relevant agreement which are outstanding as at the date of this deed.
 - (e) Konekt will not be required to provide any access or take any action contemplated by this clause 7.3 to the extent that to do so would breach any applicable law or regulation or any obligations of confidentiality owed to third parties, or result in the loss of legal privilege or to do so would cause undue disruption to the Konekt Group's business.
 - (f) Where Konekt, acting reasonably, considers that the provision of certain information pursuant to this clause 7.3 will result in the disclosure of competitively

sensitive information, Konekt will notify Bidder, in which case, such information will not be shared without first receiving external competition law advice from their respective advisers. Konekt and Bidder acknowledge that competition law protocols may need to be put in place in relation to the sharing of competitively sensitive information, including presenting any information required to be provided under this clause 7.3 on an anonymised or aggregated basis or sharing such information on an external 'counsel-to counsel' basis only.

- (g) Konekt must promptly provide Bidder with details of any facts, matters or circumstances that are provided to the Konekt Board which are reasonably likely to have a material adverse impact on the Konekt Group following implementation of the Transaction.

7.4 Implementation Planning Committee

- (a) As soon as reasonably practicable after the date of this deed, the Scheme Parties must establish an Implementation Planning Committee as set out in this clause 7.4.
- (b) Without limiting clause 7.3, between (and including) the date of this deed and the Implementation Date, the Implementation Planning Committee will act as a forum for consultation and planning by the Scheme Parties to implement the Scheme. For the avoidance of doubt, the Implementation Planning Committee will be a consultative body only that will make recommendations to the Scheme Parties and to the extent any document or other information is to be provided to the Implementation Planning Committee, the arrangements set out in clause 3.3(e) with respect to Sensitive Commercial Information shall apply.
- (c) The Scheme Parties will use reasonable endeavours to procure that the Implementation Planning Committee meets fortnightly, commencing on the one-month anniversary of the date of this deed.
- (d) Subject to this deed, nothing in this clause 7.4 requires either Scheme Party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The Scheme Parties agree that nothing in this deed constitutes the relationship of a partnership or joint venture between the Scheme Parties.

7.5 Change of control

- (a) As soon as practicable after the date of this deed, Konekt must:
 - (i) seek to identify any change of control or unilateral termination rights in any contract to which a member of the Konekt Group is party which may be triggered by the implementation of the Transaction (**Change of Control Requirements**); and
 - (ii) use all reasonable endeavours to agree a proposed strategy to obtain any consents required in accordance with the terms of any identified Change of Control Requirements, and to then expeditiously seek those consents in accordance with the agreed strategy.
- (b) Bidder must cooperate with, and provide all reasonable assistance to, Konekt to obtain such consents or confirmations in relation any identified Change of Control Requirements, including by promptly providing any information reasonably required by counterparties.

7.6 Permitted Dividend

- (a) Subject to the Scheme becoming Effective, clauses 7.6(e) and 7.6(e), and to applicable law, Konekt may, in its sole discretion, declare and pay to Konekt Shareholders who are recorded on the Konekt Share Register as at the Special Dividend Record Date the Permitted Dividend (which shall, to the extent practicable, be fully franked) on the Special Dividend Payment Date.
- (b) If the Scheme becomes Effective and Konekt determines to pay the Permitted Dividend, Konekt may request and Bidder must provide or procure that a member of the Bidder Group provides a loan on normal commercial terms up to the amount of the Permitted Dividend on the later of the first Business Day after the Effective Date and the first Business Day after the Permitted Dividend is declared by Konekt (**Dividend Loan**).
- (c) Konekt must, in relation to any Dividend Loan, ensure that it is and remains in compliance with Part 2J.3 of the Corporations Act.
- (d) The parties agree to consult and cooperate with each other in respect of the timing and mechanics associated with the Permitted Dividend with a view to ensuring that the Permitted Dividend can, to the extent lawfully possible, be fully franked utilising the franking account balance of Konekt, provided that Konekt must not under any circumstances allow a franking deficit to subsist at the Implementation Date such that the liability of Konekt under any tax laws, including as to franking deficit tax, could be incurred.
- (e) If Konekt announces, declares and pays the Permitted Dividend in accordance with clause 7.6(a):
 - (i) the payment of the Permitted Dividend will be determined by Konekt in consultation with Bidder provided that the Permitted Dividend is paid no later than the Implementation Date and that the Special Dividend does not breach the Benchmarking Franking Rule of section 203-25 of the Income Tax Assessment Act, 1997;
 - (ii) the Permitted Dividend must be in compliance with Part 2H.5 of the Corporations Act;
 - (iii) the Permitted Dividend may be franked to the maximum extent possible, subject to the franking account of Konekt not being in deficit after the payment of the Permitted Dividend (and prior to the declaration of or resolution to pay the Permitted Dividend), and Konekt must provide Bidder with supporting documents evidencing (to Bidder's reasonable satisfaction) that the franking account of Konekt shall not be in deficit after the payment of such and that the Permitted Special Dividend does not breach the Benchmark Franking Rule of section 203-25 of the Income Tax Assessment Act, 1997;
 - (iv) the Permitted Dividend is paid from profits, retained earnings or distributable reserves (or a combination of all or some of them) of the Konekt Group existing prior to the declaration or authorisation of such dividend and otherwise in accordance with the Corporations Act, and may not be debited against Konekt's share capital account; and
 - (v) the Scheme Consideration per Konekt Share will be reduced by the cash amount of the Permitted Dividend.

8 Reconstitution of the Konekt Board

Subject to the Scheme Consideration having been paid to Konekt Shareholders, Konekt must as soon as practicable take all reasonable steps to:

- (a) cause the appointment of the nominees of Bidder to the Konekt Board; and
- (b) procure that each director of Konekt resigns from their office as a director of Konekt by providing to the Konekt Board their resignation in writing (such resignation, to the extent reasonable, to include a statement to the effect that the outgoing director has no claim outstanding against any member of the Konekt Group).

9 Representations and warranties

9.1 Bidder representations and warranties

Bidder represents and warrants that:

- (a) **validly existing:** Bidder is a validly existing corporation registered under the laws of its place of incorporation;
- (b) **authority and power:** the execution and delivery of this deed has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
- (c) **no default:** this deed constitutes legal, valid and binding obligations on it and this deed does not result in a breach of or default under any provision of Bidder's constitution or any deed or any writ, order or injunction, rule or regulation to which Bidder is a party or is bound and Bidder is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this deed;
- (d) **deed binding:** this deed is a valid and binding obligation of Bidder, enforceable in accordance with its terms;
- (e) **Bidder Information:** the Bidder Information provided to Konekt in accordance with clause 5.2(a) for inclusion in the Scheme Booklet will:
 - (i) be provided in good faith;
 - (ii) comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, the Listing Rules and RG 60; and
 - (iii) be provided on the understanding that Konekt will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
- (f) **not misleading or deceptive:** as at the date the Scheme Booklet is despatched to Konekt Shareholders, the Bidder Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act will not be misleading or deceptive in any material respect (whether by omission or otherwise and with any statement of belief or opinion having been formed on a reasonable basis);

- (g) **new information:** Bidder will, as a continuing obligation, provide to Konekt all further or new information which arises after the Scheme Booklet has been dispatched to Konekt Shareholders until the date of the Scheme Meeting which is necessary to ensure that the Bidder Information is not misleading or deceptive in any material respect (including by way of omission);
- (h) **Debt Commitment Letter:** the Debt Commitment Letter has been duly executed by Bidder and constitutes a legally valid and binding obligation of Bidder that is enforceable against Bidder in accordance with its terms and the Debt Commitment letter has not been terminated;
- (i) **amendment to Debt Commitment Letter:** as a continuing obligation, without the prior written consent of Konekt:
 - (i) Bidder will not amend the Debt Commitment Letter in any respect which will, or is reasonably likely to, materially prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll; and
 - (ii) Bidder will not waive any of its rights under the Debt Commitment Letter in any material respect which will, or is reasonably likely to, materially prejudice Bidder's ability to pay the Scheme Consideration in accordance with this deed and the Deed Poll;
- (j) **Independent Expert:** all information provided by or on behalf of Bidder to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will not be misleading or deceptive in any material respect (whether by omission or otherwise) and will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet;
- (k) **Insolvency Event or regulatory action:** no Insolvency Event has occurred in relation to Bidder or any other member of the Bidder Group, nor has any regulatory action of any nature been taken that would prevent or restrict its ability to fulfil its obligations under this deed;
- (l) **sufficient cash amounts – reasonable expectation at the date of this deed:** as at the date of this deed, Bidder has a reasonable basis to expect that it will, by the Implementation Date, have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll;
- (m) **sufficient cash amounts – unconditional at Second Court Date:** at 8.00am on the Second Court Date, Bidder will have available to it on an unconditional basis (other than conditions relating to the approval of the Court and other conditions within the control of Bidder) sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll; and
- (n) **sufficient cash amounts – available on Implementation Date:** Bidder will have available to it on the Implementation Date sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy Bidder's obligation to pay the

Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.

(the **Bidder Warranties**).

9.2 Bidder's indemnity

Bidder agrees with Konekt (on Konekt's own behalf and separately as trustee for each of the other Konekt Indemnified Parties) to indemnify and keep indemnified Konekt and Konekt Indemnified Parties against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Konekt may suffer or incur by reason of any breach of any of the representations and warranties in clause 9.1.

9.3 Konekt representations and warranties

Konekt represents and warrants that:

- (a) **validly existing:** Konekt is a validly existing corporation registered under the laws of its place of incorporation;
- (b) **authority and power:** the execution and delivery of this deed by Konekt has been properly authorised by all necessary corporate action and Konekt has full corporate power and lawful authority to execute and deliver this deed and to perform or cause to be performed its obligations under this deed;
- (c) **no default:** this deed constitutes legal, valid and binding obligations on it and this deed does not result in a breach of or default under any provision of Konekt's constitution or any deed or any writ, order or injunction, rule or regulation to which Konekt is a party or is bound and Konekt is not otherwise bound by any agreement that would prevent or restrict it from entering into or performing this deed;
- (d) **deed binding:** this deed is a valid and binding obligation of Konekt, enforceable in accordance with its terms;
- (e) **Konekt Prescribed Occurrence:** no Konekt Prescribed Occurrence has occurred;
- (f) **Konekt Information:** the Konekt Information contained in the Scheme Booklet:
 - (i) will be prepared and included in the Scheme Booklet in good faith; and
 - (ii) will comply in all material respects with the requirements of the Corporations Act, Corporations Regulations, Listing Rules and RG 60;
- (g) **not misleading or deceptive:** as at the date the Scheme Booklet is despatched to Konekt Shareholders, the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Bidder Information and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (h) **continuous disclosure:** as at the date of this deed, Konekt is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Transaction or as disclosed in writing to Bidder on or before the date of this deed).

- (i) **issued capital:** the issued capital of Konekt as of the date of this deed is set out in Schedule 5 and there are no other Konekt options, performance rights, shares, warrants, convertible notes, instruments or other securities (or offers or agreements to issue any of the foregoing) that may convert into Konekt Shares;
- (j) **financial statements:** Konekt's financial statements as disclosed to the ASX have been prepared in accordance with the Accounting Standards on a basis consistent with past practice financial statements and, so far as Konekt is aware, there has not been any event, change, effect or development which would require Konekt to restate its financial statements as disclosed to the ASX;
- (k) **issue of securities:** no member of the Konekt Group has issued, or agreed to issue, any other securities or instruments which may convert into Konekt Shares or any other securities in Konekt;
- (l) **due diligence information:** the Konekt Disclosure Materials were provided or made available to Bidder in good faith and as at the date of this deed, Konekt is not actually aware of any material misleading or deceptive statement in, or material omission from, any of the Konekt Disclosure Materials;
- (m) **Insolvency Event or regulatory action:** no Insolvency Event has occurred in relation to Konekt or any other member of the Konekt Group, nor has any regulatory action of any nature been taken that would prevent or restrict its ability to fulfil its obligations under this deed; and
- (n) **Konekt assets:** the Konekt Group owns, or has the right to use, all of the assets, real property, information technology and intellectual property that are material for the conduct of the business of the Konekt Group, and will continue to do so upon and immediately following Implementation,

(the **Konekt Warranties**).

9.4 Konekt's indemnity

Subject to clause 12.7(b), Konekt agrees with Bidder (on Bidder's own behalf and separately as trustee for each of the other Bidder Indemnified Parties) to indemnify and keep indemnified Bidder and Bidder Indemnified Parties from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Bidder may suffer or incur by reason of any breach of any of the representations and warranties in clause 9.3.

9.5 Qualifications on the Konekt Warranties

Each of the Konekt Warranties in clause 9.3 and the indemnity in 9.4 are each subject to matters:

- (a) Fairly Disclosed:
 - (i) in the Konekt Disclosure Materials prior to the date of this deed; and
 - (ii) Fairly Disclosed in any announcement by Konekt to ASX within 5 years prior to the date of this deed or Fairly Disclosed in a document lodged with ASIC, by or on behalf of Konekt within 5 years prior to the date of this deed; or
- (b) which would be disclosed in a search of ASIC records in relation to Konekt prior to the date of this deed.

9.6 Survival of representations

Each representation and warranty in clauses 9.1 and 9.3:

- (a) is severable;
- (b) will survive the termination of this deed; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

9.7 Survival of indemnities

Each indemnity in this deed (including those in clauses 9.2 and 9.4) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survive the termination of this deed.

9.8 Timing of representations and warranties

Each representation and warranty made or given under clauses 9.1 or 9.3 is given at the date of this deed, at the date the Scheme Booklet is despatched to Konekt Shareholders and as at 8.00am on the Second Court Date unless that representation or warranty is expressed to be given only at a particular time, in which case it is given only at that time.

9.9 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this deed, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other party, except for any representations or inducement expressly set out in this deed.

10 Public Announcements

10.1 Public Announcements on execution

Immediately after the date of this deed, the Scheme Parties must issue public announcements in a form previously agreed to in writing between them.

10.2 Public announcements

Subject to clause 10.3, no public announcement or public disclosure of the Transaction or any other transaction the subject of this deed or the Scheme may be made other than in

a form approved by each party in writing (acting reasonably), but each party must use all reasonable endeavours to provide such approval as soon as practicable, provided that neither party will be required to consult with the other in relation to any public announcement relating to termination of this deed or any Competing Proposal.

10.3 Required disclosure

Where a party is required by applicable law or the Listing Rules to make any announcement or to make any disclosure in connection with the Transaction or any other transaction the subject of this deed or the Scheme, it must use all reasonable endeavours, to the extent practicable in the circumstances, to consult with the other parties prior to making the relevant disclosure and take account of any reasonable comments received from the other parties in relation to the form and content of the announcement or disclosure.

11 Exclusivity

11.1 Termination of existing discussions

- (a) Konekt represents and warrants to Bidder that, as at the date of this deed, Konekt Group and any of its Representatives:
 - (i) is not a party to any agreement or arrangement with a third party entered into for the purpose of facilitating a Competing Proposal;
 - (ii) is not, directly or indirectly, participating in any discussions or negotiations with a third party that concern, or that could reasonably be expected to lead to, a Competing Proposal;
 - (iii) has ceased any existing discussions or negotiations with any third party in relation to a potential Competing Proposal; and
 - (iv) has ceased the provision of any non-public information in relation to the Konekt Group (**Non-public Information**) to any third party, where the provision of Non-public Information was for the purposes of, a potential Competing Proposal.

11.2 No-shop

During the Exclusivity Period, Konekt Group must not, and must procure that its representatives do not:

- (a) directly or indirectly solicit, initiate, encourage or invite any Competing Proposal;
- (b) solicit, initiate, encourage or invite enquiries, discussions, negotiations or proposals in relation to, or which may reasonably be expected to lead to, a Competing Proposal; and
- (c) communicate to any person any intention to do any of the things referred to in clause clauses 11.2(a) and 11.2(b).

11.3 No-talk

Subject to clause 11.6, during the Exclusivity Period, Konekt Group must not, and must procure that its Representatives do not, directly or indirectly:

- (a) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in or continue any negotiations or discussions with respect to any actual, proposed or potential Competing Proposal;
- (b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (c) disclose or otherwise provide any Non-public Information about the business or affairs of the Konekt Group to a third party (other than a Government Agency) with a view to obtaining, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Proposal (including, without limitation, providing such information for the purposes of the conduct of due diligence investigations in respect of the Konekt Group); or
- (d) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause 11.3,

but nothing in this clause 11.3 prevents Konekt from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business or promoting the merits of the Transaction.

11.4 No due diligence restriction

During the Exclusivity Period, Konekt must not directly or indirectly:

- (a) solicit, initiate, facilitate, encourage or invite any person (other than Bidder, its affiliates or its Representatives) to undertake due diligence investigations in respect of the Konekt or any member of the Konekt Group, or any of their respective businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- (b) subject to clause 11.6, make available to any person (other than Bidder, its affiliates or its Representatives) or permit any such person to receive, other than in the ordinary course of business or as required by law or the rules of any prescribed financial market, any Non-public Information relating to Konekt or any member of the Konekt Group, or any of their respective businesses and operations with a view to obtaining or which may reasonably be expected to lead to a Competing Proposal.
- (c) During the Exclusivity Period, Konekt must promptly provide the Bidder with:

any material Non-public Information relating to the Konekt Group, or its businesses and operations made available any person, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal and the substance of which has not previously been provided to Bidder.

11.5 Notification of approaches

- (a) During the Exclusivity Period, Konekt must notify Bidder in writing as soon as practicable but in any event within 48 hours:

- (i) if Konekt Group or any of Konekt's representatives is approached by any person in relation to an actual or potential Competing Proposal, such notice must set out reasonable details of the approach; or
- (ii) of any request made by a third party for any information in relation to Konekt Group or any of their businesses or operations, that the Konekt Board has reasonable grounds to suspect may be in connection with such third party formulating, developing or finalising, or assisting in the formulation of a Competing Proposal,

(each, a **Notifiable Proposal**).

- (b) The notice must set out the material terms of the Notifiable Proposal, including (as the case may be):
 - (i) the identity of the third party that made the Notifiable Proposal; and
 - (ii) the material terms and conditions (including price, conditions precedent, timetable and any break fee) of any Competing Proposal or any proposed Competing Proposal.

11.6 Fiduciary out

Clauses 11.3 and 11.4 do not apply to the extent that they restrict Konekt or any Konekt Director from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 11) provided that:

- (a) the Competing Proposal, approach, inquiry or proposal or request for information (as the case may be) is bona fide and is made by or on behalf of a person that the Konekt Board considers is of sufficient commercial standing; and
- (b) The Konekt Board has determined in good faith after:
 - (i) consultation with Konekt's financial and legal advisers, that the Competing Proposal, approach, inquiry or proposal or request for information (as the case may be) is or may be reasonably expected to lead to a Superior Proposal; or
 - (ii) receiving advice from Konekt's external legal advisers practising in the area of corporate law, that failing to take the action or refusing to take the action (as the case may be) with respect to the Competing Proposal would be reasonably likely to constitute, a breach of any of the fiduciary or statutory duties of the directors of Konekt.
- (c) If pursuant to clause 11.6, Konekt is permitted to engage in any activity that would otherwise breach any of clauses 11.2, 11.3 and 11.4:
 - (i) prior to providing any Non-public Information to a third party, Konekt must enter into a confidentiality agreement with the person who made the applicable Competing Proposal on customary terms (including a standstill restricting the acquisition of Konekt Shares) which restrict the use and disclosure of the information provided to the person who made the applicable Competing Proposal; and
 - (ii) Bidder and Konekt acknowledge and agree that the Confidentiality Agreement will be read down such that the obligations of Bidder under the Confidentiality Agreement are no more onerous in any material respect than the obligations of any proposed acquirer under clause 11.6(i).

11.7 Matching Right

- (a) Konekt must:
- (i) not, and must procure that its Representatives do not, enter into any legally binding agreement in relation to a Competing Proposal (other than a confidentiality agreement under clause 11.6(i)); and
 - (ii) direct each director of Konekt not to withdraw, change or modify his or her recommendation or voting intention (as set out in clause 6) in response to a Competing Proposal or publicly recommend, support or endorse a Competing Proposal,
- unless:
- (iii) the Competing Proposal is a Superior Proposal;
 - (iv) Konekt has provided Bidder with the material terms and conditions of the Competing Proposal, including the identity of any person making the Competing Proposal, the price, conditions and proposed timing of the proposal;
 - (v) Konekt has given Bidder at least 3 Business Days after provision of all of the information referred to in clause 11.7(iv) to provide a proposal that is no less favourable to Konekt Shareholders or is superior to the Competing Proposal (**Bidder Proposal**); and
 - (vi) Bidder has not provided a Bidder Proposal which the Konekt Board, acting in good faith, after consulting with its financial and legal advisers, determines would be reasonably likely to provide an outcome that is no less favourable to or more favourable to Konekt Shareholders as a whole than the relevant Competing Proposal (having regard to matters including, but not limited to, consideration, conditionality, funding, certainty and timing) by the expiry of the period referred to in clause 11.7(v).
- Konekt's obligations under this paragraph clause 11.7 apply in respect of each new Competing Proposal and any material variation or amendment to a Competing Proposal.
- (b) The Konekt Board must consider the Bidder Proposal and if it determines, acting in good faith, that the Bidder Proposal would provide an outcome that is no less favourable to or more favourable to Konekt Shareholders as a whole than the relevant Competing Proposal (having regard to matters including, but not limited to, consideration, conditionality, funding, certainty and timing), then Konekt and Bidder must use their best endeavours to agree any amendments to this deed and the contents of the Scheme Booklet which are reasonably necessary to reflect the Bidder Proposal, and once agreed:
- (i) the parties must enter into an appropriate amending deed to give effect to those amendments;
 - (ii) Konekt must direct that each director of the Konekt Board recommends the Bidder Proposal to Konekt Shareholders and does not recommend the applicable Competing Proposal; and
 - (iii) Konekt must implement the Bidder Proposal in accordance with the terms of the amended scheme implementation deed,

in each case as soon as reasonably practicable.

12 Konekt Reimbursement Fee

12.1 Background to Konekt Reimbursement Fee

- (a) The Scheme Parties each acknowledge that, if they enter into this deed and the Scheme is subsequently not implemented, Bidder will incur significant costs, including those set out in clause 12.4.
- (b) In these circumstances, Konekt has agreed that provision be made for the payment outlined in clause 12.2, without which Bidder would not have entered into this deed or otherwise agreed to implement the Scheme.
- (c) Konekt and the Konekt Board believe, having taken advice from their Advisors, that the implementation of the Scheme will provide benefits to Konekt Shareholders and that it is appropriate for Konekt to agree to the payment referred to in clause 12.2 in order to secure Bidder's participation in the Transaction.

12.2 Konekt Reimbursement Fee

Konekt must pay the Konekt Reimbursement Fee to Bidder if:

- (a) during the Exclusivity Period, any director of Konekt withdraws or adversely revises their recommendation that Konekt Shareholders vote in favour of the Scheme unless:
 - (i) the Independent Expert concludes in the Independent Expert's Report (or any update of, revision or amendment or addendum to, that report) that the Scheme is fair and reasonable and in the best interests of Konekt Shareholders (except where that conclusion is due (in whole or in part) to the existence, announcement or publication of a Competing Proposal); or
 - (ii) Konekt is entitled to terminate this deed pursuant to clause 13.1(a)(i) and has given the appropriate termination notice to Bidder;
- (b) a Competing Proposal is announced prior to the date of the Scheme Meeting (whether or not such proposal is stated to be subject to any pre-conditions) and, within 12 months of the date of such announcement, a third party:
 - (i) completes a Superior Proposal; or
 - (ii) acquires a Relevant Interest in more than 50% of the Konekt Shares under a transaction that is or has become wholly unconditional or otherwise comes to Control Konekt or acquires substantially all of the assets of Konekt;
- (c) Bidder has terminated this deed under clauses 13.1(a)(i) or 13.3(a) (other than, in respect of termination under clause 13.3(a), in circumstances where the Independent Expert does not conclude that the Transaction is fair and reasonable and in the best interests of Konekt Shareholders, except where that conclusion is due (in whole or in part) to the existence, announcement or publication of a Competing Proposal), and the Transaction does not complete.

12.3 Timing

- (a) A demand by Bidder for payment of the Konekt Reimbursement Fee under clause 12.2 must:

- (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account into which the party is to pay the Reimbursement Fee.
- (b) Konekt must pay the Konekt Reimbursement Fee into the account nominated by Bidder, without set-off or withholding, within 5 Business Days after receiving a demand for payment where Bidder is entitled under clause 12.2 to the Konekt Reimbursement Fee.

12.4 Basis of Konekt Reimbursement Fee

The Konekt Reimbursement Fee has been calculated to reimburse Bidder for costs including the following:

- (a) fees for legal, financial and other professional advice in planning and implementing the Transaction (excluding success fees);
- (b) reasonable opportunity costs incurred in engaging in the Transaction or in not engaging in other alternative acquisitions or strategic initiatives;
- (c) costs of management and directors' time in planning and implementing the Transaction; and
- (d) out of pocket expenses incurred by Bidder and Bidder's employees, advisors and agents in planning and implementing the Transaction;
- (e) costs associated with the financing arrangements in respect of the Transaction; and
- (f) any damage to Bidder's reputation associated with a failed transaction,

and the Scheme Parties agree that:

- (g) the costs actually incurred by Bidder will be of such a nature that they cannot all be accurately ascertained;
- (h) the Konekt Reimbursement Fee is a genuine and reasonable pre-estimate of those costs; and
- (i) both Scheme Parties have received advice from their respective legal advisors on the operation of this clause 12.

12.5 No payment if Scheme becomes Effective

No Konekt Reimbursement Fee is payable if the Scheme becomes Effective. To the extent that any amount has already been paid under this clause 12 and the Scheme becomes Effective, such amount must be immediately refunded to Konekt.

12.6 Konekt Reimbursement Fee payable once

Where the Konekt Reimbursement Fee becomes payable to Bidder under clause 12.2 and is actually paid to Bidder, Bidder cannot make any claim against Konekt for payment of any subsequent Konekt Reimbursement Fee.

12.7 Other Claims

- (a) Where an amount becomes payable to Bidder under clause 12.2 and is actually paid to Bidder (or is payable, but no demand is made under clause 12.3), the Bidder may not make any Claim (other than a Claim under this clause 12) against Konekt which relates to the event that gave rise to the right to make a demand under clause 12.3, unless the Claim arises from a wilful breach by Konekt of this deed.
- (b) The maximum aggregate amount which Konekt is required to pay in relation to a breach or breaches of this deed by Konekt or failure to perform its obligations under this deed, is the Reimbursement Fee and in no event will the aggregate liability of Konekt under or in connection with a breach of this deed exceed the Konekt Reimbursement Fee which will be the sole remedy in respect of any damages claim against Konekt, provided that the Konekt Reimbursement Fee shall not be in lieu of damages or any other payment or remedy available (and shall not operate to limit Konekt's liability) in the event of any wilful or intentional breach by Konekt of a material term of this deed.

12.8 Compliance with law

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that all or any part of the Konekt Reimbursement Fee required to be paid under clause 12.2 (**Impugned Amount**):

- (a) is unlawful;
- (b) involves a breach of directors' duties; or
- (c) constitutes unacceptable circumstances or breaches an order of the Takeovers Panel,

then,

- (d) the requirement to pay the Konekt Reimbursement Fee does not apply to the extent of the Impugned Amount; and
- (e) if Bidder has received the Impugned Amount, it must refund it within five Business Days of the final determination being made.

12.9 Regulatory Intervention

If any regulatory body (including ASIC or the Takeovers Panel) or a court requires any modification (including requiring such a modification as a condition of consenting to or approving the Scheme or as a condition of not opposing the Scheme) to the Konekt Reimbursement Fee, including as to the amount or circumstances in which it is to be paid, then:

- (a) the Scheme Parties will accept this determination and amend this deed to that extent; and

- (b) it will not result in a breach of this deed or termination of the transactions contemplated by it.

13 Termination

13.1 Termination by notice

- (a) A Scheme Party may terminate this deed by written notice to the other parties:
 - (i) other than in respect of a breach of either a Konekt Warranty or a Bidder Warranty, (which are dealt with in clauses 13.2(ii) and 13.3(a)(iii)), at any time before 8.00am on the Second Court Date if a Scheme Party has materially breached this deed, the party entitled to terminate has given written notice to the party in breach of this deed setting out the relevant circumstances and stating an intention to terminate this deed, and the party in breach has failed to remedy the breach within 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given;
 - (ii) at any time before 8.00am on the Second Court Date if the Court or another Government Agency (including any other court) has taken any action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review succeeding by the End Date;
 - (iii) in the circumstances set out in, and in accordance with, clause 3.7; or
 - (iv) if the Effective Date for the Scheme has not occurred, or will not occur, on or before the End Date.

13.2 Termination by Konekt

Without limiting Konekt's obligations under clause 6.1 and clause 11.7, Konekt may, by notice in writing to Bidder, terminate this deed at any time prior to 8.00am on the Second Court Date if at any time before then:

- (i) a majority of the directors of Konekt change, withdraw or modify their Recommendation as permitted under clause 6.2 and Konekt has paid the Konekt Reimbursement Fee to Bidder (if required to do so under clause 12); or
- (ii) Bidder materially breaches a Bidder Warranty set out in clause 9.1, and:
 - (A) Konekt has given written notice to Bidder setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
 - (B) the relevant breach continues to exist, or the effects of which are not otherwise mitigated, 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given under clause 13.2(ii)(A); and
 - (C) the breach is material in the context of the Scheme taken as a whole.

13.3 Termination by Bidder

- (a) Bidder may, by notice in writing to Konekt, terminate this deed at any time prior to 8.00am on the Second Court Date if, at any time before then:
 - (i) a director of Konekt:
 - (A) withdraws or adversely revises his or her Recommendation or Voting Intention;
 - (B) makes any public statement that is inconsistent with the Recommendation or Voting Intention; or
 - (C) recommends, endorses or supports any Competing Proposal;
 - (ii) a Competing Proposal in respect of Konekt is announced or made and is publicly recommended, supported or endorsed by a majority of the Konekt Board;
 - (iii) Konekt materially breaches a Konekt Warranty set out in clause 9.3, and:
 - (A) Bidder has given written notice to Konekt setting out the relevant circumstances and stating an intention to terminate or to allow the Scheme to lapse;
 - (B) the relevant breach continues to exist, or the effects of which are not otherwise mitigated, 5 Business Days (or any shorter period ending at 5.00pm on the Business Day before the Second Court Date) after the date on which the notice is given under clause 13.3(a)(iii)(A); and
 - (C) the breach is material in the context of the Scheme taken as a whole; or
 - (iv) a Konekt Regulated Event or Konekt Prescribed Occurrence occurs.

13.4 Effect of termination

In the event of termination of this deed in accordance with clauses 3.7 or 13.1, this deed will cease to have force and effect without any liability or obligation on the part of any party, except that:

- (a) this deed will become void and have no effect, except that the provisions of this clause 13.4 and clauses 9.6, 9.7, 9.8, 12, , 15, 16 and 17 survive termination; and
- (b) each party will retain the rights it has or may have against the other parties in respect of any part breach of this deed; and
- (c) in all other respects, all future obligations of the parties under this deed will immediately terminate and be of no further force and effect including any further obligations in respect of the Scheme.

14 Releases

14.1 Konekt and Konekt directors and officers

- (a) Bidder releases its rights, and agrees with Konekt that neither it nor any of its Subsidiaries as at the date of this deed and from time to time will make a claim, against any Konekt Indemnified Party other than Konekt and its Related Bodies Corporate as at the date of this deed and from time to time in connection with:
 - (i) any breach of any covenant, representation or warranty given by Konekt or any other member of the Konekt Group in this deed; or
 - (ii) any disclosures containing any statement which is false or misleading, whether in content or by omission; or
 - (iii) any failure to provide information,whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Konekt Indemnified Party has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 14.1 limits Bidder's rights to terminate this deed under clause 13.3(a)(iii).
- (b) Konekt receives and holds the benefit of this clause 14 to the extent it relates to each Konekt Indemnified Party as trustee for each of them.

14.2 Bidder and Bidder directors and officers

- (a) Konekt releases its rights, and agrees with Bidder that it will not make a claim, against any Bidder Indemnified Party other than Bidder and its related bodies corporate as at the date of this deed and from time to time in connection with:
 - (i) any breach of any representations and warranties of Bidder or any other member of the Bidder Group in this deed; or
 - (ii) any disclosure containing any statement which is false or misleading whether in content or by omission,whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except where the Bidder Indemnified Party has engaged in wilful misconduct or fraud. For the avoidance of doubt, nothing in this clause 14.2 limits Konekt's rights to terminate this deed under clause 13.2(ii).
- (b) Bidder receives and holds the benefit of this clause to the extent it relates to each Bidder Indemnified Party as trustee for each of them.

14.3 Deeds of indemnity and insurance

- (a) Subject to the Scheme becoming Effective and the Transaction completing, Bidder undertakes in favour of Konekt and each other person who is a Konekt Indemnified Party that it will:
 - (i) for a period of 7 years from the Implementation Date, ensure that the constitutions of Konekt and each other Konekt Group Member continue to contain such rules as are contained in those constitutions at the date of this deed that provide for each company to indemnify each of its directors and officers against any liability incurred by that person in his or her capacity as a

director or officer of the company to any person other than a Konekt Group Member;

- (ii) procure that Konekt and each Konekt Group Member complies with any deeds of indemnity, access and insurance made by them in favour of their respective directors and officers from time to time and without limiting the foregoing, ensure that directors' and officers' run-off insurance cover for such directors and officers is maintained for a period of 7 years from the retirement date of each director and officer (and Konekt may, at its election, pay any amounts necessary to ensure such maintenance upfront prior to the implementation of the Scheme);
- (b) The undertakings contained in clause 14.3(a) are subject to any Corporations Act restriction and will be read down accordingly; and
- (c) Konekt receives and holds the benefit of clause 14.3(a), to the extent it relates to the other Konekt Indemnified Parties, as trustee for them.

15 Confidentiality

15.1 Confidentiality

Konekt and Bidder acknowledge that they continue to be bound by the Confidentiality Agreement after the date of this deed on the terms of that Confidentiality Agreement, provided that this deed prevails to the extent of any inconsistency. For the avoidance of doubt, the rights and obligations of Konekt and Bidder survive termination of this deed.

16 Notices

16.1 Service of notices

- (a) A notice, consent or other communication under this deed (**Notice**) is only effective if:
 - (i) it is in writing, signed by or on behalf of the party giving it; and
 - (ii) it is directed to the recipient's address for notices as follows:

Konekt

Address: Level 3, 338 Pitt St, Sydney NSW 2000

E-mail: damian.banks@konekt.com.au

Attn: Damian Banks

with a copy to Gilbert + Tobin:

Address: Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW 2000

E-mail: rbassil@gtlaw.com.au

Attn: Rachael Bassil

Bidder

Address: Ground Floor, 58 Ord Street, West Perth, Western Australia
6005

E-mail: Matthew.Flood@apm.net.au
Attn: Matthew Flood

with a copy to Tom.Story@allens.com.au;
Noah.Obradovic@allens.com.au

- (b) If a party changes address and fails to notify the other parties of this change and the new address, delivery of Notices to a new address, or otherwise brought to the attention of the addressee, are deemed compliance with the notice obligations under this clause 16.1.

16.2 Effective on receipt

A Notice given in accordance with clause 16.1 takes effect when received (or at a later time specified in it), and is taken to be received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post, the second Business Day after the date of posting;
- (c) if sent by email, when the email (including the attachment) comes to the attention of the recipient party or a person acting on its behalf,

but if the delivery or transmission under clause 16.2(a) or 16.2(b) is not on a Business Day or after 5.00pm on a Business Day, the Notice is taken to be received at 9.00am on the Business Day after that delivery, receipt or transmission.

17 General

17.1 Further acts

Each party will promptly do all things necessary to give full effect to this deed and the matters contemplated by it.

17.2 Payments

Unless otherwise expressly provided in this deed, where an amount is required to be paid to a party (the **Receiving Party**) by another party under this deed, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

17.3 Consents or approvals

- (a) Unless expressly required by the terms of this deed, a party is not required to act reasonably in giving or withholding any consent or approval or exercising any other right, power, authority, discretion or remedy, under or in connection with this deed.

- (b) A party may (without any requirement to act reasonably) impose conditions on the grant by it of any consent or approval, or any waiver of any right, power, authority, discretion or remedy, under or in connection with this deed. Any conditions must be complied with by the party relying on the consent, approval or waiver.

17.4 GST

- (a) Any reference in this clause 17.4 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.
- (b) Unless expressly included, the consideration for any supply under or in connection with this deed does not include GST.
- (c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this deed is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this deed but for the application of this clause 17.4(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 17.4(c) does not apply to any taxable supply under or in connection with this deed that is expressly stated to include GST.
- (d) The amount on account of GST payable in accordance with this clause 17.4 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.
- (e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.
- (f) Unless expressly included, any monetary thresholds specified in this deed are exclusive of GST.

17.5 Stamp duty

Bidder must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this deed or the Scheme or the steps to be taken under this deed or the Scheme (including the acquisition or transfer of Scheme Shares pursuant to the Scheme).

17.6 Expenses

Except as otherwise provided in this deed, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this deed and the Scheme Booklet and the proposed, attempted or actual implementation of this deed and the Scheme.

17.7 Amendments

No variation of this deed is effective unless made in writing and signed by each party.

17.8 Assignment

- (a) Subject to clause 17.8(b), a party must not assign or novate this deed or otherwise deal with the benefit of it or a right under it, or purport to do so, without the prior written consent of the other parties, which consent may be withheld at the absolute discretion of the party or parties from whom consent is sought.
- (b) Bidder may assign, grant a security interest over, novate or otherwise transfer by way of security, any of its rights under this deed to a financier or financiers (or a security agent or security trustee thereof) without the prior consent of Konekt solely for the purpose of obtaining finance or providing security in connection with the Transaction provided that no assignment to any such financier or financiers shall affect Bidder's obligations under this deed or increase Konekt's obligations under this deed.

17.9 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by any party under this deed will only be effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed will operate as a waiver of another breach of that term or of a breach of any other term of this deed.
- (d) Nothing in this deed obliges a party to exercise a right to waive any conditional term of this deed that may be in its power.

17.10 Entire agreement

This deed:

- (a) This deed is the entire agreement between the parties about its subject matter and replaces all previous agreements, understandings, representations and warranties about that subject matter (other than the Confidentiality Agreement).
- (b) Each party represents and warrants that it has not relied on any representations or warranties about the subject matter of this deed except as expressly provided in this deed.

17.11 Relationship of the parties

Except as expressly provided in this deed:

- (a) nothing in this deed is intended to constitute a fiduciary relationship, employment relationship or an agency, partnership or trust; and
- (b) no party has authority to bind any other party.

17.12 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this deed. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

17.13 Invalidity and enforceability

- (a) If any provision of this deed is invalid under the law of any jurisdiction the provision is enforceable in that jurisdiction to the extent that it is not invalid, whether it is in severable terms or not.
- (b) Clause 17.13(a) does not apply where enforcement of the provision of this deed in accordance with clause 17.13(a) would materially affect the nature or effect of the parties' obligations under this deed.

17.14 Remedies cumulative

Except as provided in this deed and permitted by law, the rights, powers and remedies provided in this deed are cumulative with, and not exclusive of, the rights, powers and remedies provided by law independently of this deed.

17.15 Severability

Any term of this deed which is wholly or partially void or unenforceable is severed to the extent that it is void or unenforceable. The validity or enforceability of the remainder of this deed is not affected.

17.16 Governing law

- (a) This deed is governed by and will be construed according to the laws of New South Wales.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and of the courts competent to determine appeals from those courts.

17.17 Counterparts

- (a) This deed may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original, but the counterparts together are one and the same agreement.
- (b) This deed is binding on the parties on the exchange of duly executed counterparts.
- (c) The parties agree that a copy of an original executed counterpart sent by email to the email address of the other parties specified in clause 16, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

1 Dictionary

1.1 Defined terms

In this deed, unless the context otherwise requires, the following words and expressions have meanings as follows:

Accounting Standards means:

- (a) the accounting standards made by the Australian Accounting Standards Board in accordance with the Corporations Act, and the requirements of that Act relating to the preparation and content of accounts; and
- (b) generally accepted accounting principles that are consistently applied in Australia, except those inconsistent with the standards or requirements referred to in paragraph (a).

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Konekt or Bidder.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

Authorised Person means, in respect of a person:

- (a) a director, officer, contractor, agent or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

Bidder Group means Bidder and its Subsidiaries.

Bidder Indemnified Parties means Bidder, its Subsidiaries and their respective directors, officers, employees and advisors.

Bidder Information means such information regarding Bidder that is provided by or on behalf of Bidder to Konekt or the Independent Expert:

- (a) to enable the Scheme Booklet to be prepared and completed in compliance with all applicable laws;
- (b) to enable applications for Regulatory Approvals to be made; and
- (c) otherwise in compliance with Bidder's obligations under clause 5.2(a).

Bidder Share means an issued fully paid ordinary share in the capital of Bidder.

Bidder Sub has the meaning given to that term in clause 2.1(e).

Bidder Warranties means the representations and warranties of Bidder set out in clause 9.1.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales.

Change of Control Requirements has the meaning given to that term in clause 7.5.

Claim means a claim, notice, demand, action, proceeding, litigation, prosecution, arbitration, investigation, judgment, award, damage, loss, cost, expense or liability however arising, whether present, unascertained, immediate, future or contingent, whether based in contract, tort or statute.

Competing Proposal means any inquiry, proposal, offer or transaction (including by way of takeover bid or scheme of arrangement) by a third party (other than Bidder or its Related Bodies Corporate) that, if completed, would mean:

- (a) a person would acquire the assets or business of the Target Group or otherwise acquire, become the holder of or have a right to acquire or an economic interest in all or a substantial part of the business, or any of the material assets, of the Konekt Group;
- (b) a person would acquire a relevant interest or voting power in 20% or more of the Konekt Shares or of the securities of any of member of the Konekt Group;
- (c) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 20% or more of the Konekt Shares or of the securities of any member of the Konekt Group;
- (d) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, Konekt or any member of the Konekt Group;
- (e) a person would acquire Control of Konekt or any member of the Konekt Group;
- (f) a person may otherwise acquire, or merge with, Konekt or any member of the Konekt Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or
- (g) Konekt will issue, on a fully diluted basis, 20% or more of its capital as consideration for the assets or share capital or another person,

or any proposal by Konekt to implement any reorganisation of capital. Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

Conditions means the conditions set out in clause 3.1 and **Condition** means any one of them.

Confidentiality Agreement means the confidentiality agreement between Konekt and Bidder dated 16 July 2019.

Control has the meaning given under section 50AA of the Corporations Act. **Controlled** has the equivalent meaning.

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

Corporations Regulations mean the *Corporations Regulations 2001* (Cth).

Court means the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Debt Commitment Letter means the executed binding commitment letters and accompanying binding term sheets from Bidder's debt financiers addressed to the Bidder and provided to the Bidder on or before the date of this deed.

Deed Poll means the deed poll to be executed by Bidder prior to the First Court Date, substantially in the form set out in Schedule 4 or in such other form as is acceptable to Konekt acting reasonably, provided that where Bidder nominates a Bidder Sub in accordance with clause 2.1(e), the Deed Poll must provide for the Bidder Sub to have the primary obligations under the Deed Poll.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.

Effective Date, with respect to the Scheme, means the date on which the Scheme becomes Effective.

Encumbrance means a mortgage charge, pledge, lien, encumbrance, security interest, title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person, whether registered or unregistered, including any Security Interest.

End Date means the later of:

- (a) 29 February 2020; and
- (b) such other date and time agreed in writing between Bidder and Konekt.

Exclusivity Period means the period commencing on the date of this deed and ending on the earliest of:

- (a) the End Date;
- (b) the Effective Date; and
- (c) the date this deed is terminated in accordance with its terms.

Fairly Disclosed a reference to Fairly Disclosed to a party means disclosed to any of that party or any of its Authorised Persons in good faith and in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Authorised Persons) experienced in transactions similar to the Transaction and experienced in a business similar to any business conducted by the Konekt Group (if disclosed to Bidder) or the Bidder Group (if disclosed to Konekt), to identify the nature and scope of the relevant matter, event or circumstance.

FATA means *Foreign Acquisitions and Takeovers Act 1975* (Cth).

Financial Advisor means any financial advisor retained by Konekt in connection with Scheme or Competing Proposal;

FIRB means the Foreign Investment Review Board.

First Court Date means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

Fundamental Key Contract means the contracts described in paragraphs (a) and (b) in the definition of Key Contract.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Headcount Test means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Konekt Shareholders present and voting, either in person or by proxy.

Implementation Date means, with respect to the Scheme, the fifth Business Day, or such other Business Day as the parties agree, following the Scheme Record Date for the Scheme.

Implementation Planning Committee has the meaning given to that term in clause 7.4 of this deed.

Independent Expert means an expert, independent of the parties, engaged by Konekt in good faith to opine on whether the Scheme is fair and reasonable and in the best interests of Konekt Shareholders.

Independent Expert's Report means the report from the Independent Expert commissioned by Konekt for inclusion in the Scheme Booklet, which includes a statement by the Independent Expert on whether, in its opinion, the Scheme is fair and reasonable and in the best interests of Konekt Shareholders and includes any update of that report by the Independent Expert.

Insolvency Event means in relation to a person:

- (a) **insolvency official:** the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;
- (b) **arrangements:** the entry by the person into a compromise or arrangement with its creditors generally;
- (c) **winding up:** the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;
- (d) **suspends payments:** the person suspends or threatens to suspend payment of its debts as and when they become due;

- (e) **ceasing business:** the person ceases or threatens to cease to carry on business;
- (f) **insolvency:** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (g) **deregistration:** the person being deregistered as a company or otherwise dissolved;
- (h) **deed of company arrangement:** the person executing a deed of company arrangement;
- (i) **person as trustee or partner:** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:
 - (i) a breach of trust or obligation as partner by the person;
 - (ii) the person acting outside the scope of its powers as trustee or partner;
 - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability;
 - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) **analogous events:** anything analogous to those set out in any of paragraphs (a) to (g) inclusive occurs in relation to the person under the laws of a foreign jurisdiction,

and a person shall be **Insolvent** if any event specified in paragraphs (a) to (j) inclusive occurs in respect of that person.

Key Contract means each of the following agreements:

- (a) Jobactive Deed 2015-2020 dated 21 April 2015 between the Department of Jobs and Small Business and Konekt Employment Pty Ltd;
- (b) Rehabilitation Provider Services Deed (undated) between Insurance and Care NSW (ABN 16 759 382 489) on behalf of the Workers Compensation Nominal Insurer established by Division 1A of Part 7 of the Workers Compensation Act 1987 (NSW) and Konekt Australia Pty Ltd;
- (c) Disability Employment Services Grant Agreement (undated) between the Department of Social Services and Konekt Employment Pty Ltd;
- (d) Career Transition Assistance Panel Deed 2019-2022 dated 18 April 2019 between the Department of Jobs and Small Business and Konekt Employment Pty Ltd;
- (e) Entrepreneurship Facilitators Deed 2019-2022 dated 18 December 2018 between the Department of Jobs and Small Business and Konekt Employment Pty Ltd;
- (f) Deed of Agreement (undated) between the Department of Veterans' Affairs, the Repatriation Commission and the Military Rehabilitation and Compensation

Commission and Konekt Australia Pty Ltd for the provision of Rehabilitation Services; and

- (g) Deed of Agreement (undated) between the Department of Veterans' Affairs, the Repatriation Commission and the Military Rehabilitation and Compensation Commission and Konekt Australia Pty Ltd for the provision of Case Management Services for the DVA Wellbeing and Support Program.

Konekt Board means the board of directors of Konekt as constituted from time to time (or any committee of the board of directors of Konekt constituted from time to time to consider the Transaction on behalf of Konekt).

Konekt Disclosure Letter means the letter so entitled from Konekt provided to Bidder on or prior to the date of this deed and countersigned by Bidder.

Konekt Disclosure Materials means the Konekt Due Diligence Materials and the Konekt Disclosure Letter.

Konekt Due Diligence Materials means the information disclosed in the virtual data room hosted at Intralinks as at the date of the Konekt Disclosure Letter, or on behalf of the Konekt Group in written responses to requests for information to Bidder or any of its Authorised Persons prior to the date of this deed.

Konekt Group means Konekt and its Subsidiaries.

Konekt Incentive Plan means Konekt's long term incentive plan adopted in May 2014.

Konekt Indemnified Parties means Konekt, its Subsidiaries and their respective directors, officers and employees.

Konekt Option means an option to acquire a Konekt Share granted pursuant to the Konekt Incentive Plan.

Konekt Optionholder means a holder of a Konekt Option.

Konekt Performance Right means a right to be issued a Konekt Share under the Konekt Incentive Plan.

Konekt Performance Right Holder means a holder of a Konekt Performance Right.

Konekt Prescribed Occurrence means the occurrence of any of the following on or after the date of this deed and before 8.00am on the Second Court Date:

- (a) Konekt converts all or any of its shares into a larger or smaller number of shares (see section 254H of the Corporations Act);
- (b) any member of the Konekt Group resolves to reduce its share capital in any way;
- (c) any member of the Konekt Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) any member of the Konekt Group issues shares, or grants a performance right, a phantom performance right, or an option over its shares, or agrees to make such

an issue or grant such a performance right, phantom performance right or an option (other than to a directly or indirectly wholly owned Subsidiary of Konekt) except for proposed issuances Fairly Disclosed in filings of Konekt with the ASX;

- (e) any member of the Konekt Group issues, or agrees to issue, securities convertible into shares or debt securities;
- (f) any member of the Konekt Group becomes unable to pay its debts when they fall due and payable within the meaning of the Corporations Act or is otherwise presumed to insolvent under the Corporations Act unless that company has, or has access to, committed financial support from its parent entity such that it is able to pay its debts;

provided that a Konekt Prescribed Occurrence will not include any matter:

- (g) required to be done or procured by Konekt pursuant to this deed or the Scheme;
- (h) to the extent it is Fairly Disclosed in filings of Konekt with the ASX prior to the date of this deed;
- (i) to the extent it is Fairly Disclosed in the Konekt Disclosure Letter or the Konekt Due Diligence Materials;
- (j) required by law or by an order of a court or Government Agency;
- (k) expressly permitted pursuant to this deed; or
- (l) the undertaking of which Bidder has been approved in writing (which approval must not be unreasonably withheld or delayed).

Konekt Regulated Event means the occurrence of any of the following:

- (a) a member of the Konekt Group reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares;
- (b) any member of the Konekt Group declaring, paying or distributing, or incurring any liability to make or pay any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (other than the Permitted Dividend and the FY19 dividend announced on 22 August 2019);
- (c) any member of the Konekt Group creating any new share based incentive plan (or phantom based incentive plan) or scheme, modifying the terms of the Konekt Incentive Plan, or issuing any offers to participate in the Konekt Incentive Plan;
- (d) a member of the Konekt Group making any change to its constitution;
- (e) any member of the Konekt Group ceasing or threatening to cease, the whole or a material part of its business;
- (f) any member of the Konekt Group:
 - (i) acquiring or disposing, or agreeing to acquire or dispose;
 - (ii) agreeing to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for the acquisition or disposal of,

any business or property (excluding in respect of any lease) of any business, assets or entity (whether by way of a single transaction or series of related transactions) the value of which exceeds A\$100,000 (individually or where related transactions are entered into contemporaneously, then in aggregate);

- (g) any member of the Konekt Group creating, granting or agreeing to any Encumbrance over any of the assets of any member of the Konekt Group, other than a lien which arises by operation of law, legislation or arises in the ordinary course of the Konekt Group's business;
- (h) any member of the Konekt Group resolving that it be wound up or the making of an application or order for the insolvent winding up or dissolution of a member of the Konekt Group other than where the application or order (as the case may be) is set aside within 14 days;
- (i) a liquidator or provisional liquidator of a member of the Konekt Group being appointed;
- (j) a court making an order for the winding up of a member of the Konekt Group;
- (k) an administrator of a member of the Konekt Group being appointed under the Corporations Act;
- (l) any member of the Konekt Group executing a deed of company arrangement;
- (m) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the property of a member of the Konekt Group;
- (n) any member of the Konekt Group being deregistered as a company or otherwise dissolved other than on a solvent basis;
- (o) any member of the Konekt Group authorises, procures or commits or agrees to do any of the matters set out above;
- (p) a member of the Konekt Group entering into any contract or commitment (including in respect of any new financial indebtedness) requiring net payments by the Konekt Group in excess of A\$100,000 (individually) per annum other than any payment required by law, for matters Fairly Disclosed in the Konekt Disclosure Materials or in respect of contracts or commitments which can be terminated for convenience by the Konekt Group on the giving of notice of three months or less or which have a nil minimum spend requirement;
- (q) a member of the Konekt Group providing financial accommodation other than to members of the Konekt Group (irrespective of what form that accommodation takes) in excess of A\$75,000 (individually or in aggregate) excluding trade debtors in the ordinary course;
- (r) a member of the Konekt Group entering into any agreement, arrangement or transaction with respect to derivative instruments (including, but not limited to, swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments;
- (s) a member of the Konekt Group entering into, or resolving to enter into, a transaction with any related party of Konekt (other than a related party which is a member of the Konekt Group), as defined in section 228 of the Corporations Act;

- (t) a member of the Konekt Group entering into or materially altering, varying or amending any employment, consulting, severance or similar agreement or arrangement with one or more of its officers, directors, other executives or employees, or accelerating or otherwise materially increasing compensation or benefits for any of the above, in each case other than:
 - (i) pursuant to contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Konekt Disclosure Materials; or
 - (ii) pursuant to Konekt's policies and guidelines in effect on the date of this deed and which are Fairly Disclosed in the Konekt Disclosure Materials,

other than in connection with the promotion of existing employees in the ordinary course;

- (u) a member of the Konekt Group entering into an employment agreement with a new employee with a base salary of greater than A\$125,000, excluding where the agreement includes a probation period of at least six months during which there is a notice period of eight weeks or less;
- (v) a member of the Konekt Group paying any of its directors or employees a termination or retention payment in excess of A\$50,000, other than in accordance with contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Konekt Disclosure Materials or as otherwise disclosed in the Konekt Disclosure Materials;
- (w) a member of the Konekt Group amending in respect of any agreement with a Financial Advisor, or entering into an agreement or arrangement with a new Financial Advisor, or entering into an agreement or arrangement with a new Financial Advisor, in respect of the Scheme or Competing Proposal;
- (x) a member of the Konekt Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on the date of this deed and which are Fairly Disclosed in the Konekt Disclosure Materials;
- (y) a member of the Konekt Group changing any accounting policy applied by them to report their financial position other than any change in policy required by a change in accounting standards;
- (z) a member of the Konekt Group settling any legal proceedings, disputed claim, investigation, arbitration or other like proceeding where the settlement amount payable by any member of the Konekt Group exceeds A\$50,000;
- (aa) Konekt shares cease to be quoted on ASX;
- (bb) any member of the Konekt Group authorises, agrees, offers, commits or resolves to do any of the matters set out in the above definition, whether conditionally or otherwise, other than events, occurrences or matters:

other than events, occurrences or matters:

- (cc) required to be done or procured by Konekt pursuant to this deed or the Scheme;
- (dd) to the extent that it was Fairly Disclosed in the Konekt Due Diligence Materials or the Konekt Disclosure Letter;

- (ee) to the extent it was Fairly Disclosed to the ASX within five years prior to the date of this deed or which may arise from an event, occurrence or matter which was so disclosed; or
- (ff) which Bidder has previously approved in writing.

Konekt Reimbursement Fee means A\$528,000.

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

Konekt Share Register means the register of members of Konekt maintained by or on behalf of Konekt in accordance with section 168(1) of the Corporations Act.

Konekt Shareholder means each person who is registered in the Konekt Share Register as a holder of Konekt Shares.

Konekt Warranties means the representations and warranties of Konekt set out in clause 9.3.

Listing Rules means the official listing rules of ASX as amended from time to time.

Material Adverse Change means change, event, circumstance, occurrence or matter that occurs, is announced, is disclosed or otherwise becomes known to Bidder or the Konekt Board in each case after the date of this deed (whether it becomes public or not) which (whether individually or when aggregated with all such changes, events, circumstances, occurrences or matters) has had or is reasonably likely to have:

- (a) the effect of a diminution in the value of the consolidated net assets (but not including any diminution in intangible assets) of the Konekt Group, taken as a whole, of at least A\$1,300,000 against what it would reasonably be expected to have been but for that change, event, circumstance, occurrence or matter; or
- (b) the effect of a diminution in the consolidated earnings before interest, tax, depreciation and amortisation of the Konekt Group, taken as a whole, of at least A\$1,300,000 for the financial years ending 30 June 2019 or 30 June 2020 for the Konekt Group against what it would reasonably be expected to have been but for that change, event, circumstance, occurrence or matter,

in each case other than changes, events, occurrences or matters:

- (c) expressly required or permitted by this deed or the Scheme;
- (d) Fairly Disclosed to Bidder in the Konekt Disclosure Materials;
- (e) Fairly Disclosed in any announcement by Konekt to ASX within 5 years prior to the date of this deed, or Fairly Disclosed in a document lodged with ASIC by or on behalf of Konekt within 12 months prior to the date of this deed;
- (f) is within the actual knowledge of Bidder as at the date of this deed;
- (g) consented to in writing by Bidder; or
- (h) which arise from:
 - (i) changes in exchange rates or interest rates;

- (ii) general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets, and acts of terrorism, war or natural disaster; or
- (iii) any actual or proposed changes to accounting standards, laws, regulations or policies of a Government Agency in Australia or the interpretation of any of the foregoing,

but excluding any change, event, circumstance, occurrence or matter which has a disproportionate effect on the Konekt Group, taken as a whole, as compared to other participants in the industries in which the Konekt Group operates.

Permitted Dividend means one or more dividends in an amount not exceeding 5 cents per Konekt Share in aggregate paid prior to the Implementation Date (excluding any dividends announced or declared prior to the date of this deed).

Recommendation has the meaning given to that term in clause 6.2.

Regulatory Approval means:

- (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Government Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Government Agency intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

Related Body Corporate of a person, means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

Relevant Interest has the meaning given to that term in sections 608 and 609 of the Corporations Act.

RG 60 means Regulatory Guide 60 issued by ASIC.

Security Interest has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

Scheme means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Konekt and Scheme Shareholders in respect of all Scheme Shares, substantially in the form set out in Schedule 3 or in such other form as the Scheme Parties agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.

Scheme Booklet means the explanatory booklet to be prepared by Konekt in respect of the Transaction in accordance with the terms of this deed and to be despatched to Konekt Shareholders.

Scheme Consideration means A\$0.49 per Scheme Share less the amount of any Permitted Dividend.

Scheme Meeting means the meeting of Konekt Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

Scheme Parties means Bidder and Konekt.

Scheme Record Date means, in respect of the Scheme, 5.00pm on the third Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

Scheme Share means a Konekt Share on issue as at the Scheme Record Date.

Scheme Shareholder means a person who holds one or more Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

Share Splitting means the splitting by a holder of Konekt Shares into two or more parcels of Konekt Shares whether or not it results in any change in beneficial ownership of the Konekt Shares.

Special Dividend Payment Date means the date of payment of the Permitted Dividend, to be determined by Konekt in its sole discretion but in any event no earlier than the Effective Date and no later than the Scheme Record Date.

Special Dividend Record Date means the record date in respect of the Permitted Dividend, to be determined by Konekt in its sole discretion but in any event no earlier than the Effective Date and no later than the Scheme Record Date.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

Superior Proposal means a bona fide, written Competing Proposal received after the date of this deed, which the Konekt Board determines, acting in good faith and in order to satisfy what the Konekt Board reasonably considers to be its fiduciary or statutory duties (after having obtained written advice from their legal and financial advisors), would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Konekt Shareholders as a whole than the Transaction having regard to matters including, but not limited to, type of consideration offered, the actual or implied premium of the purchase price, conditionality, funding, certainty and timing.

Timetable means the indicative timetable in relation to the Transaction set out in Schedule 2 with such modifications as may be agreed in writing by the parties.

Transaction means the proposed acquisition by Bidder, in accordance with the terms and conditions of this deed, of all of the Konekt Shares through the implementation of the Scheme.

Voting Intention has the meaning given to that term in clause 6.2.

1.2 Interpretation

In this deed the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this deed;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation, trust or other body corporate;
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its agents, successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this deed;
 - (vi) this deed includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced;
 - (viii) a statute includes any regulation, ordinance, by-law or other subordinate legislation made under it;
 - (ix) an agreement other than this deed includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
 - (x) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and each of them severally;
- (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (i) a reference to time is to Sydney, Australia time; and
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it.

1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words “include or “for example” or similar expressions does not limit what else is included.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Deed components

This deed includes any schedule.

1.6 Awareness

Where a representation or warranty is given so far as a party is “aware” or with a similar qualification as to awareness or knowledge, the awareness or knowledge of a party is limited to and deemed only to comprise those facts, matters or circumstances of which:

- (a) in the case of Konekt, the Chairman, Chief Executive Officer, Chief Financial Officer or any other direct report to the Chief Executive Officer (who has been made aware of the Transaction prior to the date of this deed); and
- (b) in the case of Bidder, the Michael Anghie, Chris Ryan, James Wakefield, Megan Wynne and Stephen Farrell,

is aware or ought reasonably to be aware, as at the date of this deed.

Schedule 2 Indicative Timetable

Event	Date
Enter into Scheme Implementation Deed	Tuesday, 8 October 2019
Lodge the Scheme Booklet with ASIC for review and comment	Friday, 11 October 2019
First Court Date	Wednesday, 30 October 2019
Scheme Booklet registered with ASIC	Thursday, 31 October 2019
Despatch Scheme Booklet to Konekt Shareholders	Friday, 1 November 2019
Scheme Meeting	Tuesday, 3 December 2019
Second Court Date	Monday, 9 December 2019
Effective Date – lodge office copy of Court order approving the Scheme with ASIC	Tuesday, 10 December 2019
Scheme Record Date	Friday, 13 December 2019
Implementation Date	Friday, 20 December 2019

Schedule 3 Scheme of arrangement

Scheme of arrangement

Konekt Limited ACN 009 155 971

Each person registered as a holder of fully paid ordinary shares in Konekt as at the Scheme Record Date

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Parties

- 1 **Konekt Limited ACN 009 155 971 of Level 3, 338 Pitt Street Sydney NSW 2000 (Konekt)**
- 2 Each person registered as a holder of fully paid ordinary shares in Konekt as at the Scheme Record Date (**Scheme Shareholders**)

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression starting with a capital letter which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

2 Preliminary matters

- (a) Konekt is an Australian public company limited by shares, and has been admitted to the official list of ASX. Konekt Shares are quoted for trading on the ASX.
- (b) As at 7 October 2019, there were 105,786,835 Konekt Shares that are quoted for trading on the ASX.
- (c) Bidder is an Australian proprietary company limited by shares and incorporated in Western Australia.
- (d) If this Scheme becomes Effective:
 - (i) Bidder must provide or procure the provision of the Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
 - (ii) All the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder and Konekt will enter the name of Bidder in the Share Register in respect of all the Scheme Shares.
- (e) Bidder and Konekt have entered into the Scheme Implementation Deed in respect of (among other things) the implementation of this Scheme.
- (f) This Scheme attributes actions to Bidder but does not itself impose any obligations on it to perform those actions. By executing the Deed Poll, Bidder has agreed to perform the actions attributed to it under this Scheme. By executing the Deed Poll, Bidder agrees to perform its obligations under the Deed Poll, including payment of the Consideration in accordance with the terms of this Scheme.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(e) of the Scheme Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Scheme Implementation Deed by the Delivery Time;
- (b) neither the Scheme Implementation Deed nor the Deed Poll is terminated in accordance with its terms by the Delivery Time;
- (c) this Scheme is approved by the Court at the Second Court Hearing under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Konekt and Bidder;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Konekt and Bidder are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

3.2 Conditions precedent and operation of clause 4

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 4 of this Scheme.

3.3 Certificates

- (a) Each of Konekt and Bidder will provide a certificate to the Court at the Second Court Hearing confirming (in respect of matters within their respective knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived as at the Delivery Time.
- (b) The certificates given by Konekt and Bidder constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived as at the Delivery Time.

3.4 Termination and End Date

Without limiting any rights under the Scheme Implementation Deed, if:

- (a) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Effective Date has not occurred on or before the End Date,

then the Scheme will lapse and each of Bidder and Konekt are released from any further obligation to take steps to implement the Scheme.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

For the purposes of section 411(10) of the Corporations Act, Konekt must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme before 5:00pm on the Business Day following the day on which such office copy is received by Konekt or such later date as Konekt and Bidder agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Consideration in the manner contemplated by clause 5.2(a), the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Konekt as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Konekt duly completing and executing the Scheme Transfer, duly executed on behalf of the Scheme Shareholders (as transferors), and delivering it to Bidder; and
 - (ii) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to Konekt for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), Konekt must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

5 Consideration

5.1 Entitlement to Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to A\$0.49 for each Scheme Share (less the amount of any Permitted Dividend).

5.2 Provision of Consideration

- (a) In consideration for the transfer to Bidder of the Scheme Shares, Bidder will provide the Consideration by depositing (or procuring the deposit) in cleared funds an amount equal to the aggregate amount of the Consideration for all Scheme Shares into the Trust Account on the Business Day before the Implementation Date, such amount to be held by Konekt on trust for Scheme Shareholders (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder).
- (b) Subject to Bidder having complied with clause 5.2(a), Konekt must, on the Implementation Date and from the Trust Account, pay to each Scheme Shareholder the Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date, which obligation will be satisfied by Konekt:

- (i) where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Konekt by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
- (i) either:
 - (A) a Scheme Shareholder does not have a Registered Address; or
 - (B) Konekt as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),

Konekt as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Konekt (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW), Konekt must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Konekt must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by Konekt as the trustee for the Scheme Shareholders in the Trust Account, that surplus may be paid by Konekt as the trustee for the Scheme Shareholders to Bidder following the satisfaction of Konekt's obligations as the trustee for the Scheme Shareholders under this clause 5.2.
- (e) Konekt must pay any Accrued Interest to any account nominated by Bidder following satisfaction of Konekt's obligations under clause 5.2(b) (and, in any event, on the Implementation Date).

- (f) If, following the satisfaction of Bidder's obligations under clause 5.2(a) but prior to the occurrence of all of the events described in clause 4.2, the Scheme lapses under clause 3.4(b):
 - (i) Konekt must immediately repay (or cause to be repaid) to or at the direction of Bidder the funds that were deposited into the trust account plus any interest on the amounts deposited (less bank fees and other charges);
 - (ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidder under clause 4.2(a) will immediately cease;
 - (iii) Bidder must return the Scheme Transfer, if provided pursuant to clause 4.2(a)(i); and
 - (iv) Konekt is no longer obliged to enter, or procure entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with clause 4.2(b).

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Record Date.

5.4 Cancellation and re-issue of cheques

- (a) Konekt may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Konekt; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Konekt (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.4(a) must be reissued.

5.5 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Any interest or other benefit accruing from unclaimed Consideration will be to the benefit of Bidder.

5.6 Orders of a court

If written notice is given to Konekt (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by Konekt in accordance with this clause 5, then Konekt will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents Konekt from making a payment to a particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Konekt will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5.6 is permitted by that order or otherwise by law.

6 Dealings in Konekt Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Konekt Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Konekt Shares at or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Share Register is kept,

and Konekt must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received on or after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) Konekt must register registrable transmission applications or transfers of Konekt Shares in accordance with clause 6.1(b) at or before the Scheme Record Date, provided that nothing in this clause 6.2(a) requires Konekt to register a transfer that would result in a Konekt Shareholder holding a parcel of Konekt Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Konekt will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Consideration, Konekt must maintain the Share Register in accordance with the provisions of this clause 6.2

until the Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Consideration.

- (d) All statements of holding for Konekt Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Consideration in respect of the Konekt Shares relating to that entry.
- (e) As soon as possible after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Konekt will ensure that details of the names, Registered Addresses and holdings of Konekt Shares for each Scheme Shareholder as shown in the Share Register as at the Scheme Record Date are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Konekt Shares

- (a) Provided that the Scheme has been fully implemented in accordance with its terms, Konekt will apply to ASX to suspend trading in Konekt Shares with effect from the close of trading on the Effective Date.
- (b) Konekt will apply:
 - (i) for termination of the official quotation of Konekt Shares on the ASX; and
 - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date.
- (a) Konekt must use its best endeavours to ensure that such termination of official quotation and removal from the official list of ASX does not occur before the Implementation Date.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Konekt may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Konekt has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Scheme Shares to Bidder together with all rights and entitlements attaching to those shares in accordance with this Scheme;

- (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
 - (iii) agrees:
 - (A) that after the transfer of the Scheme Shares to Bidder, any share certificate relating to the Scheme Shares will not constitute evidence of title to those Scheme Shares; and
 - (B) at the direction of Bidder, to destroy any share certificates relating to the Scheme Shares; and
 - (iv) acknowledges that this Scheme binds Konekt and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Bidder, and appointed and authorised Konekt as its attorney and agent to warrant to Bidder, that:
- (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (B) restrictions on transfer of any kind; and
 - (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those Scheme Shares; and
 - (iii) except as otherwise provided for or contemplated in the Scheme Implementation Deed, they have no existing right to be issued any Konekt Shares, or any other Konekt securities.
- (c) Konekt undertakes that it will provide the warranties in 8.2(b) to Bidder as agent and attorney for each Scheme Participant.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) Upon the Scheme becoming Effective, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Konekt of Bidder in the Share Register as the holder of the Scheme Shares.

Bidder's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

Upon the Scheme becoming Effective and until Konekt registers Bidder as the holder of all Scheme Shares in the Share Register:

- (a) each Scheme Shareholder is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) no Scheme Shareholder may itself attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) each Scheme Shareholder must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Konekt

On the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Konekt and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and Konekt accepts such appointment. Konekt, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds Konekt and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Konekt.

9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme or the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability incurred by the Scheme Shareholder arising from failure to comply with clause 9.1(a).

9.2 Consent

Each Scheme Shareholder consents to Konekt and Bidder doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

9.3 Enforcement of Deed Poll

Konekt undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholder.

9.4 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Konekt, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Konekt's registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Konekt Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.5 Governing law and jurisdiction

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.
- (c) The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.6 Further action

Konekt must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.7 No liability when acting in good faith

None of Konekt, Bidder, or any of their respective Representatives, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

1 Dictionary

Accrued Interest has the meaning given in clause 5.2(a).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it known as the “Australian Securities Exchange”.

Bidder means **Advanced** Personal Management Pty Ltd ACN 606 330 910.

Business Day has the meaning given in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

Consideration means, in respect of each Scheme Share, A\$0.49, less the aggregate amount per Konekt Share of any Permitted Dividend(s) paid in accordance with clause 7.8 of the Scheme Implementation Deed.

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

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Konekt and Bidder.

Deed Poll means the deed poll dated _____ 2019 under which Bidder covenants in favour of Scheme Shareholders to provide the Consideration in accordance with the terms of this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 29 February 2020 or such other date as Bidder and Konekt agree in writing.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date as the parties to the Scheme Implementation Deed agree in writing.

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

Konekt Shareholder means a holder of one or more Konekt Shares, as shown in the Share Register.

Listing Rules means the official listing rules of ASX.

Permitted Dividend means one or more dividends in an amount not exceeding 5 cents per Konekt Share in aggregate paid prior to the Implementation Date (excluding any dividends announced or declared prior to the date of this deed).

Registered Address means, in relation to a Konekt Shareholder, the address shown in the Share Register as at the Record Date.

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Konekt.

Scheme Implementation Deed means the scheme implementation deed dated 7 October 2019 between Bidder and Konekt relating to (among other things) the implementation of this Scheme.

Scheme Meeting means the meeting of Konekt Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7:00pm on the fifth Business Day after the Effective Date of the Scheme or such other date after the Effective Date as Bidder and Konekt agree in writing.

Scheme Share means a Konekt Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means a Konekt Shareholder as at the Scheme Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Share Register means the register of Konekt Shareholders maintained in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Konekt as trustee for the Scheme Shareholders, details of which Konekt must notify to Bidder no later than 5 Business Days before the Implementation Date. To avoid doubt, any Accrued Interest on funds in the Trust Account will not be held by Konekt on trust for the Scheme Shareholders but rather will be held by Konekt on trust for Bidder.

2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, estate of a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
 - (vi) this Scheme includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends;
 - (x) a monetary amount is in Australian dollars; and
 - (xi) time is to Sydney, Australia time.

Schedule 4 Deed Poll

Deed poll

Advanced Personnel Management International Pty Limited (ACN 606 330 910)

In favour of each person registered as a holder of fully paid ordinary shares in Konekt Limited (ACN 009 155 971) as at the Record Date

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Parties

- 1 Advanced Personnel Management International Pty Limited ACN 606 330 910 of 58 Ord Street, West Perth, Western Australia 6005 (**Bidder**)
 - 2 In favour of each person registered as a holder of fully paid ordinary shares in Konekt Limited (ACN 009 155 971) (**Konekt**) as at the Record Date (**Scheme Shareholders**)
-

Background

- A Bidder and Konekt have entered into the Scheme Implementation Deed, under which Bidder is to pay the Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which Bidder has agreed to enter into this deed poll.
- B Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to Bidder under the Scheme.

This deed poll provides

1 Defined terms and interpretation

1.1 Defined terms

Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 2 of Schedule 1 to the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

1.3 Nature of deed poll

Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
 - (b) under the Scheme, each Scheme Shareholder irrevocably appoints Konekt and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.
-

2 Conditions

2.1 Conditions

The obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other available rights, powers or remedies:

- (a) Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit (or procure the deposit of) the aggregate amount of the Consideration for all Scheme Shares in cleared funds into the Trust Account; and
- (b) undertake all other actions attributed to it under the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4 Warranties

Bidder represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 Further assurances

Bidder will, at its own expense, do all things reasonably required of it and execute all documents reasonably necessary to give full effect to this deed poll and the transactions contemplated by it.

7 General

7.1 Stamp duty

Bidder must:

- (a) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme or this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

- (a) Any notice or other communication to Bidder in connection with this deed poll must be:
 - (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Bidder

Attention: Matthew Flood

Address: 58 Ord Street, West Perth, Western Australia 6005

Email: Matthew.Flood@apm.net.au

with a copy (for information purposes only) to:

Tom.Story@allens.com.au and Noah.Obradovic@allens.com.au

- (b) Subject to clause 7.2(c), any notice or other communication given in accordance with clause 7.2(a) will be deemed to have been duly given as follows:
 - (i) if delivered by hand, on delivery;

- (ii) if sent by pre-paid post, on receipt; and
- (iii) if sent by email:
 - (A) when the sender receives an email from the recipient confirming receipt of the email; or
 - (B) when the sender receives an automated message from the intended recipient's information system confirming delivery of the email,
 whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 7.2(b), would be deemed to be given:
 - (i) other than on a Business Day or after 5:00pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
 - (ii) before 9:00am on a Business Day is regarded as given at 9:00am on that Business Day,

where references to time are to time in the place the recipient is located.

7.3 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

7.4 Waiver and variation

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (c) A provision of this deed poll may not be varied unless:
 - (i) if before the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Konekt in writing; or
 - (ii) if on or after the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Konekt in writing and the Court indicates that the variation would not of itself preclude approval by the Court of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in New South Wales.

- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this deed poll. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Counterparts

This deed poll may be executed in counterparts, all of which taken together constitute one document.

7.8 Further action

Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Execution page

Executed as a deed poll.

Signed and delivered by **Advanced
Personnel Management International
Pty Limited** in accordance with section 127 of
the *Corporations Act 2001* (Cth) by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Schedule 5 Konekt Issued Capital

Part A – Konekt Ordinary Shares

105,786,835 Ordinary Shares

Part B – Konekt Options

Expiry Date	Exercise Price	No. Konekt Options on issue
29 February 2020	\$0.362	960,000

Part C – Konekt Performance Rights

Tranche	Number of Performance Rights	Issue Date
1	270,641	10 October 2017
2	131,931	16 November 2017
3	745,480	19 September 2018
4	129,346	2 November 2018
5	1,408,461	13 September 2019
6	193,026	3 October 2019

Execution page

Executed as a deed.

Signed by **Konekt Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:



Signature of director

Philip Small.

Name of director (print)



Signature of director/secretary

REENA MINHAS

Name of director/secretary (print)

Signed by **Advanced Personnel Management International Pty Ltd** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Signature of director

Name of director (print)

Signature of director/secretary

Name of director/secretary (print)

Execution page

Executed as a deed.

Signed by **Konekt Limited** in accordance with
section 127 of the *Corporations Act 2001* (Cth)
by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Signed by **Advanced Personnel Management
International Pty Ltd** in accordance with section
127 of the *Corporations Act 2001* (Cth) by:



Signature of director

Signature of director

Megan Wynne

Michael Anghie

Name of director (print)

Name of director (print)

Attachment C Scheme of Arrangement made under section 411 of the Corporations Act

Scheme of arrangement

Konekt Limited ACN 009 155 971

Each person registered as a holder of fully paid ordinary shares in Konekt as at the Scheme Record Date

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Parties

- 1 **Konekt Limited ACN 009 155 971 of Level 3, 338 Pitt Street Sydney NSW 2000 (Konekt)**
- 2 Each person registered as a holder of fully paid ordinary shares in Konekt as at the Scheme Record Date (**Scheme Shareholders**)

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression starting with a capital letter which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this Scheme.

2 Preliminary matters

- (a) Konekt is an Australian public company limited by shares, and has been admitted to the official list of ASX. Konekt Shares are quoted for trading on the ASX.
- (b) As at 7 October 2019, there were 105,786,835 Konekt Shares that are quoted for trading on the ASX.
- (c) Bidder is an Australian proprietary company limited by shares and incorporated in Western Australia.
- (d) If this Scheme becomes Effective:
 - (i) Bidder must provide or procure the provision of the Consideration to Scheme Shareholders in accordance with this Scheme and the Deed Poll; and
 - (ii) All the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder and Konekt will enter the name of Bidder in the Share Register in respect of all the Scheme Shares.
- (e) Bidder and Konekt have entered into the Scheme Implementation Deed in respect of (among other things) the implementation of this Scheme.
- (f) This Scheme attributes actions to Bidder but does not itself impose any obligations on it to perform those actions. By executing the Deed Poll, Bidder has agreed to perform the actions attributed to it under this Scheme. By executing the Deed Poll, Bidder agrees to perform its obligations under the Deed Poll, including payment of the Consideration in accordance with the terms of this Scheme.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Scheme Implementation Deed (other than the condition in clause 3.1(e) of the Scheme Implementation Deed relating to Court approval of this Scheme) are satisfied or waived in accordance with the terms of the Scheme Implementation Deed by the Delivery Time;
- (b) neither the Scheme Implementation Deed nor the Deed Poll is terminated in accordance with its terms by the Delivery Time;
- (c) this Scheme is approved by the Court at the Second Court Hearing under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to Konekt and Bidder;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to Konekt and Bidder are satisfied or waived; and
- (e) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme comes into effect pursuant to section 411(10) of the Corporations Act.

3.2 Conditions precedent and operation of clause 4

The satisfaction of each condition of clause 3.1 of this Scheme is a condition precedent to the operation of clause 4 of this Scheme.

3.3 Certificates

- (a) Each of Konekt and Bidder will provide a certificate to the Court at the Second Court Hearing confirming (in respect of matters within their respective knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived as at the Delivery Time.
- (b) The certificates given by Konekt and Bidder constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) above have been satisfied or waived as at the Delivery Time.

3.4 Termination and End Date

Without limiting any rights under the Scheme Implementation Deed, if:

- (a) the Scheme Implementation Deed or the Deed Poll is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Effective Date has not occurred on or before the End Date,

then the Scheme will lapse and each of Bidder and Konekt are released from any further obligation to take steps to implement the Scheme.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

For the purposes of section 411(10) of the Corporations Act, Konekt must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme before 5:00pm on the Business Day following the day on which such office copy is received by Konekt or such later date as Konekt and Bidder agree in writing.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Consideration in the manner contemplated by clause 5.2(a), the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Konekt as attorney and agent for Scheme Shareholders under clause 8.5), by:
 - (i) Konekt duly completing and executing the Scheme Transfer, duly executed on behalf of the Scheme Shareholders (as transferors), and delivering it to Bidder; and
 - (ii) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to Konekt for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), Konekt must enter, or procure the entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

5 Consideration

5.1 Entitlement to Consideration

Subject to the terms of this Scheme, each Scheme Shareholder will be entitled to A\$0.49 for each Scheme Share (less the amount of any Permitted Dividend).

5.2 Provision of Consideration

- (a) In consideration for the transfer to Bidder of the Scheme Shares, Bidder will provide the Consideration by depositing (or procuring the deposit) in cleared funds an amount equal to the aggregate amount of the Consideration for all Scheme Shares into the Trust Account on the Business Day before the Implementation Date, such amount to be held by Konekt on trust for Scheme Shareholders (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder).
- (b) Subject to Bidder having complied with clause 5.2(a), Konekt must, on the Implementation Date and from the Trust Account, pay to each Scheme Shareholder the Consideration attributable to that Scheme Shareholder based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date, which obligation will be satisfied by Konekt:

- (i) where a Scheme Shareholder has, before the Scheme Record Date, made an election in accordance with the requirements of the Share Registry to receive dividend payments from Konekt by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) whether or not a Scheme Shareholder has made an election referred to in clause 5.2(b)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with clause 5.3).
- (c) In the event that:
- (i) either:
 - (A) a Scheme Shareholder does not have a Registered Address; or
 - (B) Konekt as the trustee for the Scheme Shareholders believes that a Scheme Shareholder is not known at the Scheme Shareholder's Registered Address,

and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.4(a),

Konekt as the trustee for the Scheme Shareholders may credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Konekt (**Separate Account**) to be held until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Shareholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 1995* (NSW), Konekt must hold the amount on trust for the relevant Scheme Shareholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Shareholder when credited to the Separate Account or Trust Account (as applicable). Konekt must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by Konekt as the trustee for the Scheme Shareholders in the Trust Account, that surplus may be paid by Konekt as the trustee for the Scheme Shareholders to Bidder following the satisfaction of Konekt's obligations as the trustee for the Scheme Shareholders under this clause 5.2.
- (e) Konekt must pay any Accrued Interest to any account nominated by Bidder following satisfaction of Konekt's obligations under clause 5.2(b) (and, in any event, on the Implementation Date).

- (f) If, following the satisfaction of Bidder's obligations under clause 5.2(a) but prior to the occurrence of all of the events described in clause 4.2, the Scheme lapses under clause 3.4(b):
 - (i) Konekt must immediately repay (or cause to be repaid) to or at the direction of Bidder the funds that were deposited into the trust account plus any interest on the amounts deposited (less bank fees and other charges);
 - (ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidder under clause 4.2(a) will immediately cease;
 - (iii) Bidder must return the Scheme Transfer, if provided pursuant to clause 4.2(a)(i); and
 - (iv) Konekt is no longer obliged to enter, or procure entry of, the name of Bidder in the Share Register in respect of all the Scheme Shares transferred to Bidder in accordance with clause 4.2(b).

5.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Share Register as at the Scheme Record Date; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Share Register as at the Record Date.

5.4 Cancellation and re-issue of cheques

- (a) Konekt may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to Konekt; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Konekt (or the Share Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.4(a) must be reissued.

5.5 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Any interest or other benefit accruing from unclaimed Consideration will be to the benefit of Bidder.

5.6 Orders of a court

If written notice is given to Konekt (or the Share Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which sum would otherwise be payable to that Scheme Shareholder by Konekt in accordance with this clause 5, then Konekt will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents Konekt from making a payment to a particular Scheme Shareholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, Konekt will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5.6 is permitted by that order or otherwise by law.

6 Dealings in Konekt Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Konekt Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Share Register as the holder of the relevant Konekt Shares at or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Share Register is kept,

and Konekt must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received on or after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) Konekt must register registrable transmission applications or transfers of Konekt Shares in accordance with clause 6.1(b) at or before the Scheme Record Date, provided that nothing in this clause 6.2(a) requires Konekt to register a transfer that would result in a Konekt Shareholder holding a parcel of Konekt Shares that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Konekt will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Consideration, Konekt must maintain the Share Register in accordance with the provisions of this clause 6.2

until the Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Consideration.

- (d) All statements of holding for Konekt Shares (other than statements of holding in favour of Bidder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Consideration in respect of the Konekt Shares relating to that entry.
- (e) As soon as possible after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, Konekt will ensure that details of the names, Registered Addresses and holdings of Konekt Shares for each Scheme Shareholder as shown in the Share Register as at the Scheme Record Date are available to Bidder in the form Bidder reasonably requires.

7 Quotation of Konekt Shares

- (a) Provided that the Scheme has been fully implemented in accordance with its terms, Konekt will apply to ASX to suspend trading in Konekt Shares with effect from the close of trading on the Effective Date.
- (b) Konekt will apply:
 - (i) for termination of the official quotation of Konekt Shares on the ASX; and
 - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following, or shortly after, the Implementation Date.
- (a) Konekt must use its best endeavours to ensure that such termination of official quotation and removal from the official list of ASX does not occur before the Implementation Date.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Konekt may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for Konekt has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Scheme Shares to Bidder together with all rights and entitlements attaching to those shares in accordance with this Scheme;

- (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
 - (iii) agrees:
 - (A) that after the transfer of the Scheme Shares to Bidder, any share certificate relating to the Scheme Shares will not constitute evidence of title to those Scheme Shares; and
 - (B) at the direction of Bidder, to destroy any share certificates relating to the Scheme Shares; and
 - (iv) acknowledges that this Scheme binds Konekt and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Bidder, and appointed and authorised Konekt as its attorney and agent to warrant to Bidder, that:
- (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (B) restrictions on transfer of any kind; and
 - (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those Scheme Shares; and
 - (iii) except as otherwise provided for or contemplated in the Scheme Implementation Deed, they have no existing right to be issued any Konekt Shares, or any other Konekt securities.
- (c) Konekt undertakes that it will provide the warranties in 8.2(b) to Bidder as agent and attorney for each Scheme Participant.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Properties Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) Upon the Scheme becoming Effective, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Konekt of Bidder in the Share Register as the holder of the Scheme Shares.

Bidder's entitlement to be registered in the Share Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

Upon the Scheme becoming Effective and until Konekt registers Bidder as the holder of all Scheme Shares in the Share Register:

- (a) each Scheme Shareholder is deemed to have irrevocably appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) no Scheme Shareholder may itself attend or vote at any shareholders' meetings or sign any shareholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) each Scheme Shareholder must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and
- (d) each Scheme Shareholder acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to Konekt

On the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints Konekt and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of:

- (a) enforcing the Deed Poll against Bidder; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and Konekt accepts such appointment. Konekt, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or employees (jointly, severally or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds Konekt and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Konekt.

9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme or the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability incurred by the Scheme Shareholder arising from failure to comply with clause 9.1(a).

9.2 Consent

Each Scheme Shareholder consents to Konekt and Bidder doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it.

9.3 Enforcement of Deed Poll

Konekt undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Bidder on behalf of and as agent and attorney for the Scheme Shareholder.

9.4 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Konekt, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Konekt's registered office or at the office of the Share Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Konekt Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.5 Governing law and jurisdiction

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.
- (c) The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.6 Further action

Konekt must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.7 No liability when acting in good faith

None of Konekt, Bidder, or any of their respective Representatives, will be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

1 Dictionary

Accrued Interest has the meaning given in clause 5.2(a).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market operated by it known as the “Australian Securities Exchange”.

Bidder means **Advanced** Personal Management Pty Ltd ACN 606 330 910.

Business Day has the meaning given in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

Consideration means, in respect of each Scheme Share, A\$0.49, less the aggregate amount per Konekt Share of any Permitted Dividend(s) paid in accordance with clause 7.8 of the Scheme Implementation Deed.

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

Court means the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Konekt and Bidder.

Deed Poll means the deed poll dated _____ 2019 under which Bidder covenants in favour of Scheme Shareholders to provide the Consideration in accordance with the terms of this Scheme.

Delivery Time means, in relation to the Second Court Date, 2 hours before the commencement of the hearing or if the commencement of the hearing is adjourned, the commencement of the adjourned hearing, of the court to approve the Scheme in accordance with section 411(4)(b) of the Corporations Act.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 29 February 2020 or such other date as Bidder and Konekt agree in writing.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Implementation Date means the fifth Business Day after the Scheme Record Date or such other date as the parties to the Scheme Implementation Deed agree in writing.

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

Konekt Shareholder means a holder of one or more Konekt Shares, as shown in the Share Register.

Listing Rules means the official listing rules of ASX.

Permitted Dividend means one or more dividends in an amount not exceeding 5 cents per Konekt Share in aggregate paid prior to the Implementation Date (excluding any dividends announced or declared prior to the date of this deed).

Registered Address means, in relation to a Konekt Shareholder, the address shown in the Share Register as at the Record Date.

Scheme means this scheme of arrangement subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to by Bidder and Konekt.

Scheme Implementation Deed means the scheme implementation deed dated 7 October 2019 between Bidder and Konekt relating to (among other things) the implementation of this Scheme.

Scheme Meeting means the meeting of Konekt Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Record Date means 7:00pm on the fifth Business Day after the Effective Date of the Scheme or such other date after the Effective Date as Bidder and Konekt agree in writing.

Scheme Share means a Konekt Share held by a Scheme Shareholder as at the Scheme Record Date.

Scheme Shareholder means a Konekt Shareholder as at the Scheme Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Share Register means the register of Konekt Shareholders maintained in accordance with the Corporations Act.

Share Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

Trust Account means an Australian dollar denominated trust account which attracts interest at a commercial rate and is operated by Konekt as trustee for the Scheme Shareholders, details of which Konekt must notify to Bidder no later than 5 Business Days before the Implementation Date. To avoid doubt, any Accrued Interest on funds in the Trust Account will not be held by Konekt on trust for the Scheme Shareholders but rather will be held by Konekt on trust for Bidder.

2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words “include”, “including” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, estate of a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
 - (vi) this Scheme includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends;
 - (x) a monetary amount is in Australian dollars; and
 - (xi) time is to Sydney, Australia time.

Attachment D Deed Poll

Deed poll

Advanced Personnel Management International Pty Limited (ACN 606 330 910)

In favour of each person registered as a holder of fully paid ordinary shares in Konekt Limited (ACN 009 155 971) as at the Record Date

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Parties

- 1 Advanced Personnel Management International Pty Limited ACN 606 330 910 of 58 Ord Street, West Perth, Western Australia 6005 (**Bidder**)
 - 2 In favour of each person registered as a holder of fully paid ordinary shares in Konekt Limited (ACN 009 155 971) (**Konekt**) as at the Record Date (**Scheme Shareholders**)
-

Background

- A Bidder and Konekt have entered into the Scheme Implementation Deed, under which Bidder is to pay the Consideration and acquire all Scheme Shares held by Scheme Shareholders under the Scheme, and also under which Bidder has agreed to enter into this deed poll.
- B Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to procure and undertake the actions attributed to Bidder under the Scheme.

This deed poll provides

1 Defined terms and interpretation

1.1 Defined terms

Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 2 of Schedule 1 to the Scheme applies to the interpretation of this deed poll, except that references to 'Scheme' are to be read as references to 'deed poll'.

1.3 Nature of deed poll

Bidder acknowledges and agrees that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
 - (b) under the Scheme, each Scheme Shareholder irrevocably appoints Konekt and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.
-

2 Conditions

2.1 Conditions

The obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Scheme Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective by the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other available rights, powers or remedies:

- (a) Bidder is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Bidder in respect of any breach of this deed poll which occurs before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit (or procure the deposit of) the aggregate amount of the Consideration for all Scheme Shares in cleared funds into the Trust Account; and
- (b) undertake all other actions attributed to it under the Scheme,

in each case subject to and in accordance with the terms of the Scheme.

4 Warranties

Bidder represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 Further assurances

Bidder will, at its own expense, do all things reasonably required of it and execute all documents reasonably necessary to give full effect to this deed poll and the transactions contemplated by it.

7 General

7.1 Stamp duty

Bidder must:

- (a) pay or procure the payment of all stamp duty (if any) and any related fines and penalties payable on or in respect of the transfer by the Scheme Shareholders of the Scheme Shares to Bidder pursuant to the Scheme or this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Notices

- (a) Any notice or other communication to Bidder in connection with this deed poll must be:
 - (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Bidder

Attention: Matthew Flood

Address: 58 Ord Street, West Perth, Western Australia 6005

Email: Matthew.Flood@apm.net.au

with a copy (for information purposes only) to:

Tom.Story@allens.com.au and Noah.Obradovic@allens.com.au

- (b) Subject to clause 7.2(c), any notice or other communication given in accordance with clause 7.2(a) will be deemed to have been duly given as follows:
 - (i) if delivered by hand, on delivery;

- (ii) if sent by pre-paid post, on receipt; and
- (iii) if sent by email:
 - (A) when the sender receives an email from the recipient confirming receipt of the email; or
 - (B) when the sender receives an automated message from the intended recipient's information system confirming delivery of the email,
 whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 7.2(b), would be deemed to be given:
 - (i) other than on a Business Day or after 5:00pm on a Business Day is regarded as given at 9:00am on the following Business Day; and
 - (ii) before 9:00am on a Business Day is regarded as given at 9:00am on that Business Day,

where references to time are to time in the place the recipient is located.

7.3 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

7.4 Waiver and variation

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.
- (c) A provision of this deed poll may not be varied unless:
 - (i) if before the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Konekt in writing; or
 - (ii) if on or after the First Court Date (as defined in the Scheme Implementation Deed), the variation is agreed to by Konekt in writing and the Court indicates that the variation would not of itself preclude approval by the Court of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in New South Wales.

- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this deed poll. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Counterparts

This deed poll may be executed in counterparts, all of which taken together constitute one document.

7.8 Further action

Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Execution page

Executed as a deed poll.

Signed and delivered by **Advanced
Personnel Management International
Pty Limited** in accordance with section 127 of
the *Corporations Act 2001* (Cth) by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Attachment E Independent Expert's Report

LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors
Konekt Limited
Level 3, 338 Pitt Street
Sydney NSW 2000

11 October 2019

Subject: Proposed acquisition by way of Scheme

Dear Directors

Introduction

- 1 On 8 October 2019, Konekt Limited (Konekt) announced that it and Advanced Personnel Management International Pty Ltd (APM) had signed a Scheme Implementation Deed (the Agreement) under which APM would acquire 100% of the issued shares in Konekt for an offer consideration of \$0.49 cash per share.
- 2 The proposed acquisition of the shares is to be implemented via a scheme of arrangement between Konekt and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised in Section I of our report).
- 3 If the Scheme becomes legally effective, Konekt shareholders will receive an aggregate amount of \$0.49 cash for each Konekt share they hold on the Scheme Record Date¹, which will comprise \$0.49 per Konekt share less a fully franked special dividend of up to \$0.05 per Konekt share (Special Dividend)².
- 4 For the purpose of assessing the Scheme, we have assessed the Scheme Consideration as \$0.49 per Konekt share, regardless of whether a Special Dividend is paid or not.

Konekt

- 5 Konekt is one of Australia's largest integrated employment placements, workplace injury management and workplace health solutions providers. The Company focuses on helping individuals, organisations and governments maximise workforce participation and productivity and minimise the impact of workplace injury. Konekt operates across two business divisions, Konekt Employment and Konekt Workcare Group. The Company employs over 700 staff which operate from 107 locations across Australia.

¹ The Scheme Record Date is presently expected to be 7:00pm on the fourth business day after the Scheme becomes effective.

² Subject to the necessary approvals for the Scheme being obtained and Konekt obtaining a ruling from the Australian Taxation Office (ATO).

APM

- 6 APM is one of the world's leading human services organisations, delivering allied health services, assessment services, psychological intervention, employment assistance, vocational rehabilitation and community based services in over 10 countries. In Australia, APM provides employment services to job seekers and employers on behalf of the Australian Government under the "jobactive" and Disability Employment Services (DES) programs. APM's Australian operations also provide prevention and proactive management of injuries in the workplace, assessment services and co-ordination services under the National Disability Insurance Scheme. APM is headquartered in Perth (Western Australia) and employs a global team of over 6,000 staff who operate from approximately 700 locations.

Purpose of report

- 7 The Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Scheme is in the best interests of Konekt shareholders.
- 8 In addition, the Directors' recommendation of the Scheme is subject to an independent expert concluding that the Scheme is fair and reasonable and in the best interests of Konekt shareholders.
- 9 Accordingly, the Directors of Konekt have requested Lonergan Edwards & Associates Limited (LEA) to prepare an independent expert's report (IER) stating whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Konekt shareholders and the reasons for that opinion.
- 10 LEA is independent of Konekt and APM and has no other involvement or interest in the proposed Scheme.

Summary of opinion

- 11 In our opinion, the Scheme is fair and reasonable and in the best interests of Konekt shareholders in the absence of a superior proposal. We have formed this opinion for the reasons set out below.

Value of Konekt

- 12 We have assessed the value of Konekt shares (on an ex-final dividend basis) on a 100% controlling interest basis at \$0.39 to \$0.43 per share, as shown below:

Equity value of Konekt			
	Paragraph	Low \$m	High \$m
Enterprise value	142	51.8	56.3
Other assets	163	0.3	0.3
Less net debt	161	(9.7)	(9.7)
Equity value		42.4	46.9
Fully diluted shares on issue (million)	164	107.8	107.8
Value per share (\$)		0.39	0.43

Fair and reasonable opinion

- 13 Pursuant to the Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) a scheme is “fair” if the value of the Scheme Consideration is equal to or greater than the value of the securities the subject of the Scheme. This comparison for Konekt shares is shown below:

Position of Konekt shareholders			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme Consideration	0.49	0.49	0.49
Value of 100% of Konekt	0.39	0.43	0.41
Extent to which the Scheme Consideration exceeds the value of Konekt	0.10	0.06	0.08

- 14 As the Scheme Consideration exceeds our assessed valuation range for Konekt shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Konekt shareholders when assessed based on the guidelines set out in RG 111.
- 15 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 16 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Konekt shareholders in the absence of a superior proposal.

Assessment of the Scheme

- 17 We summarise below the likely advantages and disadvantages of the Scheme for Konekt shareholders.

Advantages

- 18 In our opinion, the Scheme has the following benefits for Konekt shareholders:
- (a) the Scheme Consideration of \$0.49 cash per share exceeds the high end of our assessed value range for Konekt shares on a 100% controlling interest basis. Thus, in our view, Konekt shareholders are being paid an appropriate price to compensate them for the fact that control of Konekt will pass to APM if the Scheme is approved
 - (b) the Scheme Consideration represents a significant premium to the recent market prices of Konekt shares prior to trading halt which preceded the announcement of the Scheme on 8 October 2019
 - (c) furthermore, the Scheme Consideration implies an acquisition (takeover) premium which significantly exceeds the average premiums paid in successful takeovers generally
 - (d) the Special Dividend may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Special Dividend
 - (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Konekt shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

- 19 Konekt shareholders should note that if the Scheme is implemented they will no longer hold an interest in Konekt. Konekt shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.
- 20 However, as our assessed value of Konekt shares is below the Scheme Consideration, in our opinion, the present value of Konekt's future potential is fully reflected in the Scheme Consideration (which also reflects a share of potential synergies).

Conclusion

- 21 Given the above analysis, we consider the acquisition of Konekt shares under the Scheme is fair and reasonable and in the best interests of Konekt shareholders in the absence of a superior proposal.

General

- 22 In preparing this report we have considered the interests of Konekt shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 23 The impact of approving the Scheme on the tax position of Konekt shareholders depends on the individual circumstances of each investor. Konekt shareholders should read Section 7 of the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 24 The ultimate decision whether to approve the Scheme should be based on each Konekt shareholder's assessment of their own circumstances. If Konekt shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that Konekt shareholders read the remainder of our report.

Yours faithfully



Martin Hall
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Scheme

Terms

- 25 On 8 October 2019, Konekt announced that it and APM had signed a Scheme Implementation Deed (the Agreement) under which APM would acquire all of the issued shares in Konekt for an offer consideration of \$0.49 cash per share.
- 26 The proposed acquisition of the shares is to be implemented by a scheme of arrangement between Konekt and its shareholders (the Scheme) and is subject to a number of conditions precedent (as summarised below).
- 27 If the Scheme is approved by Konekt shareholders and the Court, Konekt shareholders will receive an agreement amount of \$0.49 cash per share (the Scheme Consideration) in relation to each share held at the Scheme Record Date³.

Conditions

- 28 The Scheme is subject to the satisfaction of a number of conditions precedent, including the following which are outlined in the Agreement between Konekt and APM dated 8 October 2019:
- (a) respective regulatory approvals from ASIC, the Australian Securities Exchange (ASX) and the Foreign Investment Review Board
 - (b) approval of the Scheme by the Court in accordance with s411(4)(b) of the Corporations Act
 - (c) Konekt shareholder approval by the requisite majorities at the Scheme meetings under the Corporations Act
 - (d) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the transaction is in effect at 8.00am on the Second Court Date
 - (e) no “Target Prescribed Event” (as defined in clause 1.1 of the Agreement) occurs in respect of Konekt on or before 8.00am on the Second Court Date
 - (f) no “Insolvency Event” (as defined in clause 1.1 of the Agreement) occurs in respect of APM on or before 8.00am on the Second Court Date
 - (g) no “Target Material Adverse Change” (as defined in clause 1.1 of the Agreement) occurs in respect of Konekt on or before 8.00am on the Second Court Date
 - (h) an independent expert issues a report which concludes that the Scheme is in the best interests of Konekt shareholders.
- 29 In addition Konekt has agreed that it will not:
- (a) solicit, invite, encourage or initiate any competing transaction
 - (b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction

³ As noted above, the agreement amount receivable includes a Special Dividend component.

- (c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction
 - (d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.
- 30 The exclusivity obligations do not apply if Konekt has complied with the various obligations set out in the Agreement and the Konekt Board determines:
- (a) the proposed competing transaction is a superior proposal or the steps which the Konekt Board proposes to take may reasonably be expected to lead to a competing transaction which is a superior proposal⁴; and
 - (b) based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.
- 31 A break fee of \$528,000 is payable by Konekt to APM in certain circumstances as specified in the Agreement.

Resolution

- 32 Konekt shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the notice of meeting accompanying the Scheme Booklet.
- 33 If the resolution is passed by the requisite majorities, Konekt must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all Konekt shareholders who hold Konekt shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

⁴ Subject to any potential breach of fiduciary duties, Konekt must notify APM within 48 hours if it receives a superior competing proposal and give APM a matching right if a superior competing proposal is received by Konekt.

II Scope of our report

Purpose

- 34 The Scheme is to be effected pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act), which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Corporations Regulations) prescribes information to be sent to shareholders in relation to a members' scheme of arrangement pursuant to s411 of the Corporations Act.
- 35 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 36 APM has no current shareholding in Konekt and has no representation on the Konekt Board. However, both a condition precedent to the Scheme and the Konekt Directors' recommendation of the Scheme are subject to an independent expert concluding that the Scheme is in the best interests of Konekt shareholders. In addition, as the Scheme (if approved and implemented) will result in 100% of the securities in Konekt being held by APM, RG 111 requires that we provide an opinion on whether the consideration payable under the Scheme is "fair" and "reasonable" to the shareholders of Konekt.
- 37 The Directors of Konekt have therefore requested LEA to prepare an IER stating whether the proposed acquisition of the shares in Konekt by APM under the Scheme is fair and reasonable and in the best interests of Konekt shareholders and the reasons for that opinion.
- 38 This report has been prepared by LEA for the benefit of Konekt shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Meeting and Scheme Booklet to be sent to Konekt shareholders. The sole purpose of our report is to determine whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Konekt shareholders.
- 39 The ultimate decision whether to approve the Scheme should be based on each Konekt shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 40 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 41 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the Scheme Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 42 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 43 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of Konekt shareholders.
- 44 Our report has therefore considered:
 - (a) the market value of 100% of the shares in Konekt
 - (b) the value of the consideration offered by APM
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the extent to which a control premium is being paid to Konekt shareholders
 - (e) the extent to which Konekt shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (f) the listed market price of Konekt shares, both prior to and subsequent to the announcement of the proposed Scheme
 - (g) the likely market price of Konekt securities if the proposed Scheme is not approved
 - (h) the value of Konekt to an alternative offeror and the likelihood of a higher alternative offer being made for Konekt prior to the date of the Scheme meeting
 - (i) the advantages and disadvantages of the Scheme from the perspective of Konekt shareholders
 - (j) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 45 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 46 Our report is also based upon financial and other information provided by Konekt and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

- 47 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of Konekt securityholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 48 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 49 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 50 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 51 In forming our opinion, we have also assumed that:
- (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the terms of the Scheme itself.

III Profile of Konekt

Overview

- 52 Konekt is one of Australia's largest integrated employment placements, workplace injury management and workplace health solutions providers. The Company focuses on helping individuals, organisations and governments maximise workforce participation and productivity and minimise the impact of workplace injury. Konekt operates across two business divisions, Konekt Employment and Konekt Workcare Group. The Company employs over 700 staff which operate from 107 locations across Australia.

History

- 53 The foundations of Konekt were established in November 2003 through the merger of Medepartner, Workplace Injury Management Systems and Countrywide Injury Management. The merging of these three entities provided a unique national injury management company, with a strong information technology platform. The combined entity listed on the ASX on 21 November 2003 through a reverse takeover of Startrack Communications Ltd, which was renamed Konekt.
- 54 Since listing on the ASX, Konekt has grown both organically and through the acquisition of a number of complementary businesses. A summary of the recent acquisitions made by the Company is as follows:

Konekt – history	
Date	Key development
Oct 15	<ul style="list-style-type: none"> Acquired Insight Services Group, a provider of return to work, injury prevention, hearing testing, training and ergonomic solutions across regional New South Wales (NSW) and the Australian Capital Territory (ACT) Concurrently announced the acquisitions of Applied Innovative Services and Innovative Training and Recruitment, two South Australian based providers of workplace health solutions
Mar 16	<ul style="list-style-type: none"> Acquired SRC Solutions Pty Ltd, a provider of injury management, injury prevention, training and ergonomic solutions in the ACT
May 16	<ul style="list-style-type: none"> Acquired Communicorp Group Pty Ltd (Communicorp), a provider of mental health and wellbeing training, resilience training, psychological risk assessment and mental health advisory services
Sep 17	<ul style="list-style-type: none"> Acquired Mission Providence Pty Ltd (Mission Providence) for \$24.9 million⁵. Mission Providence was a leading provider of employment services and the New Enterprise Incentive Scheme (NEIS) under the Federal Government's jobactive program
Aug 19	<ul style="list-style-type: none"> Announced the acquisition of the Disability Employment Services (DES) business of Artius Pty Ltd (Artius) which delivers DES services to the Federal Government across five locations in regional Queensland, with contract tenure to 30 June 2023

- 55 The acquisitions undertaken by the Company since 2015 have increased Konekt's size and diversification, noting in particular that:
- (a) the acquisition of Applied Innovative Services provided the Company with an expanded product capability in training and ergonomic solutions for injury management and prevention



⁵ Net of \$3.1 million cash held by Mission Providence at the time.

- (b) the purchase of Mission Providence diversified Konekt's offering into the employment placement services market and provided the Company with exposure to a complementary footprint of 85 locations throughout Australia; and
- (c) the addition of Artius' DES business increased Konekt's DES regional footprint and expanded its services to include both disability management services and employment support services.

Current operations

56 Konekt is headquartered in Sydney with a national footprint of 107 locations and 30 outreach sites across Australia. The company operates across two business divisions, Konekt Employment and Konekt Workcare Group, and employs approximately 700 staff (including some 200 allied health professionals). An overview of Konekt's operations is set out below:

Konekt – operations

		
SERVICES	Service provider <ul style="list-style-type: none"> • jobactive Employment Placement Services • jobactive New Enterprise Incentive Scheme (NEIS) • Disability Employment Services (DES) 	Injury Prevention <ul style="list-style-type: none"> • Workplace mental health (Communicorp) • Workplace Health and Safety consulting <ul style="list-style-type: none"> • Training Injury Management <ul style="list-style-type: none"> • RTW same employer • RTW new employer
CLIENTS	Federal Government	Insurers, Corporates, Government
FY19 REVENUE	\$54.5m	\$42.5m
LOCATIONS	113 (incl 7 co-located with Workcare)	31 (incl 7 co-located with employment)
STAFF (excl Head Office)	400	250

Konekt Employment

57 The Konekt Employment business was established upon the completion of the acquisition of Mission Providence on 29 September 2017⁶ and was subsequently rebranded to Konekt Employment during the year to 30 June 2018 (FY18). Konekt Employment is a leading provider of return to work employment services and primarily operates under three contracts for Federal Government programs. A summary of these programs is as follows:

- (a) **jobactive** – Federal Government funded employment program which connects job seekers with employers and is delivered by a network of jobactive providers in over 1,700 locations across Australia
- (b) **jobactive NEIS** – this program is delivered as part of jobactive and is designed to give professional training and assistance to eligible participants with an idea for starting their own business to become a self-employed business owner
- (c) **DES** – Federal Government funded program which helps people with a disability, injury or health condition return to or remain in the workforce.

⁶ The acquisition was initially announced on 11 August 2017.

58 A summary of the key details of Konekt's contracts for the above programs is set out below:

Konekt Employment – key contracts			
	jobactive	jobactive NEIS	DES
FY19 revenue (\$m)	39.9	10.7	3.3
Contract expiry	30 Jun 22	30 Jun 22	30 Jun 23
National caseload (000s)	614.2	8.6	232.0
Konekt caseload (000s)	26.5	1.9	1.3
Konekt caseload (% total)	4.3	22.0	0.6
Contracted regions / total regions	8 / 64	20 / 47	16 / 71
FY19 admin / performance fee split	35% / 65%	87% / 13%	82% / 18%

jobactive

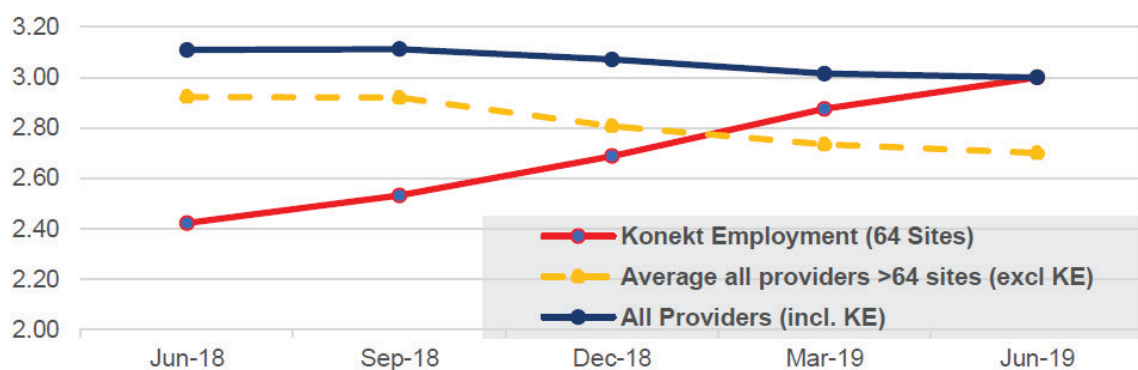
59 jobactive is Konekt Employment's largest contract and generated approximately 73% of the division's revenue in FY19. Konekt Employment is one of 40 jobactive providers and is contracted to cover eight employment regions out of a total of 64. As a jobactive provider, Konekt helps eligible job seekers find and retain jobs by connecting them with suitable employers.

60 Konekt generates revenue under the jobactive program through two key revenue streams:

- (a) administration fees (representing approximately 35% of FY19 contract revenue) which are driven by the number of job seekers (caseload); and
- (b) performance fees (representing approximately 65% of FY19 contract revenue) which are received in staged payments if a job seeker remains employed after 4, 12 and 26 week periods.

61 The performance of jobactive providers is assessed using Star Ratings. Star Ratings assess the relative performance of providers to measure the outcomes achieved. The outcomes are based on period of employment from placement and are calculated on a 12 and 26 week basis, together with other quality measures. Star Ratings range from one to five stars and are made available to users such as job seekers and employers and are also used for the Federal Government's review and contract reallocation process. Since June 2018, Konekt Employment's quarterly Star Rating has continually improved as a result of management focus on improved training and systems:

Konekt Employment – Star Ratings



- 62 On 1 April 2019, Konekt announced that the Federal Government had extended its jobactive contract by two years to 30 June 2022. This contract extension was granted to all jobactive providers on the basis that it would give them time to prepare for the proposed digital enhancements⁷ and other changes to the jobactive program that are expected to become effective in July 2022. This includes a transition from the current contract tendering process for jobactive providers to a licensed based system, enabling service providers to better invest in service quality and staff to deliver improved outcomes.

jobactive NEIS

- 63 Konekt is Australia's largest provider of jobactive NEIS services, providing accredited small business training and personalised mentoring and support to approximately 22% of the programs (8,600 participants) in FY19. Similar to the jobactive program, Konekt generates revenue from the jobactive NEIS contract through administration and performance fees:
- (a) administration fees (approximately 87% of FY19 contract revenue) based on the allocated caseload of the programs' participants; and
 - (b) performance fees (approximately 13% of FY19 contract revenue) based on various performance metrics.

Disability Employment Services (DES)

- 64 In the second half of FY18, Konekt Employment secured a DES contract for a five year term commencing 1 July 2018. The contract encompasses 16 regions (with 71 locations) and is serviced from 44 Konekt offices. On 9 August 2019, the Company expanded its DES operations, announcing the acquisition of the DES business of Artius, headquartered in Ipswich, Queensland. The services provided by Artius will be delivered across five locations in regional Queensland, with contract tenure to 30 June 2023.
- 65 Contract revenue under the DES program is generated through two revenue streams:
- (a) administration fees (approximately 82% of FY19 contract revenue) based on the number of allocated caseloads; and
 - (b) performance fees (approximately 18% of contract revenue) which are received in staged payments if allocated DES participants meet minimum employment criteria after 4, 12, 26 and 52 week periods.

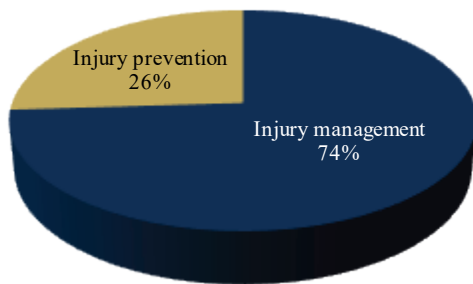
Konekt Workcare Group

- 66 Konekt Workcare Group provides workplace injury management and injury prevention services to a range of customers including corporate clients (major Australian banks and ASX listed entities), insurance companies and government agencies (such as the military). In FY19, the five largest customers (excluding Medibank Private Limited (Medibank)) accounted for approximately 43% of revenue. A summary of the breakdown of FY19 revenue by product line and client type is set out below:

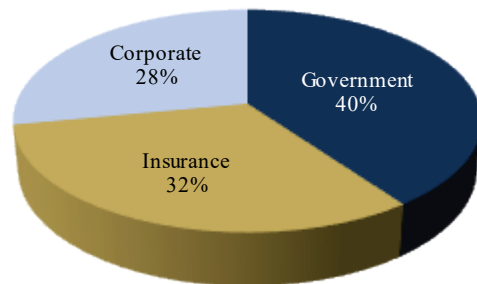
⁷ Proposed changes to the jobactive program will focus on a new digital portal which will allow job seekers to better access vacancies and training opportunities online.

Konekt Workcare Group – FY19 revenue split

Revenue by product line



Revenue by client type



- 67 Konekt Workcare Group operates under the Konekt Workcare, Konekt Training and Communicorp brands and provides a range of workplace injury and wellbeing services. A summary of the services provided by each of these brands is set out below:
- (a) **Konekt Workcare** – provider of injury prevention services, return to work injury management, rehabilitation and consultancy services, pre-employment services, workplace health and safety audits, inspections and consulting
 - (b) **Konekt Training** – provider of training courses (face to face and online) through accredited health care professionals
 - (c) **Communicorp** – workplace psychology services delivered by psychology specialists operating Australia wide, helping employers and employees develop positive workplace mental health, wellbeing and resilience capabilities.
- 68 On 21 November 2018, Konekt announced that Medibank had not been selected as the preferred tenderer for the renewal of the Australian Defence Force (ADF) Health Services contract effective from 1 July 2019. Konekt Workcare Group provided rehabilitation services to Medibank for the ADF Health Services contract for the six years Medibank held the contract and ceased providing these services on 30 June 2019.

Occupancy synergies program

- 69 Following the acquisition of Mission Providence in September 2017, Konekt commenced a program of rationalising its number of locations across Australia, whilst maintaining a presence in each of those areas and upgrading the quality of its retained premises. The occupancy synergies program commenced in the second half of FY18, with the Company reducing its operating locations from 128 to 107 full time offices, with many of these sites now delivering multiple services. The program achieved annualised property savings of \$3.0 million per annum, with \$2.6 million of this realised in FY19 and the remaining \$0.4 million expected to be realised in FY20.

Financial performance

70 The financial performance of Konekt for the three years to FY19 is set out below:

Konekt – statement of financial performance ⁽¹⁾			
	FY17 \$m	FY18 \$m ⁽²⁾	FY19 \$m
Konekt Employment	-	41.3	54.5
Konekt Workcare Group	53.1	47.6	42.5
Total revenue	53.1	88.9	97.0
Operating expenses	(47.2)	(78.5)	(87.0)
EBITDA⁽³⁾ before significant items	5.9	10.5	10.0
Depreciation	(0.5)	(2.7)	(2.6)
EBITA⁽³⁾ before significant items	5.3	7.8	7.4
Amortisation	(0.5)	(3.3)	(4.7)
Net finance expense	(0.3)	(1.0)	(1.1)
Significant items ⁽⁴⁾	0.4	(3.1)	0.2
Profit before tax	4.8	0.3	1.8
Income tax benefit / (expense)	(1.3)	0.3	(0.2)
Profit after tax	3.6	0.7	1.6
<i>Revenue growth</i>	20.8%	67.5%	9.0%
<i>Underlying EBITDA margin</i>	11.1%	11.8%	10.3%

Note:

- 1 Rounding differences exist.
- 2 FY18 results were restated post a review of certain expense items. FY18 results for Konekt Employment reflect a nine month contribution from 29 September 2017.
- 3 Earnings before interest, tax, depreciation and amortisation (EBITDA). Earnings before interest, tax and amortisation (EBITA).
- 4 Significant items comprise the following:

Re-measurement of contingent consideration	0.4	0.2	-
Share based payment expense	-	(0.2)	(0.2)
Acquisition and integration costs	-	(3.1)	-
Medibank contract exit costs	-	-	(0.2)
Adjustment to make-good	-	-	0.6
Significant items	0.4	(3.1)	0.2

71 In addition to the above, we set out below a breakdown of revenue by operating division:

Konekt – revenue by division			
	FY17 \$m	FY18 ⁽¹⁾ \$m	FY19 \$m
Konekt Employment revenue:			
jobactive	-	32.8	39.9
jobactive NEIS	-	7.9	10.7
DES	-	-	3.3
Other	-	0.6	0.6
Total	-	41.3	54.5
<i>Revenue growth</i>	na	nm	32.0%

Konekt – revenue by division

	FY17	FY18⁽¹⁾	FY19
	\$m	\$m	\$m
Konekt Workcare Group revenue:			
Medibank ADF Health Services contract	12.0	12.6	9.7
Other	41.1	35.0	32.8
Total	53.1	47.6	42.5
<i>Revenue growth</i>	<i>20.8%</i>	<i>(10.4%)</i>	<i>(10.7%)</i>

Note:

1 FY18 results for Konekt Employment reflect a nine month contribution from 29 September 2017 and were restated post a review of certain expense items.

na – not available, nm – not meaningful.

- 72 Below is a summary of the key factors which have impacted on the financial performance of Konekt in the two years to FY19⁸:

Year to 30 June 2018 (FY18)

- 73 Revenue and underlying EBITDA increased by 67.5% (\$35.8 million) and 78.1% (\$4.6 million) respectively primarily due to the addition of the Konekt Employment business (which provided a nine month contribution to the business performance from 29 September 2017). However, this increase was partially offset by a 10.4% decline (\$5.5 million) in revenue from the Konekt Workcare Group, predominantly due to the decline in both return to work customer referrals from insurance companies and the Medibank contract.

Year to 30 June 2019 (FY19)

- 74 Revenue increased by 9.0% (\$8.0 million) in FY19 due to:

- (a) a 32.0% increase (\$13.2 million) in Konekt Employment revenue which reflected a full year contribution from the jobactive and jobactive NEIS contracts, as well as contributions from the DES contract (which commenced 1 July 2018)
- (b) however, this was partially offset by a 10.7% decrease (\$5.1 million) in Konekt Workcare Group revenue due to:
 - (i) a reduction in return to work referrals from insurance companies reflecting the continued decline in serious workplace injuries as businesses increase injury prevention measures as well as structural changes in State based workers compensation
 - (ii) a decline in injury prevention services, which was largely attributable to the disruption to financial services from the Hayne Royal Commission in the first half of FY19, which resulted in decreased demand from financial service customers.

⁸ The FY17 results exclude the contribution from Konekt Employment which was acquired during FY18. Accordingly, we do not consider this year to be a relevant indicator of the current financial performance of the business.

- 75 Notwithstanding a full year's contribution from the Konekt Employment business and the implementation of the occupancy synergies program (which delivered \$2.6 million of cost savings in FY19), underlying EBITDA decreased by 4.2% (\$0.4 million) due to a decline in Konekt Workcare Group revenue and increased employment related costs.

FY20 outlook

- 76 On 3 October 2019, as part of the Chief Executive Officer's Address to the Annual General Meeting 2019, the Company provided the following guidance with respect to its FY20 results:

"Trading in the first 2 months of the current financial year has been in line with our internal budgets.

With the MHS contract expiring at end FY19, we are focused on both organic growth and targeted bolt on acquisitions to replace MHS revenues of \$9.7m generated in FY19.

In line with guidance provided at the FY19 Results and reflecting the expiry of the MHS / ADF contract at end of FY19, Konekt expects FY20 revenue in the range of \$88.0m - \$91.0m and EBITDA in the range of \$8.1 - \$9.0m."

Financial position

- 77 The financial position of Konekt as at 30 June 2018 and 30 June 2019 is set out below:

Konekt – statement of financial position⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Debtors and prepayments	9.8	10.5
Work in progress and other assets	0.8	0.5
Creditors, accruals and provisions	(22.8)	(18.6)
Net working capital	(12.2)⁽³⁾	(7.5)⁽³⁾
Property, plant and equipment	4.5	3.8
Intangible assets / goodwill	44.7	41.6
Other assets	0.1	0.1
Tax assets (net)	7.5	7.1
Creditors, accruals and provisions (non-current)	(1.2)	(1.2)
Total funds employed	43.4	43.8
Cash and cash equivalents	5.7	-(2)
Interest bearing liabilities	(17.0)	(13.3)
Deferred consideration	(1.3)	-
Net borrowings	(12.7)	(13.3)
Net assets attributable to Konekt shareholders	30.7	30.5

Note:

- 1 Rounding differences exist.
- 2 Nil cash reflects an overdraft position (refer paragraph 82).
- 3 The negative working capital position as at 30 June 2018 and 2019 partially reflects deferred revenue of \$5.0 million and \$5.3 million associated with the Konekt Employment contracts (where revenue is received upfront for some of the contract payments).

Property, plant and equipment

78 The carrying value of Konekt's property, plant and equipment is as follows:

Konekt – property, plant and equipment⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Plant and equipment	1.2	0.8
Leasehold improvements	3.1	2.9
Make-good assets	0.2	0.2
Total property, plant and equipment	4.5	3.8

Note:

1 Rounding differences exist.

79 Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment. The majority of Konekt's property, plant and equipment relates to leasehold improvements associated with the Company's 107 locations across Australia.

Intangible assets

80 The composition of Konekt's intangible assets is shown below:

Konekt – intangible assets⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Goodwill	33.8	34.2
Customer contracts	7.3	4.2
Software development	2.3	2.7
Software	1.2	0.4
Customer relationships, trademarks and licences	0.2	0.1
Total intangible assets	44.7	41.6

Note:

1 Rounding differences exist.

81 The majority of Konekt's intangible assets including goodwill and customer contracts relate to the acquisition of Mission Providence in September 2017. Goodwill is tested annually for impairment using the value in use method. As at 30 June 2019, a pre-tax discount rate of 15.0% was adopted for impairment testing purposes.

Net debt

82 The composition of Konekt's net debt (including deferred consideration) is shown below:

Konekt – net debt⁽¹⁾		
	30 Jun 18	30 Jun 19
	\$m	\$m
Cash and cash equivalents	5.7	-
Bank overdraft	-	(0.3)
Bank loans	(15.6)	(12.7)
Lease liability	(1.4)	(0.4)
Deferred consideration	(1.3)	-
Net debt	(12.7)	(13.3)

Note:

1 Rounding differences exist.

- 83 On 20 August 2019, Konekt refinanced its debt with Commonwealth Bank of Australia (CBA) replacing the acquisition finance facility entered into in September 2017 (also with CBA) to fund the acquisition of Mission Providence. Under the new facility, principal repayments reduced from \$1.0 million per quarter to \$0.5 million per quarter. Konekt's interest bearing liabilities are secured against a floating charge over all of the Company's assets and as at 30 June 2019 had a weighted average interest rate of 5.31% per annum.

Share capital and performance

- 84 As at 7 October 2019, Konekt had 105.8 million fully paid ordinary shares on issue. In addition the company had 0.96 million unlisted options on issue at an exercise price of \$0.362 and 2.9 million performance rights on issue.

Significant shareholders

- 85 As at 7 October 2019 there were six substantial shareholders in Konekt that held a total of 57.1% of the ordinary shares on issue as detailed below:

Konekt – substantial shareholders ⁽¹⁾		
	Shares held	
	Million	% interest
Nidmas Pty Ltd & Associates	15.4	14.5
AJ Berrick & Associates	13.3	12.6
Dixson Trust Pty Ltd	11.9	11.3
Pie Funds Management Ltd	7.9	7.4
DR & LC Flynn Nominees Pty Ltd	6.3	5.9
EGP Capital Pty Ltd	5.7	5.4
Total	60.4	57.1

Note:

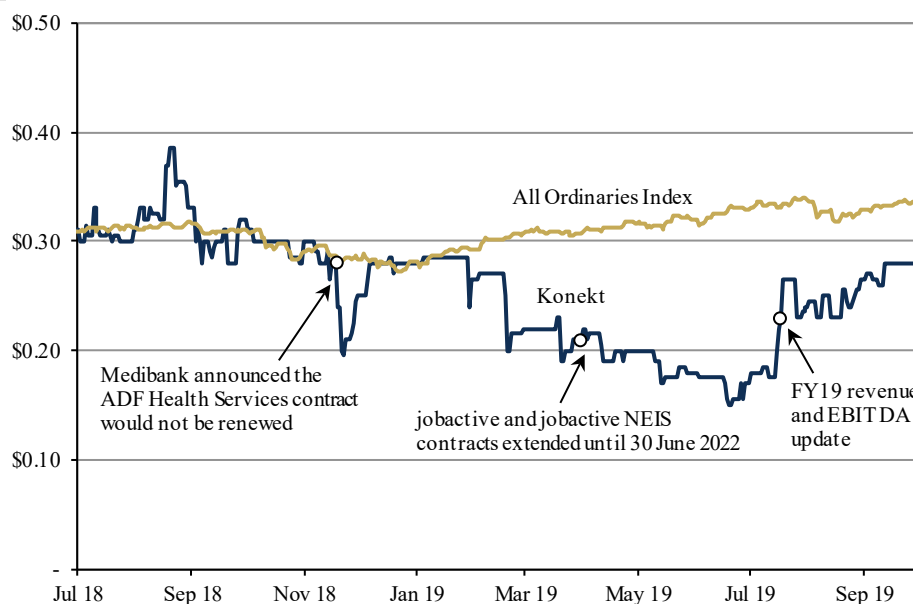
1 Rounding differences exist.

Share price performance

- 86 The following chart illustrates the movement in the share price of Konekt from 1 July 2018 to 4 October 2019 (i.e. the last trading day prior to the announcement of the Scheme):

Konekt – share price history⁽¹⁾

1 July 2018 to 4 October 2019



Note:

1 Based on closing prices. The All Ordinaries Index has been rebased to Konekt's last traded price on 1 July 2018, being \$0.31.

Source: Bloomberg.

- 87 As indicated in the chart above, Konekt shares have generally underperformed the All Ordinaries Index since the loss of the Medibank ADF Health Services contract was announced in November 2018.

Liquidity in Konekt shares

- 88 The liquidity in Konekt shares based on trading on the ASX over the 12 month period prior to 4 October 2019 (i.e. the last trading day prior to the announcement of the Scheme) is set out below:

Konekt – liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	5 Sep 19	4 Oct 19	493	105,787	0.5	5.6
3 months	5 Jul 19	4 Oct 19	1,459	105,787	1.4	5.5
6 months	5 Apr 19	4 Oct 19	5,565	105,787	5.3	10.5
1 year	5 Oct 18	4 Oct 19	10,062	105,614	9.5	9.5

Note:

1 Weighted average number of shares outstanding (WANOS) during relevant period.

2 Number of shares traded during the period divided by WANOS.

3 Implied annualised figure based upon implied level of liquidity for the period.

- 89 Konekt shares are relatively illiquid, which is reflective of its highly concentrated ownership (as noted at paragraph 85, six substantial shareholders account for a significant proportion of the shares on issue).

IV Industry overview

Introduction

- 90 Konekt operates within the Australian Government employment services sector through its Konekt Employment business and the workplace injury management and prevention sector through its Konekt Workcare Group businesses.

Australian Government employment services

- 91 As set out in Section III, Konekt Employment is a leading provider of return to work employment services under the Federal Government's jobactive, jobactive NEIS and DES employment programs. These programs are delivered by the Australian Government's Department of Employment, Skills, Small and Family Business, which is responsible for developing the policies and programs run under the Australian Government employment services system.

jobactive

- 92 The jobactive program is the Federal Government's employment service designed to help Australians find and keep a job. It commenced on 1 July 2015 (replacing Job Services Australia) and works by connecting job seekers with employers through a network of 1,700 jobactive providers throughout Australia.
- 93 The jobactive employment program is open to all Centrelink job seekers on income support payments such as Newstart Allowance, Youth Allowance and Parenting Payment. To be eligible for jobactive, job seekers must also meet mutual obligation requirements. Job seekers who are not on income support may still be eligible to enrol as a volunteer job seeker, depending upon their circumstances. All employers who are interested in hiring through jobactive are able to commence the process by contacting a program provider in their area.
- 94 jobactive providers offer job seekers a range of services based on their assessed needs including, inter alia:
- (a) providing help looking for work, writing a resume and preparing for interviews
 - (b) referrals to jobs in their local area
 - (c) training suited to the skills of local employers
 - (d) case management, so that job seekers are ready to take up and keep a job
 - (e) support to complete Work for the Dole or other eligible activities to provide job seekers with work like experiences; and
 - (f) help job seekers learn new skills.
- 95 Employers can also use a local jobactive provider for tailored recruitment services, at no cost to their business. jobactive providers work closely with employers to understand their recruitment needs and provide a number of benefits including:
- (a) no recruitment costs
 - (b) screened and job ready candidates
 - (c) pre-employment training and work-related equipment

- (d) support while new employees settle in; and
- (e) access to wage subsidies when an eligible new employee is hired through a jobactive provider.

96 There are three service streams within the jobactive program designed to meet the differing support needs of job seekers. Job seekers are allocated to a stream according to a classification and assessment tool called the Job Seeker Classification Instrument, which is a questionnaire used to:

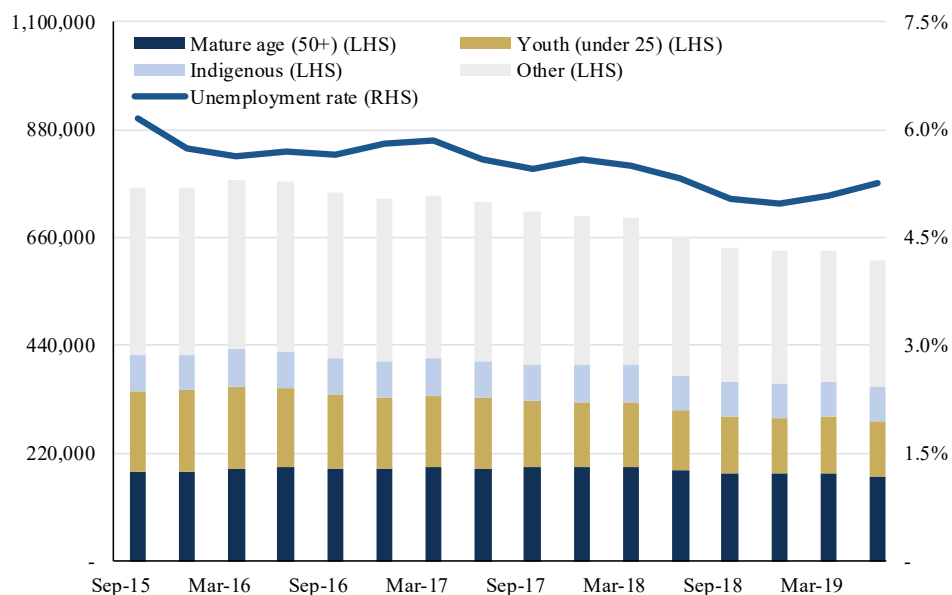
- (a) measure a job seeker's relative difficulty in gaining and maintaining employment
- (b) identify the level of support which will be needed to help them find work; and
- (c) identify job seekers who have multiple barriers to employment that need further assessment.

97 A summary of the three services streams is set out below:

- (a) **Stream A** – most job ready job seekers who require minimal support from their jobactive service provider to gain employment
- (b) **Stream B** – job seekers who require their jobactive service provider to play a greater role in preparing the job seeker for employment
- (c) **Stream C** – job seekers who have a combination of vocational and non-vocational issues that need to be addressed by their jobactive service provider to enable the job seeker to gain and retain employment.

98 A summary of the quarterly jobactive national caseload since inception of the jobactive program on 1 July 2015 is set out below:

jobactive – national caseload



Source: Federal Government and Australian Bureau of Statistics.

- 99 Over the period set out above, lower unemployment levels have resulted in a decline in caseload numbers, which have decreased at an average rate of negative 5.6% per annum. This has largely been driven by the decline in youth (under 25) and other caseloads, which have decreased by average annual rates of negative 9.8% and negative 7.2% respectively. The national caseload numbers for mature age (50+) and indigenous Australians have remained largely unchanged. The decline in caseload volumes has largely been attributable to the decrease in the national unemployment rate, which reduced from 6.2% to 5.2% over the above period.
- 100 The national unemployment rate influences the composition of jobactive revenue. When unemployment levels are low, administration fees decline due to the reduction in caseload volumes, however performance fees increase (at least as a proportion of revenue) as the success rate of placing a job seeker into employment is higher. On the other hand, when unemployment levels are high, administration fees increase associated with the higher volume of caseloads, but this is offset by a decline in the relative proportion of performance fees given the increased difficulty of placing a job seeker into employment.
- 101 On 20 March 2019, the Minister for Jobs and Industrial Relations announced that the Federal Government was embarking on the biggest reform of employment services since 1998. The proposed changes will commence nationally from July 2022 and include the digitalisation of the jobactive platform for the most job ready job seekers in an effort to better match suitable vacancies and allow job seekers access to training⁹. Savings from digital servicing will be reinvested into the system to provide a more intensive, targeted and tailored face-to-face service for job seekers who require extra help in addressing their barriers to finding a job¹⁰.
- 102 In addition to the above, the transformation of the jobactive program also includes a transition from the current contract tendering process for jobactive providers to a licensed based system, enabling service providers to better invest in service quality and staff to deliver improved outcomes.

jobactive NEIS

- 103 jobactive NEIS is delivered as part of the jobactive program and provides personalised support for eligible participants with an idea for starting their own small business. There are 8,600 places available nationally each year and these are delivered by a network of 21 NEIS providers in 47 regions. Barriers to entry are relatively high, with a limit of three NEIS providers per employment region.
- 104 Under the jobactive NEIS program, participants receive:
- (a) accredited small business training (Certificate III in Micro-Business Operations or Certificate IV in New Small Business)
 - (b) personalised mentoring and support from a NEIS provider in the first year of the new business to help progress a business idea into practice; and
 - (c) a NEIS allowance for up to 39 weeks and NEIS Rental Assistance for up to 26 weeks (if eligible).

⁹ The more job ready job seekers are likely to be Stream A applicants.

¹⁰ Which are likely to be Stream B and Stream C applicants.

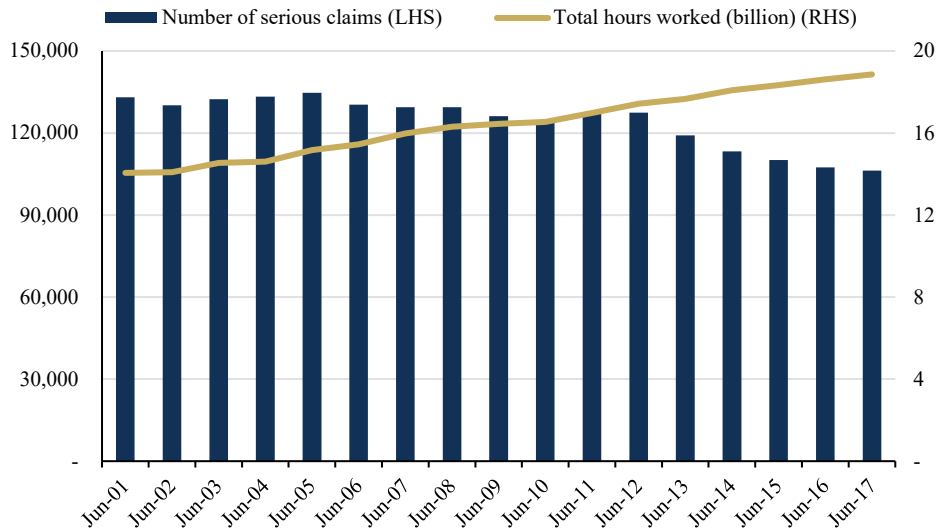
DES

- 105 DES is a Federal Government funded program which helps people with a disability, injury or health condition prepare for, find or keep a job. Providers of DES services are a mix of large, medium and small, for-profit and not-for-profit organisations experienced in supporting people with disability and providing assistance to employers for adopting practices that support employees in the workplace. The DES program consists of two elements:
- (a) **disability management service** – for job seekers with disability, injury or health conditions who need assistance to find employment and require occasional support in the workplace to maintain employment
 - (b) **employment support service** – provides assistance to job seekers with permanent disability to find employment and also provides regular, ongoing support in the workplace for people with a disability to retain employment.
- 106 Following extensive community consultation involving people with disability, disability peak organisations, disability service providers and employers, the DES program was reformed from 1 July 2018 to provide DES participants with greater choice about the services they receive and how they receive them. The changes to the DES program include:
- (a) improving participant choice and control
 - (b) creating competition and contestability in service delivery
 - (c) improving incentives for providers to place job seekers in employment
 - (d) introducing indexation of provider payments; and
 - (e) a trial of expanded DES eligibility for students in the last year of high school.

Workplace injury management and prevention

- 107 As set out in Section III, Konekt Workcare Group provides workplace injury management and injury prevention services to a range of corporate clients, insurance companies and government agencies.
- 108 Safe Work Australia is a Federal Government statutory body that was established in 2008 and is responsible for the development of national policy to improve work health and safety (WHS) and workers' compensation arrangements across Australia. Businesses in Australia are required to comply with the various WHS requirements, which are set out in the acts and regulations applicable in the State or Territory in which they operate, and are designed to reduce the level of injuries sustained in the workplace. WHS requirements are constantly changing as the industry reacts to changes in the business environment and Australian State Government laws.
- 109 The chart below sets out the number of serious workers compensation claims and hours worked by the Australian workforce from FY01 to FY17 (being the latest available information):

Australian workforce – serious workers compensation claims and hours worked



Source: Safe Work Australia.

- 110 Over the period set out above, the level of serious workplace injuries in Australia has declined both in absolute terms and as a percentage of hours worked, as businesses have increased injury prevention measures and WHS regulation has improved workplace safety practices.

V Valuation methodology

Valuation approaches

- 111 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 112 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 113 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 114 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, earnings before interest and tax (EBIT) or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 115 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

Methodologies selected

- 116 The market value of Konekt has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 117 The valuation of the business has been undertaken on the basis of market value as a going concern. The primary valuation method used to determine the enterprise value of Konekt is the capitalisation of future maintainable earnings approach (using EBITDA). Under this methodology, the value of the business is represented by its core underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risk inherent in those earnings.
- 118 We have adopted this method when valuing the business operations of Konekt for several reasons:
- (a) Konekt has both a demonstrated history of profitability and an expectation of ongoing profitability
 - (b) Konekt operates in a relatively mature (albeit growing) industry, in which it has well established market positions in the geographies in which it operates
 - (c) the EBITDA multiples for listed companies operating in the similar industries (and transaction evidence) can be derived from publicly available information.
- 119 We have cross-checked our valuation of Konekt to the DCF methodology, based on cash flow projections which we have prepared and discussed with Konekt management.
- 120 Due to its illiquid nature we have not had regard to recent share market trading in Konekt, as in the circumstances we do not consider this to be a representative basis on which to assess the value of the equity in Konekt.

VI Valuation of Konekt

Valuation methodology

- 121 As stated in Section V, we have adopted the capitalisation of EBITDA method as our primary valuation method. Under this method the EBITDA (before non-recurring or significant items) is capitalised at an appropriate EBITDA multiple. The value of the shares in Konekt is then derived by adding the realisable value of any surplus assets and deducting net borrowings.
- 122 The resulting values have also been cross-checked by reference to the DCF methodology.

Capitalisation of EBITDA methodology

Assessment of normalised EBITDA

- 123 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of the business, and have discussed the business' financial performance, operating environment and prospects with Konekt management.
- 124 A summary of Konekt's revenue and underlying EBITDA for the three years to FY19 is set out below:

Konekt – historical performance			
	FY17	FY18⁽¹⁾	FY19
	\$m	\$m	\$m
Konekt Employment revenue:			
jobactive	na	32.8	39.9
jobactive NEIS	na	7.9	10.7
DES	na	-	3.3
Other	na	0.6	0.6
Total	na	41.3	54.5
Konekt Workcare Group revenue:			
Medibank ADF Health Services contract	12.0	12.6	9.7
Other Konekt Workcare Group	41.1	35.0	32.8
Total	53.1	47.6	42.5
Total revenue	53.1	88.9	97.0
Operating expenses	(47.2)	(78.5)	(87.0)
Underlying EBITDA (before significant items)	5.9	10.5	10.0
<i>Konekt Employment revenue growth</i>	na	nm	32.0%
<i>Konekt Workcare Group revenue growth</i>	20.8%	(10.4%)	(10.7%)
<i>EBITDA margin</i>	11.1%	11.8%	10.3%

Note:

- 1 FY18 results were restated post a review of certain expense items. FY18 results for Konekt Employment reflect a nine month contribution from 29 September 2017.
na – not available, nm – not meaningful.

125 In assessing the underlying EBITDA for valuation purposes, we note the following:

- (a) Konekt's DES contract commenced on 1 July 2018. While the FY19 result represents a full year contribution from this contract, there are a number of performance fees relating to placements made in FY19 that will become payable in FY20 subject to DES participants meeting minimum employment criteria after 4, 12, 26 and 52 week periods
- (b) in November 2018, Medibank was not selected as the preferred tenderer for the renewal of the ADF Health Services contract. Accordingly, Konekt ceased providing its services to Medibank for this contract on 30 June 2019
- (c) Konekt announced the acquisition of the DES business of Artius on 9 August 2019 and expects this business be earnings accretive in its first year
- (d) Konekt has undertaken a program of rationalising the number of office locations and to date has achieved annualised property savings of \$3.0 million. However, we understand that there is still excess property space held across the business
- (e) Konekt has indicated that it expects FY20 EBITDA to be in the range of \$8.1 million to \$9.0 million. This guidance reflects the full year impact of the loss of the Medibank ADF Health Services contract and a 10 month contribution from the DES business of Artius.

126 Having regard to the above, we have adopted EBITDA for valuation purposes of \$9.0 million. This level of EBITDA is consistent with the high end of Company guidance (and hence above the midpoint of Company guidance) and the difference between this and the midpoint of Company guidance includes the potential for additional cost savings from the rationalisation of excess property space.

EBITDA multiple

127 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- | | |
|---|---|
| <ul style="list-style-type: none"> • The stability and quality of earnings • The quality of the management and the likely continuity of management • The nature and size of the business • The spread and financial standing of customers • The financial structure of the company and gearing level • The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors • The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors | <ul style="list-style-type: none"> • The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc. • The cyclical nature of the industry • Expected changes in interest rates • The asset backing of the underlying business of the company and the quality of the assets • The extent to which a premium for control is appropriate • Whether the assessment is consistent with historical and prospective earnings |
|---|---|

128 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Konekt.

Listed company multiples

- 129 The majority of Konekt's competitors are either not-for-profit organisations, privately held entities or subsidiaries of listed companies which are significantly larger and more diverse than Konekt. In this respect we note that:
- (a) MAX Employment is the largest provider of jobactive services in Australia (by sites) and is owned by Maximus Inc., a United States of America (US) based outsourcing company with a market capitalisation of US\$4.8 billion. It provides workforce-centred services in the US, Australia, United Kingdom, Canada, Singapore and Saudi Arabia and has 30,000 employees
 - (b) APM is one of the largest jobactive service providers and also provides return to work and injury prevention services in Australia. APM is 60% owned by an unlisted entity operated by Quadrant Private Equity
 - (c) AUB Group, which predominantly operates as an insurance broker¹¹, operates a Risk Services division which (through its subsidiaries Altius Group, Procure Group and Allied Health Australia) provides return to work and injury prevention services in NSW. However, the Risk Services division of AUB Group only contributes around 20% of total AUB Group profit after tax.
- 130 Accordingly, trading multiples for these entities are either unavailable or not an appropriate reference point. As a result we have had regard to a select number of listed Australian and international companies engaged in the provision of employment services and injury management and prevention services. The following table summarises the EBITDA multiples of the selected listed companies (refer to Appendix C for brief descriptions of these companies):

Listed company trading multiples ⁽¹⁾				
	Year end	Enterprise value ⁽²⁾ \$m	EBITDA multiples FY19 x	EBITDA multiples FY20 ⁽³⁾ x
Australian / New Zealand companies				
People Infrastructure	30 Jun	242	13.6	8.7
AWF Madison Group	31 Mar	82	11.5	na
Ashley Services Group	30 Jun	45	4.9	na
HiTech Group Australia	30 Jun	35	8.5	na
International companies				
Providence Service Corp	31 Dec	1,073	14.2	11.8
Mears Group	31 Dec	600	6.7	6.1
Staffline Group	31 Dec	218	nm	5.1

Note:

- 1 Enterprise value and earnings multiples calculated as at 7 October 2019.
 - 2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, net pension liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
 - 3 Forecast earnings are based on Bloomberg broker average forecasts.
- na – not available, nm – not meaningful.

¹¹ AUB Group has approximately \$3.2 billion gross written premium across its network.

131 In relation to the above multiples we note that:

- (a) the above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company
- (b) the EBITDA multiples for the listed companies above range from 4.9 to 11.8 (adopting a multiple which prioritises the forecast FY20 multiple where available). After adjusting for a control premium, the implied controlling interest EBITDA multiples range from around 6.0 to 15.7
- (c) as previously stated, none of the above listed companies are directly comparable to Konekt. That said, the Australian listed staffing and recruitment companies are exposed to the same key industry trends such as economic growth and unemployment levels
- (d) the majority of the listed companies (particularly the international companies) are larger and have more diverse operations than Konekt and smaller listed companies generally trade on lower multiples than the larger listed companies; and
- (e) many of the companies (particularly the international companies) do not share the same fiscal year end as Konekt. If the international company multiples were adjusted or calendarised, such that they are based on a 30 June year end, the implied EBITDA multiples would be slightly higher.

132 With regard in particular to the Australian listed companies we note that:

- (a) the implied FY19 EBITDA multiple for People Infrastructure reflects a partial contribution from a material acquisition made during FY19. The company also made two additional acquisitions which completed on 1 July 2019. After allowing for a full year pro forma contribution from these acquisition, the implied FY19 EBITDA multiple would reduce to approximately 9.7 times
- (b) the relatively high implied FY19 EBITDA for AWF Madison Group primarily reflects depressed earnings for the year
- (c) Ashley Services Group, which is the most similar in size to Konekt, traded on an implied FY19 EBITDA multiple of 4.9 times. Adjusting for a control premium (at the equity level) would broadly imply a controlling interest EBITDA multiple of around 6.8 times; and
- (d) HiTech Australia Group specialises in the niche recruitment market for information communication technology, a high growth technology market in Australia (and hence the implied EBITDA multiple at which it trades reflects this higher growth).

Transaction evidence

133 There have been a number of transactions involving the acquisition of entities that were engaged in the provision of employment services (such as staffing and recruitment) and allied health services (including injury management and prevention services). A summary of the

EBITDA multiples implied by these transactions (which reflected the acquisitions of controlling interests) is set out below:

Transaction evidence ⁽¹⁾			Enterprise value ⁽³⁾ \$m	EV / EBITDA Historical x	Forecast x
Date ⁽²⁾	Target	Acquirer			
Allied health services					
Aug 18	Zenitas Healthcare	Consortium	162.3	nm	7.5
May 18	Beleura Health Solutions ⁽⁴⁾	Zenitas Healthcare	3.0	5.0	na
Apr 18	Orion Services	Zenitas Healthcare	3.6	5.1	na
Dec 17	Agewell Physiotherapy	Zenitas Healthcare	4.6	5.0	5.0
Dec 17	Peninsula Sports Medicine ⁽⁴⁾	Zenitas Healthcare	9.4	5.9	5.0
Staffing / recruitment					
Jun 19	First Choice & Carestaff	People Infrastructure	16.8	na	4.9
Jun 19	Halcyon Knights	People Infrastructure	17.6	na	4.5
Aug 17	Mission Providence	Konekt	24.9	5.0	na
Jun 15	SKILLED GROUP	Programmed	569.0	5.6	6.6
Apr 15	A4e	Staffline Group	66.9	2.5	na
Jan 15	Chandler Macleod Group	Recruit Holdings	394.9	9.9	9.0
Jan 15	Peoplebank Holdings	Recruit Holdings	98.0	6.9	na
Mar 14	Ingeus	Providence Services Corporation	223.7	3.7	na
May 12	Talent2 International	MBI and Allegis Group	140.8	6.9	6.1

Note:

- 1 A brief description of each transaction is summarised at Appendix D.
 - 2 Date of announcement.
 - 3 On a 100% basis. Foreign currencies have been converted to Australian dollars at the exchange rate prevailing as at the date of announcement.
 - 4 The transactions for Beleura Health Solutions and Peninsula Sports Medicine related to the acquisition of an 80% equity interest.
- H – Historic, F – Forecast.

Source: LEA analysis, ASX announcements, media articles, broker reports and company annual reports.

134 In relation to the transaction evidence it should be noted that:

- (a) except where noted, the transactions relate to the acquisition of 100% of the businesses and therefore implicitly incorporate a premium for control
- (b) the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target company's "maintainable" earnings
- (c) the companies acquired differ in terms of their size and nature of operations and larger companies generally transact on higher multiples than smaller companies. Accordingly, in our view, the median or average multiples implied by these transactions are not necessarily representative of the multiples which should be applied to Konekt; and
- (d) the Australian companies engaged in the provision of staffing and recruitment services are not directly comparable to Konekt Employment, however these transactions provide guidance as to the implied EBITDA multiples that are paid for companies exposed to similar industry sectors and trends.

- 135 The Mission Providence business accounts for the majority of the Konekt Employment division's operations and accordingly this is by far the most comparable transaction of those set out above. At the time of acquisition, the jobactive and jobactive NEIS contracts had a remaining contract duration of approximately 2.9 years and at present the remaining contract tenure is approximately 2.7 years¹².
- 136 The Konekt Employment business has been expanded since the acquisition of Mission Providence, with the provision of DES services commencing 1 July 2018 and further, the Konekt Employment division is one of the two divisions operated by Konekt. Accordingly, we believe that the appropriate EBITDA multiple for Konekt on a 100% interest basis should be higher than that implied by the Mission Providence transaction.
- 137 We also note that excluding outliers (the A4e and Ingeus transactions) and adopting a preferred multiple (which prioritises the forecast multiple where available), the average EBITDA multiple for the transactions shown above is 5.9 times.

Potential synergies

- 138 APM has not provided any specific guidance on the level of synergies it expects from the acquisition of Konekt. However, if the Scheme is approved and implemented, Konekt will be delisted from the ASX, resulting in the elimination of listed public company costs (e.g. director fees, listing fees, share registry fees, auditing and accounting fees, shareholder communication costs etc.). In our view, given the complementary nature of the businesses, it is also reasonable to expect that APM will generate other synergies as a result of the transaction (e.g. the elimination of a proportion of head office costs). That said:
- (a) as set out in RG 111, synergies that are not available to other potential bidders should not be taken into account in the valuation of the target company when assessing whether an offer is fair
 - (b) the EBITDA multiples implied by recent transaction evidence generally reflected an expectation that synergies would be generated
 - (c) the existence of synergies from business combinations is one of the key reasons why bidders pay a control premium to acquire a company.
- 139 Accordingly, in our opinion, it is inappropriate (in the circumstances of Konekt) to incorporate a separate value for synergies over and above that implicitly reflected in the controlling interest multiple applied.

Conclusion on appropriate EBITDA multiples

- 140 In concluding on the appropriate EBITDA multiple we note that:
- (a) in our opinion, the appropriate EBITDA multiple for Konekt on a 100% controlling interest basis should be higher than the multiple implied by the Mission Providence transaction (of 5.0 times EBITDA) as the current Konekt business is a larger and more diversified business

¹² Following the extension of these contracts to 30 June 2022, which was announced on 1 April 2019.

- (b) adopting a preferred multiple (which prioritises the forecast multiple where available) and excluding outliers, the average EBITDA multiple for the transactions shown above is 5.9 times (the average enterprise value of these transactions is \$120 million)
- (c) whilst the implied listed company EBITDA multiples (after the application of a control premium) are generally higher than the EBITDA multiples adopted for the valuation of Konekt, there are a number of reasons that explain these higher implied multiples including size and diversification (which tends to increase implied multiples), the growth outlook (higher growth companies tend to trade on higher implied multiples) and depressed earnings (which can raise the implied multiple for a one off period).

141 Based on the above, in our opinion, an EBITDA multiple range of around 6.0 times (with a range of 5.75 to 6.25 times) is appropriate when applied to the EBITDA adopted for valuation purposes.

Enterprise value

142 Having regard to the above, we have adopted a capitalisation of earnings based value for the Konekt business of \$51.8 million to \$56.3 million, as follows:

Enterprise value			
	Paragraph	Low \$m	High \$m
EBITDA for valuation purposes	126	9.0	9.0
EBITDA multiple (times)	140	5.75	6.25
Enterprise value		51.8	56.3

Cross check to DCF methodology

143 As noted above, we have crossed checked our assessed enterprise value of Konekt to the DCF methodology. Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

Cash flow projections

144 Our DCF valuation is based on free cash flow projections derived by LEA for valuation purposes only. The related underlying cash flows do not reflect a forecast of future Konekt performance.

145 Whilst LEA believes the assumptions underlying the cash flow projections are reasonable and appropriate, it should be noted in respect of these projections that:

- (a) the major assumptions underlying the projections were formulated in the context of current economic, financial and other conditions
- (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
- (c) future profits and cash flows are inherently uncertain

- (d) by their nature, the projections do not take into account the operational flexibility available to management to react to changes in the market conditions in which Konekt operates
- (e) the achievability of the projections is not warranted or guaranteed by LEA or Konekt, as they are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of Konekt and its management; and
- (f) actual results may be significantly more or less favourable.

- 146 Free cash flow represents the operating cash flows on an un-g geared basis (i.e. before interest) less taxation payments¹³, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 147 The free cash flow projections cover the period to 30 June 2024¹⁴ (being a period of just under five years from 1 September 2019). For valuation purposes we have assumed a commencement date of 1 September 2019. A terminal value has been adopted at the end of the forecast period.
- 148 A summary of the major assumptions which underpin our cash flow projections over the forecast period is set out below:

Key assumptions (Base Case)

Revenue growth to FY24	<ul style="list-style-type: none"> Nil revenue growth for jobactive contract revenue due to the declining trend in caseload numbers associated with current national unemployment and consideration of the current administration / performance fee revenue mix All other revenue (including jobactive NEIS and DES) is forecast to growth at 1.0% per annum which is a rate consistent with short term inflation expectations
Employee costs	<ul style="list-style-type: none"> Employee costs are forecast to continue at a level which is consistent with historical labour costs
Other expenses	<ul style="list-style-type: none"> Other expenses (which comprise property expenses, external consultants and other expenses) are forecast to continue at a level which is consistent with historical costs
Reduction in public company costs	<ul style="list-style-type: none"> A reduction in public company costs of \$0.75 million per annum has been adopted, which reflects the savings that any potential purchaser of the business could obtain through delisting the company from the ASX
Capital expenditure	<ul style="list-style-type: none"> We have adopted capital expenditure which is marginally above historical depreciation levels
Working capital	<ul style="list-style-type: none"> Konekt operates with the benefit of negative working capital, however we have not included any related cash flow working capital benefit over the forecast period
Taxation	<ul style="list-style-type: none"> We have allowed for taxation at the current company tax rate of 30%
Probability of jobactive contract renewal in July 2022	<ul style="list-style-type: none"> We have adopted a base case probability of 100% that the jobactive contract is renewed in July 2022. Note we have allowed for the risk of contract renewal in the discount rate (i.e. as a specific risk premium), because it is an ongoing feature of the business

¹³ Also calculated on an ungeared basis.

¹⁴ The adopted forecast period has been chosen to explicitly allow for a full two years post July 2022 following the jobactive contract expiry and potential impact of digitalisation on jobactive contract revenue.

Key assumptions (Base Case)

Impact of digitalisation on jobactive revenue in July 2022	<ul style="list-style-type: none"> Our base case scenario assumes that jobactive revenue decreases by 10% following the proposed digitalisation of the jobactive platform in July 2022 (with a commensurate decrease in costs). Whilst the outcome is uncertain, there is a potential loss of Stream A income, but we take the view that most of this is likely to be made up by increased income for Streams B and C¹⁵
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Discount rate

- 149 The generally accepted formula to calculate the weighted average cost of capital (WACC) is the post-tax WACC as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d(1 - t) \frac{D}{V}$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_d = interest rate on debt (pre-tax)
- t = corporate tax rate
- E = market value of equity
- D = market value of debt
- V = market value of debt plus equity

- 150 The generally accepted WACC formula is post-tax comprising:

- (a) the post-tax cost of equity derived from the capital asset pricing model (CAPM)
- (b) the post-tax cost of debt (assuming that interest repayments on debt are tax deductible).

- 151 The cost of equity is derived from the CAPM, based on the concept of non-diversifiable risk, and is calculated as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_f = risk-free rate of return
- $E(R_m)$ = expected market return
- $E(R_m) - R_f$ = market risk premium (MRP)
- β_e = equity beta

- 152 We have adjusted the calculated cost of equity under CAPM to reflect the specific risks associated with the Konekt business. The adopted inputs in assessing the discount rate are as follows:

¹⁵ In the absence of some such adjustment, the removal of Stream A income would be likely to make job active providers uneconomic, threatening the viability of the system.

Discount rate inputs		
Input	Adopted	Comment
R_f	3.0%	Reflecting our view of the average long-term risk free rate. This exceeds the yield to maturity currently prevailing on 10 and 20 year Australian Government Bonds (of approximately 0.89% and 1.39% per annum respectively as at 7 October 2019) as we believe current yields (notwithstanding their long-term nature) remain at unsustainably low levels. This is consistent with market practice when assessing the long term rates of return required by investors
MRP	6.5%	Reflecting our view on the additional return above the risk-free rate sought by equity investors in the current market conditions. Whilst, prima facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience such investors have not reduced their required rates of return by the full extent of the fall in risk free rates. Accordingly, in our opinion, it is appropriate to adopt a MRP of 6.5% (towards the upper end of the empirical studies) when used in conjunction with our risk free rate of 3.0%
β_e	1.1 – 1.2	This beta range reflects the general variability of the value of Konekt with the overall market level. We have adopted a range slightly above average (beta of 1) because Konekt's businesses: (a) have significant operating leverage so that changes in revenue can have relatively large changes in profitability (b) are exposed to overall market conditions, as the profitability of employment work (jobactive) will tend to be higher when clients can be placed rapidly, generating performance fees (and hence more revenue relative to staffing costs) and the Workcare business is also subject to variation in employer expenditure with economic conditions
R_e	10.2% – 10.8%	Cost of equity based on the adopted inputs
<i>Specific risk premium</i>	2.5% to 3.0%	A specific risk premium has been applied to the cost of equity calculated under CAPM to allow for the specific risks associated with the Konekt business (in particular small company and contract renewal risks)
R_d	5.5%	Having regard to the weighted average cost of debt on Konekt's existing debt facilities and borrowings of a similar nature
t	30%	Based on the prevailing corporate tax rate
$\frac{E}{V}$	80% – 85%	Reflects an assumption that over the long term the business operations of Konekt are financed by a combination of 80-85% equity and 15-20% debt
$\frac{D}{V}$	15% – 20%	

- 153 Based on the above inputs, we have assessed an after tax WACC in the range of 11.3% to 11.8% per annum (with a midpoint of 11.6% per annum). For the purposes of our valuation, we have adopted a discount rate of 11.5% per annum (after tax).

Terminal value

- 154 We have estimated the terminal value of the Konekt business as at 30 June 2024 based on the free cash flow projected in FY25.
- 155 Growth in perpetuity of 1.0% per annum has been assumed after 30 June 2024. The selection of this growth rate has been based on our review of current industry dynamics (i.e. national unemployment) and the relationship between the relative contribution of administration and performance fees from jobactive revenue. We note our adopted growth assumption is less than current long term inflation expectations (of 1.5% per annum). While growth at about the inflation rate is a reasonable expectation in the long run, in our view there are some structural

factors likely to play out over the medium term which will adversely affect the prospects for the Konekt businesses, in particular:

- (a) cyclical variation increasing the unemployment rate back up to longer term average, reducing performance fees and hence the profitability of the jobactive business
- (b) ongoing pressure of digitisation on all aspects of the business, reducing volumes and/or margins. We note that the upside potential from digitisation of services is likely to be captured by much larger companies.

156 The application of this terminal value growth rate and the discount rate implies a terminal value / EBITDA multiple (on a controlling interest basis) which is broadly consistent with our adopted EBITDA multiple under the capitalisation of earnings approach.

Sensitivity analysis

157 There are inherent qualifications that apply to cash flow projections on which DCF valuations are based. It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.

158 In assessing our valuation range, we have therefore considered the sensitivity of value to changes in the key assumptions, as shown below:

DCF valuation – sensitivity analysis			
Variable	Base Case assumption	Sensitivity	Value range \$m
Discount rate	11.5%	10.5% to 12.5%	50.0 – 59.7
Terminal growth rate	1.0%	0.0% to 2.0%	51.2 – 58.3
EBITDA margin	10.0%	(0.5)% to 0.5%	51.2 – 57.3
Impact of digitalisation on jobactive revenue post July 2022	(10.0%)	(20.0)% to 0.0%	52.6 – 55.6

159 Having regard to the above, the DCF methodology implies a value for the Konekt business of around \$51.0 million to \$58.0 million. This value range is broadly consistent with our assessed value range of \$51.8 million to \$56.3 million under the capitalisation of earnings approach (refer paragraph 142).

160 Accordingly, we consider our assessed value range under the capitalisation of EBITDA approach to be reasonable.

Net debt

161 As at 31 August 2019 Konekt had net debt of \$9.7 million.

162 In considering net debt for valuation purposes we have had regard to factors including the final dividend to be paid in November 2019 together with the operational cash flow generated subsequent to 31 August 2019.

Fully diluted shares on issue

- 163 Konekt currently has 105.8 million shares on issue. In addition the company has:
- (a) 0.96 million unlisted options on issue at an exercise price of \$0.362. Based on our assessed value of the equity in Konekt these options are “in the money” and accordingly our valuation includes option exercise money (in total) of \$0.3 million
 - (b) 2.9 million performance rights on issue which have been issued to senior executives. The performance rights vest if continued service targets and performance hurdles are met. However, in the event of a takeover or other control event the Konekt Board retains the discretion to waive the vesting conditions. We understand that the Konekt Board intends to vest the performance rights on a pro-rata basis based on the level of continuous service of the senior executives as at 31 December 2019. On this basis 1.0 million of the performance rights will vest under the Scheme.

- 164 For valuation purposes we have therefore adopted fully diluted shares on issue of 107.8 million.

Valuation summary

- 165 Based on the above, the value of 100% of Konekt (on an ex-final dividend basis) on a controlling interest basis is as follows:

Equity value of Konekt			
	Paragraph	Low \$m	High \$m
Enterprise value	142	51.8	56.3
Other assets	163	0.3	0.3
Less net debt	161	(9.7)	(9.7)
Equity value		42.4	46.9
Fully diluted shares on issue (million)	164	107.8	107.8
Value per share (\$)		0.39	0.43

VII Evaluation of the Scheme

166 In our opinion, the Scheme is fair and reasonable and in the best interests of Konekt shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of the Scheme

Value of Konekt

167 As set out in Section VI we have assessed the value of Konekt between \$0.39 and \$0.43 per share.

Value of Scheme Consideration

- 168 If the Scheme is approved and implemented, Konekt shareholders will receive \$0.49 cash for each Konekt share they hold on the Scheme Record Date, less the cash amount of any Special Dividend which Konekt announces before the Scheme Record Date.
- 169 Under the Agreement, Konekt intends to pay a fully franked Special Dividend of up to \$0.05 per share, subject to the necessary approvals for the Scheme being obtained and Konekt obtaining a ruling from the ATO. Should a Special Dividend of \$0.05 per Konekt share be paid the cash consideration payable under the Scheme will be reduced to \$0.44 per share.
- 170 Konekt shareholders on the Record Date will therefore receive a total of \$0.49 cash per share if the Scheme is implemented regardless of whether a Special Dividend is paid. Accordingly, we have assessed the Scheme Consideration at \$0.49 per share. However, due to the benefit of franking credits we note that the value of the Scheme Consideration (and Special Dividend) to some Australian resident shareholders may be greater than \$0.49 per share if a Special Dividend is paid.

Fairness

171 Pursuant to RG 111 the Scheme is “fair” if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Scheme. This comparison is shown below:

Comparison of Scheme Consideration to value of Konekt			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Value of Scheme Consideration	0.49	0.49	0.49
Value of 100% of Konekt	0.39	0.43	0.41
Extent to which the Scheme Consideration exceeds the value of Konekt	0.10	0.06	0.08

172 As the Scheme Consideration exceeds our assessed valuation range for Konekt shares on a 100% controlling interest basis, in our opinion, the Scheme Consideration is fair to Konekt shareholders when assessed based on the Guidelines set out in RG 111.

Other qualitative factors

- 173 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 174 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of Konekt shareholders in the absence of a superior proposal.
- 175 In assessing whether the Scheme is reasonable and in the best interests of Konekt shareholders LEA has also considered, in particular:
- (a) the extent to which a control premium is being paid to Konekt shareholders
 - (b) the extent to which Konekt shareholders are being paid a share of any synergies likely to be generated pursuant to the potential transaction
 - (c) the listed market price of the shares in Konekt, both prior to and subsequent to the announcement of the proposed Scheme
 - (d) the likely market price of Konekt securities if the proposed Scheme is not approved
 - (e) the value of Konekt to an alternative offeror and the likelihood of a higher alternative offer being made for Konekt prior to the date of the Scheme meeting
 - (f) the advantages and disadvantages of the Scheme from the perspective of Konekt shareholders
 - (g) other qualitative and strategic issues associated with the Scheme.
- 176 These issues are discussed in detail below.

Extent to which a control premium is being paid

- 177 Research undertaken by LEA indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company’s shares¹⁶ three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). This premium range reflects the fact that:
- (a) the owner of 100% of the shares in a company obtains access to all the free cash flows of the company being acquired, which it would otherwise be unable to do as a minority shareholder
 - (b) the controlling shareholder can direct the disposal of surplus assets and the redeployment of the proceeds
 - (c) a controlling shareholder can control the appointment of directors, management policy and the strategic direction of the company
 - (d) a controlling shareholder is often able to increase the value of the entity being acquired through synergies and/or rationalisation savings.

¹⁶ After adjusting the pre-bid market prices for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover.

- 178 We have calculated the premium implied by the Scheme Consideration by reference to the market prices of Konekt shares (as traded on the ASX) for periods up to and including 4 October 2019 (being the last trading day prior to the trading halt on 7 October 2019 preceding the announcement of the Scheme).
- 179 We note that Konekt shareholders will receive a regular dividend of \$0.01 per share payable on 29 November 2019 (irrespective of the outcome of the Scheme) and that the share prices prior to the ex-date of 18 September 2019 (including part of the periods over which we have measured the premiums implied by the Scheme Consideration) traded with an entitlement to this dividend.
- 180 However, an entitlement to this dividend is not reflected in the last available pre-bid price and in our opinion the dividend entitlement is not of sufficient size so as to adjust the offer premium calculations¹⁷. We have therefore evaluated the implied offer premium by reference to the Scheme consideration of \$0.49 per share and unadjusted Konekt share prices.
- 181 The implied offer premium relative to Konekt share prices up to 4 October 2019 is shown below:

Implied offer premium relative to recent Konekt share prices		
	Konekt share price \$	Implied offer premium %
Scheme Consideration	0.49	
Closing share price on: 4 October 2019 ⁽¹⁾	0.29	69
Volume weighted average price (VWAP):		
1 month to 4 October 2019	0.259	89
3 months to 4 October 2019	0.245	100
6 months to 4 October 2019	0.187	162

Note:

- 1 The last trading day prior to the trading halt preceding the announcement of the Scheme.

- 182 Having regard to the above, in our opinion, the Scheme Consideration provides Konekt shareholders with a premium that is significantly higher than observed premiums generally paid in comparable circumstances. Accordingly, in our view, Konekt shareholders are being fully compensated for the fact that 100% of control of Konekt will pass to APM if the Scheme is approved.
- 183 However, in considering any Scheme transaction implied metrics based on share market trading in Konekt, it should be noted that (as set out in Section III), trading in Konekt shares is relatively illiquid, with the total number of shares traded in the year to 4 October 2019 being less than 10% of the number of shares outstanding.

¹⁷ We note that the Konekt share price did not change on the ex-dividend date.

Extent to which Konekt shareholders are being paid a share of synergies

- 184 If the Scheme is approved by Konekt shareholders, APM will acquire a 100% interest in Konekt and as a result, Konekt will be privatised. APM is a competitor and therefore currently operates businesses similar to those of Konekt, and in the circumstances (in addition to savings such as the elimination of listed company costs), we would expect APM to be able to generate some operational synergies from the acquisition of Konekt, such as:
- (a) potential savings in head office and administration costs
 - (b) potential rationalisation of office space (leasing costs); and
 - (c) improved market position (depth and breadth of services, etc.).
- 185 Whilst APM has not provided any specific guidance on the size of synergies expected to arise from the acquisition of Konekt, we consider the potential level of synergies to be significant relative to the underlying earnings of Konekt being acquired by APM pursuant to the transaction.
- 186 As noted above, the existence of synergies from business combinations is one of the reasons why bidders pay a control premium to acquire a company. In assessing the value of Konekt for the purpose of this report, we have allowed an appropriate control premium in determining the value of a 100% interest in the company¹⁸. Implicitly therefore, the value of a typical level of potential synergies arising from the transaction has been reflected in our valuation assessment.
- 187 In the current circumstances, however, the Scheme Consideration exceeds our assessed value of a 100% controlling interest in Konekt. We are of the view therefore that the Scheme Consideration reflects the strategic value of Konekt to APM, including a significant share of the value of the synergy benefits expected to be realised by APM.

Recent share prices subsequent to the announcement of the Scheme LEA to update

- 188 Shareholders should note that Konekt shares have traded on the ASX in the range of \$0.48 to \$0.49 per share in the period since the Scheme was announced up to 10 October 2019. These share prices are lower than or equal to the Scheme Consideration and suggest that the market consensus view is that a superior offer or proposal is unlikely to emerge.
- 189 Konekt shareholders considering selling their Konekt shares on the ASX will need to consider brokerage costs and should note that:
- (a) the Konekt share price on the ASX is subject to daily fluctuation
 - (b) Konekt shareholders who sell their Konekt shares on the ASX will not obtain the benefit of any superior proposal should this eventuate.

¹⁸ For instance, by using transaction multiples we implicitly include the share of synergies paid in those transactions.

Likely price of Konekt shares if the Scheme is not implemented

190 If the Scheme is not implemented we expect that, at least in the short term, Konekt shares will trade at a significant discount to our valuation and the Scheme Consideration due to the difference between the value of Konekt shares on a portfolio basis and their value on a 100% takeover basis. In this regard we note that:

- (a) Konekt shares last traded at \$0.29 per share on 4 October 2019 (being the last trading day prior to the trading halt preceding the announcement of the proposal from APM)
- (b) the history of thin trading volumes and concentrated share ownership in Konekt indicates continued potential difficulties in trading Konekt shares in the absence of the Scheme.

191 If the Scheme is not implemented those Konekt shareholders who wish to sell their Konekt shares are therefore likely, at least in the short term, to realise a significantly lower price for their shares than will be payable under the Scheme.

Likelihood of an alternative offer

192 While it is possible that Konekt could have substantial value to other entities operating in the same business areas, we have been advised by the Directors of Konekt that no formal alternative offers have been received subsequent to the announcement of the Scheme.

Summary of opinion on the Scheme

193 We summarise below the likely advantages and disadvantages for Konekt shareholders if the Scheme proceeds.

Advantages

194 The Scheme has the following benefits for Konekt shareholders:

- (a) the Scheme Consideration of \$0.49 cash per share exceeds the high end of our assessed value range for Konekt shares on a 100% controlling interest basis. Thus, in our view, Konekt shareholders are being paid an appropriate price to compensate them for the fact that control of Konekt will pass to APM if the Scheme is approved
- (b) the Scheme Consideration represents a significant premium to the recent market prices of Konekt shares prior to trading halt which preceded the announcement of the Scheme on 8 October 2019
- (c) furthermore, the Scheme Consideration implies an acquisition (takeover) premium which significantly exceeds the average premiums paid in successful takeovers generally
- (d) the Special Dividend may give rise to additional consideration to those Australian resident shareholders able to benefit from the related franking credits attaching to the Special Dividend
- (e) if the Scheme does not proceed, and in the absence of an alternative offer or proposal, the price of Konekt shares is likely to trade at a significant discount to our valuation and the Scheme Consideration due to the portfolio nature of individual shareholdings.

Disadvantages

- 195 Konekt shareholders should note that if the Scheme is implemented they will no longer hold an interest in Konekt. Konekt shareholders will therefore not participate in any future value created by the Company over and above that reflected in the Scheme Consideration.
- 196 However, as our assessed value of Konekt shares is below the Scheme Consideration, in our opinion, the present value of Konekt's future potential is fully reflected in the Scheme Consideration, along with an appropriate share of potential synergies.

Conclusion

- 197 Given the above analysis, we consider the acquisition of Konekt shares under the Scheme is fair and reasonable and in the best interests of Konekt shareholders in the absence of a superior proposal.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to Konekt shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee of \$80,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Martin Hall and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt both have over 33 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of Konekt to accompany the Scheme Booklet to be sent to Konekt shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of Konekt shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Konekt agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Konekt which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

Listed company multiples

Australian / New Zealand companies

People Infrastructure Ltd

- 1 People Infrastructure is a diversified ASX listed workforce management and staffing company. The company provides managed workforce and staffing services to a range of clients including corporates, government, not for profits and small and medium enterprises, with a key focus on the health and community, information technology and general staffing markets. People Infrastructure operates across 18 offices located in Australia and New Zealand and employs over 10,000 active casual employees.

AWF Madison Group Ltd

- 2 AWF Madison Group is New Zealand's largest recruitment company and the only staffing provider listed on the New Zealand Stock Exchange. The company operates across four brands, being AWF, Madison, Absolute IT and JacksonStone & Partners. It has capabilities across all aspects of executive, commercial and industrial recruitment services including permanent, temporary and contractor assignments. AWF Madison Group operates across 36 branches and employs approximately 330 staff.

Ashley Services Group Ltd

- 3 Ashley Services Group is an ASX listed provider of labour hire, recruitment and private training services. The company operates across two divisions, being Labour Hire and Training. The Labour Hire division provides workforce solutions with a focus on warehouse, logistics, food, pharmaceutical, manufacturing, electrical, mechanical, construction, industrial and process workers. The Training division provides nationally accredited qualifications under the Australian Skills Quality Framework to a wide range of industry sectors. Ashley Services employs over 250 staff across Australia.

HiTech Group Australia Ltd

- 4 HiTech Group Australia is an ASX listed provider of specialist information technology contracting, consulting and recruitment services. The company specialises in recruitment and consulting with a focus on the placement of information and communications technology, office support, finance and sales and marketing contracting and permanent staff. HiTech Group Australia is also a leading information and communications technology contract supplier to Federal and State Government departments.

International companies

Providence Service Corporation

- 5 Providence Service Corporation provides healthcare services in the US. The company operates across two segments, being NET Services and Matrix Investment. NET Services is the largest manager of non-emergency medical transportation programs for state governments and managed care organisations in the US. Matrix Investment is a nationwide provider of home and mobile-based healthcare services for health plans in the US including

Appendix C

comprehensive health assessments, needs assessments and post-acute and chronic care management through a network of community based clinicians and mobile health clinics.

Mears Group Plc

- 6 Mears Group is one of the United Kingdom's leading providers of housing and care services to the public and private sector and employs over 12,000 staff. The company operates across two segments, being Housing and Care. The Housing segment provides planned maintenance services for a portfolio of homes across the United Kingdom predominantly for government clients. The Care segment is commissioned by local councils and National Health Service Trusts to provide domiciliary care services to the elderly and disabled residents of social housing properties.

Staffline Group Plc

- 7 Staffline Group is a leading provider of recruitment and training services to government and commercial customers throughout the United Kingdom. The company operates across two divisions, being Recruitment and PeoplePlus. The Recruitment division supplies temporary blue-collar workers to a wide range of industrial sectors and operates across 400 locations in the United Kingdom, Ireland and Poland. PeoplePlus is a leading adult skills and training provider in the United Kingdom, delivering apprenticeships, adult education, prison education and skills based employability programs.

Appendix D

Transaction evidence

Allied health services

Zenitas Healthcare Limited

- 1 On 31 August 2018, a Consortium comprising Adamantem Capital and Liverpool Partners entered into a Scheme Implementation Deed to acquire 100% of Zenitas Healthcare. At the time of the acquisition, Zenitas Healthcare was a community based healthcare operator with 77 Australian locations. It employed over 550 allied health clinicians, 100 general practitioners and nurses, 2,000 home care professionals and over 140 mobile health professionals.

Beleura Health Solutions

- 2 On 1 May 2018, Zenitas Healthcare announced that it had entered into a binding agreement to acquire 80% of Beleura Health Solutions, with three senior clinical staff retaining 20% of the equity. At the time of the acquisition, Beleura Health Solutions operated two allied health clinics on the Mornington Peninsula in Victoria. It employed over 25 clinicians providing sport, injury and exercise rehabilitation using advanced techniques.

Orion Services

- 3 On 19 April 2018, Zenitas Healthcare announced that it had entered into a binding agreement to acquire 100% of Orion Services. At the time of the acquisition, Orion Services was a leading provider of disability services in Perth (Western Australia), providing case management, personal support and accommodation support services to people living with disabilities through a network of over 50 carers.

Agewell Physiotherapy

- 4 On 22 December 2017, Zenitas Healthcare entered into a binding agreement to acquire 100% of Agewell Physiotherapy. At the time of the acquisition, Agewell Physiotherapy was a mobile physiotherapy provider to residential aged care facilities, retirement villages and the general community throughout NSW and Queensland. It employed a team of 56 physiotherapists and occupational therapists.

Peninsula Sports Medicine Group

- 5 On 21 December 2017, Zenitas Healthcare entered into a binding agreement to acquire 80% of the Peninsula Sports Medicine Group, with four senior clinical staff retaining 20% of the equity. At the time of the acquisition, Peninsula Sports Medicine Group operated six physiotherapy and allied health clinics located in Melbourne and the Mornington Peninsula and employed 41 physiotherapists, 18 massage therapists and 17 pilates instructors.

Appendix D

Staffing / recruitment

First Choice Care Pty Ltd & Carestaff Nursing Services Pty Ltd

- 6 On 19 June 2019, People Infrastructure announced that it had entered into agreements to acquire 100% of staffing agencies First Choice Care and Carestaff Nursing Services. At the time of the respective acquisitions, First Choice Care and Carestaff Nursing Services were two of Queensland's leading providers of nursing staff to public hospitals, private hospitals and residential aged care operators.

Halcyon Knights¹⁹

- 7 On 3 June 2019, People Infrastructure announced it had acquired 100% of Halcyon Knights, a leading information technology recruitment company focused on the Melbourne, Sydney, New Zealand and Singapore markets. At the time of the acquisition, Halcyon Knights provided its offering across several IT verticals (including sales and marketing, digital, cloud, cyber security, data and analytics, professional services and consulting and technical support) and employed approximately 55 staff.

Mission Providence Pty Ltd

- 8 On 11 August 2017, Konekt announced that it had executed an agreement to acquire 100% of Mission Providence, a leading provider of return to work employment services through the Federal Government's jobactive program. Mission Providence was a joint venture between Mission Australia and US-based The Providence Service Corporation. The Mission Providence business operated a national footprint of 85 branches and employed over 400 staff.

SKILLED Group Limited

- 9 On 24 June 2015, Programmed Maintenance Services announced that it had entered into a Scheme Implementation Agreement to acquire 100% of SKILLED Group. At the time of the announcement, SKILLED was the largest provider of temporary labour hire and recruitment services in Australia. SKILLED had a large presence in the oil and gas industry (through its Broadsword Marine Services and Offshore Marine Services Alliance businesses) and possessed engineering, maintenance and civil construction expertise. SKILLED Group operated from a network of over 80 offices across Australasia.

A4e Limited

- 10 On 27 April 2015, Staffline announced that it had agreed to acquire 100% of A4e, a provider of welfare to work and skills training services across the United Kingdom and Australia. At the time of the acquisition, A4e employed over 2,000 staff and serviced a range of clients from individuals, small and medium sized companies to large multi-nationals. Around the time of acquisition, a number of A4e's employees had just been convicted of fraud (60 counts of fraud) relating to a contract dating back to 2011.

¹⁹ Including Halcyon Knights Pty Ltd, Halcyon Knights Commercial and Contracting Pty Ltd and Halcyon Knights New Zealand Limited.

Appendix D

Chandler Macleod Group Limited

- 11 On 14 January 2015, Recruit Holdings Co announced that it had entered into a Scheme Implementation Deed to acquire 100% of Chandler Macleod Group. At the time of the acquisition, Chandler Macleod Group was one of Australia's largest human resources services providers, with operations in China, Singapore, New Zealand, the United Kingdom and Ireland and employed approximately 1,100 staff.

Peoplebank Holdings Pty Ltd

- 12 On 14 January 2015, Recruit Holdings Co announced that it had acquired 100% of Peoplebank Holdings, an Australian based information technology and engineering recruitment services provider. At the time of the acquisition, Peoplebank Holdings had approximately 230 employees and operated throughout Australia, Singapore, Hong Kong, Indonesia and Malaysia.

Ingeus Limited

- 13 On 31 March 2014, Providence Service Corporation announced that it had entered into an agreement to acquire 100% of Ingeus, an Australian based provider of back-to-work, health and well-being services to long term unemployed, disabled and disadvantaged individuals. At the time of the acquisition, Ingeus employed over 2,500 staff and operated from a network of over 160 delivery sites located throughout 10 countries.

Talent2 International Limited

- 14 On 28 May 2012, MBI, Allegis and Perbec entered into a Scheme Implementation Deed to acquire 100% of Talent2 International, an Australian based provider of end-to-end talent management solutions including human resource advisory, payroll, recruitment and learning. At the time of the acquisition, Talent2 International operated across 40 offices in over 31 countries across the Asia Pacific, Middle East, United Kingdom and US.

Appendix D

Glossary

Term	Meaning
ACT	Australian Capital Territory
ADF	Australian Defence Force
AFCA	Australian Financial Complaints Authority
Agreement	Scheme Implementation Deed dated 8 October 2019
APM	Advanced Personnel Management International Pty Ltd
Artius	Artius Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CAPM	Capital asset pricing model
CBA	Commonwealth Bank of Australia
Communicorp	Communicorp Group Pty Ltd
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i>
DCF	Discounted cash flow
DES	Disability Employment Services
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
jobactive	Federal Government funded employment program which connects job seekers with employers
Konekt	Konekt Limited
Konekt Employment	A leading provider of return to work employment services and primarily operates under three contracts for Federal Government programs
Konekt Workcare Group	Konekt business providing workplace injury management and injury prevention services
LEA	Lonerган Edwards & Associates Limited
Medibank	Medibank Private Limited
Mission Providence	Mission Providence Pty Ltd
MRP	Market risk premium
NEIS	New Enterprise Incentive Scheme
NPV	Net present value
NSW	New South Wales
PE	Price earnings
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Scheme	Scheme of arrangement under which APM will acquire 100% of the issued shares in Konekt
Scheme Consideration	\$0.49 per share, less the amount of any Special Dividend declared
Special Dividend	Fully franked special dividend of up to \$0.05 per share
US	United States of America
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding
WHS	Work health and safety

Attachment F Sample Proxy Form

Need assistance?



Phone:
1300 671 080 (within Australia)
+61 2 8022 7954 (outside Australia)



Online:
www.investorcentre.com/contact



KKT

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by 10:00am (AEDT) Sunday, 1 December 2019.

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders 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 form when you return it.

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

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

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Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



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1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



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Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Konekt Limited hereby appoint

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the Chairman
of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Konekt Limited to be held at Level 35, Tower Two, International Towers Sydney, 200 Barangaroo Avenue, Barangaroo NSW 2000 on Tuesday, 3 December 2019 at 10:00am (AEDT) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

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

	For	Against	Abstain
That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Konekt Limited and the holders of its ordinary shares (the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part)) is agreed to (with or without alterations or conditions as approved by the Court and which are agreed to by Konekt Limited and APM.) and, subject to approval of the Scheme by the Court, the Konekt Limited board of directors is authorised to implement the Scheme with any such alterations or conditions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /
Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

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Computershare



Corporate Directory

Registered Office

Konekt Limited

Level 3
338 Pitt Street
Sydney NSW 2000
Australia
www.konekt.com.au

Directors

Douglas Flynn Chairman
Philip Small (Non-Executive Director)
Anthony Crawford (Non-Executive Director)
Damian Banks (Group Chief Executive Officer and Managing Director)

Financial Adviser

Miles Advisory Partners Pty Ltd

Level 45
Gateway, 1 Macquarie Place
Sydney NSW 2000
Australia

Legal Adviser

Gilbert + Tobin

Level 35
Tower Two, International Towers
Sydney
200 Barangaroo Avenue
Barangaroo Sydney NSW 2000,
Australia

Share Registry

Computershare Investor Services Pty Ltd

Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067
Australia

Auditors

BDO East Coast Partnership

Level 11
1 Margaret Street
Sydney NSW 2000
Australia

Independent Expert

Lonergan Edwards & Associates Limited

Level 7
64 Castlereagh Street
Sydney NSW 2000
Australia

Shareholder Information Line

1300 671 080 (within Australia)
+61 2 8022 7954 (outside Australia)

The Konekt Shareholder Information Line is open on Business Days between 9.00am and 5.00pm (Sydney time)

Company Secretary

Reena Minhas

Stock Exchange Listing

ASX:KKT