
TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

ABN 98 057 335 672

NOTICE OF GENERAL MEETING

A General Meeting of the Company will be held at Level 1, 16 Gympie Way, Willetton, Western Australia on 29 January 2019 at 10:00am (AWST).

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

Shareholders and investors should note that the Acquisition requires Shareholder approval under the Listing Rules (which is being sought pursuant to Resolution 1) and therefore the Acquisition may not proceed if that approval is not forthcoming. Refer to Section 3 for further details.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on (08) 9430 5033.

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

ABN 98 057 335 672

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Shareholders of Transaction Solutions International Limited (**Company**) will be held at Level 1, 16 Gympie Way, Willetton, Western Australia on 29 January 2019 at 10:00am (AWST) (**Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 27 January 2019 at 10:00am (AWST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Section Section 9.

AGENDA

1. Resolution 1 – Approval of Acquisition of Cloudten Industries Pty Ltd

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

"That, for the purposes of Listing Rule 11.1.2 and for all other purposes, Shareholders approve the significant change in the scale of the Company's activities resulting from the acquisition of Cloudten Industries Pty Ltd, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

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

However, the Company need not disregard a vote if:

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

2. Resolution 2 – Ratification of prior issue of Placement Shares, Class C Placement Options and Class D Placement Options under Rule 7.1 capacity

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue by the Company to the Placement Participants of:

- (a) *14,923,531 Shares in the Company each at an issue price of \$0.0085;*
- (b) *58,080,890 Class C Placement Options each exercisable at \$0.013 on or before 21 December 2020 and*
- (c) *58,080,890 Class D Placement Options each exercisable at \$0.015 on or before 21 December 2021.*

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Placement Participant or any of their associates.

However, the Company need not disregard a vote if:

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

3. Resolution 3 – Ratification of prior issue of Placement Shares under Rule 7.1A capacity

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

"That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue by the Company to the Placement Participants of 217,400,000 Shares in the Company each at an issue price of \$0.0085 on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a Placement Participant or any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

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

4. Resolution 4 – Authority to issue Class A Placement Options and Class B Placement Options

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

"That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue to the Placement Participants:

- (a) *116,161,764 Class A Placement Options each exercisable at \$0.010 on or before 6 months following the date of issue; and*
- (b) *116,161,764 Class B Placement Options each exercisable at \$0.011 on or before 9 months following the date of issue,*

on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of the Placement Participants and a person who will obtain a material benefit as a result of the issue of the Placement Options (except a benefit solely by reason of being a holder of ordinary securities in the Company) if the Resolution is passed or any associates of those persons.

However, the Company need not disregard a vote if:

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

5. Resolution 5 – Authority for Mr Jeffrey Lai to participate in the Placement

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

"That, for the purposes of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise Mr Jeffrey Lai (and/or his nominees) to participate in the Placement to the extent of up to:

- (a) *2,941,176 Shares each at an issue price of \$0.0085;*
- (b) *1,470,588 Class A Placement Options each exercisable at \$0.010 on or before 6 months from the date of issue;*
- (c) *1,470,588 Class B Placement Options each exercisable at \$0.011 on or before 9 months from the date of issue;*

- (d) 735,294 Class C Placement Options each exercisable at \$0.013 on or before 21 December 2020; and
- (e) 735,294 Class D Placement Options each exercisable at \$0.015 on or before 21 December 2021,

on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Jeffrey Lai and his nominee/s or any associates of those persons.

However, the Company need not disregard a vote if:

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

6. Resolution 6 – Authority for Mr Howard Digby to participate in the Placement

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

"That, for the purposes of Listing Rule 10.11, and for all other purposes, Shareholders approve and authorise Mr Howard Digby (and/or his nominees) to participate in the Placement to the extent of up to:

- (a) 2,941,176 Shares each at an issue price of \$0.0085;
- (b) 1,470,588 Class A Placement Options each exercisable at \$0.010 on or before 6 months from the date of issue;
- (c) 1,470,588 Class B Placement Options each exercisable at \$0.011 on or before 9 months from the date of issue;
- (d) 735,294 Class C Placement Options each exercisable at \$0.013 on or before 21 December 2020; and
- (e) 735,294 Class D Placement Options each exercisable at \$0.015 on or before 21 December 2021,

on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Howard Digby (and his nominee) or any associates of those persons.

However, the Company need not disregard a vote if:

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

7. Resolution 7 – Approval to issue Adviser Options

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

“That, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the Directors to issue 12,000,000 Options to Red Leaf Securities (and/or its nominees) each at any issue price of \$0.015 with an expiry of 12 months from the date of issue on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Red Leaf Securities and its nominees and a person who will obtain a material benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, or any associates of those persons.

However, the Company need not disregard a vote if:

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

8. Resolution 8 – Approval to issue Director Options to Mr Howard Digby

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

“That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve and authorise the Directors to issue 1,000,000 Director Options to Mr Howard Digby and/or his nominees on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Mr Howard Digby and his nominees, or any associates of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or

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

Dated 24 December 2018

BY ORDER OF THE BOARD

Mr Phillip Macleod
Company Secretary

TRANSACTION SOLUTIONS INTERNATIONAL LIMITED

ABN 98 057 335 672

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 16 Gympie Way, Willetton, Western Australia on 29 January 2019 at 10:00am (AWST).

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

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

2. Action to be taken by Shareholders

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

2.1 Proxies

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

Please note that:

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

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

2.2 Voting Prohibition by Proxy Holders

In accordance with sections 250BD of the Corporations Act, a person appointed as a proxy must not vote on the basis of that appointment on Resolution 8 if:

- (a) the person is either:

- (i) a member of the Key Management Personnel of the Company; or
 - (ii) a Closely Related Party of such a member, and
- (b) the appointment does not specify the way the proxy is to vote on Resolution 8.

However, the prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even if Resolution 8 is connected directly or indirectly with remuneration of a member of the Key Management Personnel of the Company.

3. Resolution 1 – Approval of Acquisition of Cloudten Industries Pty Ltd

3.1 Background

The Company is a software and services business. At present, the Company has two main elements of its business comprising:

- (a) a 24.9% interest in Transaction Solutions International (India) Private Limited (**TSI India**) which operates an ATM, e-surveillance and related services business in India; and
- (b) a 100% interest in Decipher Works Pty Ltd (**Decipher Works**) which operates a cybersecurity business in Australia.

TSI India conducts the business of the deployment of ATMs, the provision of bill payment services, related management services, e-surveillance and other related customer services to banks, institutions and utility companies in India.

Decipher Works is a Sydney-based cybersecurity specialist, providing consulting, support and managed services to financial institutions and large corporations.

The Company announced on 13 December 2018 that it has entered into a binding agreement (**Acquisition Agreement**) with the Sellers to acquire 100% of the issued capital of Cloudten (**Acquisition**).

3.2 Cloudten Business

Cloudten is a cloud and cloud security service provider founded by Malcolm Duncanson and Richard Tomkinson in 2014 and is based in Sydney. Cloudten helps large enterprises and the government migrate and manage their cloud infrastructure. Cloudten experienced significant revenue growth, in excess of 100% year-on-year, in the last 3 years and recorded \$3.8 million of revenue and \$1.6m of profit before tax for the year ending 30 June 2018.

Cloudten is an Advanced Consulting Partner of Amazon Web Services (AWS), the dominant infrastructure-as-a-service provider globally. Cloudten is the first and currently the only consulting partner in the APAC region to hold both the AWS Security and AWS Government competencies and are currently under review to receive the DevOps and Data Analytics Competencies. This required a rigorous external independent audit process to assess customer references and solutions.

Cloudten is ISO 27001 certified organisation with staff who are CISSP and AWS Security Specialist certified.

Cloudten offers a broad range of services to its enterprise customers, such as:

- Cloud migration - helping enterprises plan, build and migrate applications and workloads to a securely built cloud environment.
- Cloud Security - delivering security controls and event driven DevSecOps techniques to ensure the cyber security posture is maintained
- Elastic Managed Cloud - a premium offering that provides 24x7x365 alerting, monitoring, optimisation, troubleshooting and incident resolution within your AWS estate.
- DevOps & Automation - bringing development and operations together to complete software development, including automating repetitive operational tasks
- Custom Development - using technologies such as Alexa, Rekognition, Polly and Machine Learning to build robust, secure, scalable applications

3.3 Commercial Terms

Pursuant to the Acquisition Agreement:

(a) The consideration for the Acquisition comprises:

(i) Fixed components totalling \$8.6 million to be paid in cash in five tranches as set out in the table below:

Tranche	Cash Payment	Payment Date
1	\$3,000,000	On Completion
2	\$1,500,000	The date that is 90 days after the date of Completion
3	\$1,500,000	The date that is 180 days after the date of Completion
4	\$1,500,000	The date that is 270 days after the date of Completion
5	\$1,100,000	The date that is 365 days after the date of Completion

(ii) Variable components, which are uncapped and are to be paid in cash or cash and scrip, that reward:

(A) Growing of Cloudten profit over the three years from Completion (with specific profit targets for the two years following Completion); and

(B) Sustaining the increased Cloudten profit over the four years from Completion.

A worked example showing the total consideration payable for the Acquisition (both fixed components and variable components) based on various percentage increases in Cloudten's EBIT growth is set out below:

Annual EBIT growth	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Ave. 4-yr EBIT	1.6	2.0	2.6	3.2	4.0	4.9	5.9	7.1	8.5	10.2	12.0
Total Consideration (\$ million)	8	10	12	15	17	19	21	24	27	30	34
Overall EBIT multiple	4.9	4.8	4.7	4.5	4.2	3.8	3.6	3.3	3.1	2.9	2.8

- (b) Up to \$3,630,000 of the variable component of consideration will be payable in cash, while the remaining variable component of consideration will be payable 50% in cash and, subject to Shareholder approval, 50% in Shares based upon the 20 day VWAP immediately prior to the issue date. However, the sellers may elect to convert any or all of the cash component of these portions of the variable component of consideration to TSN Shares at a 25% discount to the 20 day VWAP prior to the issue date, subject to Shareholder approval.
- (c) Payment of the variable component of consideration will be accelerated in the event that the Company breaches any of the restrictions on it, or if there is a change of control of the Company, during the earnout period.
- (d) Any Shares issued under the variable components of consideration will be subject to 12 months voluntary escrow.
- (e) The Acquisition is conditional upon satisfaction of a number of conditions within 3 months of execution of the Acquisition Agreement (which period may be extended for up to two further one month periods by written notice by the Company). These conditions have been satisfied with the exception of the following conditions which remain outstanding at the date of this Notice:
 - (i) The Company obtaining all necessary regulatory approvals on terms acceptable to the Parties as are required to give effect to the Acquisition.
 - (ii) The Company completing a financial, legal, technical and commercial review of Cloudten, its subsidiaries, assets and business and being satisfied (acting reasonably) with the results of that due diligence.
 - (iii) The Company obtaining all necessary Shareholder approvals as are required (including under the Company's constitution, the Listing Rules and the Corporations Act) to give effect to the Acquisition, including Shareholder approval under Listing Rule 11.1.2.
 - (iv) Each of the Sellers entering into an executive service agreement with Cloudten.
 - (v) The seller and purchaser warranties remaining true and correct in all material respects as at the date of completion of the Acquisition.
 - (vi) Cloudten obtaining any third party consents, waivers or approvals to any change of control provisions in the material contracts.
- (f) While the Company will be transferred 100% of the issued capital of Cloudten on completion of the Acquisition, the Company will receive 19% of the Cloudten shares unencumbered for the initial tranche of the fixed component of consideration (\$3m) and the Sellers will hold security over the remainder of the Cloudten shares with the relevant percentage of Cloudten shares to be released from the security upon the corresponding payment of a tranche of the fixed component of consideration. If any tranche of the fixed component of consideration is not paid on time, then the Sellers will have the option of buying back all of the other Cloudten shares at an agreed discount ranging from a 20% to 10% discount to the consideration that has already been paid depending on how many of the deferred payments have been made by the Company.

- (g) The Sellers may nominate a director to the Board of the Company if they collectively hold at least 10% of the issued capital of the Company. There will be no other changes to the Board of the Company as a result of the Acquisition.
- (h) If either Seller leaves Cloudten during the four-year period following Completion (other than by reason of redundancy, termination without cause or the Seller suffering terminal illness, total and permanent disability or death) then that Seller will forfeit its right to any variable component of consideration.
- (i) The Sellers have committed to operation of Cloudten for 4 years and accordingly have agreed to a non-compete provision in relation to Australia, the United Kingdom and Singapore for a period of four years from the date of Completion.
- (j) The Sellers have indemnified the Company for any income tax liability of Cloudten between the date of signing the Acquisition Agreement and Completion.
- (k) The Sellers have given warranties and representations about Cloudten, its subsidiaries and assets in favour of the Company that are usual for a transaction of this type.

The Acquisition Agreement is otherwise on customary terms for a transaction of this nature.

3.4 Placement

As announced on 13 December 2018 the Company is conducting a placement in order to fund the initial tranche of fixed component of the consideration under the Acquisition Agreement. The Company is proposing to conduct a placement of 238,205,881 Shares each at an issue price of \$0.0085 to raise \$2,024,750 before costs (**Placement**).

The Placement is to be completed in two tranches, comprising:

- (a) 232,323,531 Shares (**Placement Shares**) to sophisticated investors which were issued on 21 December 2018; and
- (b) 5,882,352 Shares (**Director Placement Shares**) to Directors, Mr Jeffrey Lai and Mr Howard Digby (together **Participating Directors**) (and/or their nominees) which will be issued subject to Shareholder approval (refer to Section 6 for further details).

For every four Placement Shares subscribed for, the Placement Participants will receive six free attaching Options comprising:

- (c) two Class A Placement Options each exercisable at \$0.010 on or before the date that is 6 months following the date of issue;
- (d) two Class B Placement Options each exercisable at \$0.011 on or before the date that is 9 months following the date of issue;
- (e) one Class C Placement Option each exercisable at \$0.013 on or before 21 December 2020;
- (f) one Class D Placement Option each exercisable at \$0.015 on or before 21 December 2021,

(together **Placement Options**).

The Placement Shares, Class C Placement Options and Class D Placement Options were issued to the Placement Participants pursuant to the Company's existing placement capacity pursuant to Listing Rules 7.1 and 7.1A. Resolutions 2 and 3 seek Shareholder approval for the ratification of these issues. Resolution 4 seeks Shareholder approval for the issued of the Class A Placement Options and Class B Placement Options.

Subject to Shareholder approval, for every four Director Placement Shares subscribed for, the Participating Directors will receive six free attaching Placement Options on the same basis as set out above, being two Class A Placement Options, two Class B Placement Options, one Class C Placement Option and one Class D Placement Option (together the **Director Placement Options**).

Resolutions 5 and 6 seek Shareholder approval for the Participating Directors to participate in the Placement. Further details are set out in Section 6.1.

The lead manager of the Placement was Red Leaf Securities. The Company will pay fees of 5% of the total amount raised under the Placement and, subject to Shareholder approval, will issue Red Leaf Securities 12,000,000 Advisor Options each with a 12 month expiry and exercise price of \$0.015. Resolution 7 seeks Shareholder approval for the issue of these Advisor Options.

3.5 Effect of the Acquisition on the Company

(a) Capital Structure

Below is a table showing the Company's capital structure prior to announcing the Acquisition and completing the Placement and the indicative capital structure following completion of the Acquisition and the Placement.

	Number of Shares	Number of Options
Balance at the date prior to announcing the Acquisition Notice	2,174,194,960	83,556,818 ⁽¹⁾
Securities issued or to be issued pursuant to the Placement	238,205,883	357,308,837 ⁽²⁾
Balance following completion of the Placement and Acquisition	2,412,400,843⁽³⁾	440,865,655

(1) Comprises:

- (a) 48,181,818 Options each exercisable at \$0.017 on or before 3 April 2020.
- (b) 5,000,000 Options each exercisable at \$0.02 on or before 3 April 2020.
- (c) 30,375,000 Options each exercisable at \$0.00851 on or before 23 September 2020.

(2) Comprises:

- (a) 119,102,940 Class A Placement Options and 119,102,940 Class B Placement Options will be issued subject to Shareholder approval. Refer to Section 5 for further information.
- (b) 59,551,478 Class C Placement Options, 59,551,478 Class D Placement Options.
- (c) 12,000,000 Adviser Options to be issued to Red Leaf Securities, subject to Shareholder approval. Refer to Section 7.1 for further information.

(3) The Company also has convertible notes on issue with an aggregate face value of \$670,000. The convertible notes mature on 15 December 2019 and are convertible into Shares at an issue price of \$0.011 per Share.

(b) Pro Forma Balance Sheet following the Acquisition

A pro-forma balance sheet of the Company on completion of the Acquisition and the Placement is set out in Schedule 2. The pro forma balance sheet is based on management accounts to 31 October 2018 for the Company and management accounts to 31 October 2018 for Cloudten. These are the latest sets of accounts that have been prepared for each of the Company and Cloudten.

(c) Potential Dilutionary Effect of the Acquisition

The potential dilutionary effect on the Company's capital structure due to the issue of Shares to the Sellers as part of the variable component of consideration for the Acquisition is illustrated in the table below:

Annual EBIT growth	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Ave. 4-yr EBIT	1.6	2.0	2.6	3.2	4.0	4.9	5.9	7.1	8.5	10.2	12.0
Earnout component to be paid in Shares (\$ million) ¹	0.0	0.5	1.2	1.9	2.8	3.8	5.0	6.3	7.7	9.4	11.2
Number of earnout shares to be issued to Sellers (million) ²	0	53	116	192	279	380	495	626	773	937	1,120
Earnout Shares to Sellers as % of balance post completion ³	0%	2%	4%	7%	10%	13%	17%	22%	27%	33%	39%

- (1) Assumes that the cash components of the variable component of consideration are not converted to scrip.
- (2) Assumes that the Shares are issued at \$0.01, which is the weighted average price of the Placement Shares and exercise price of the Placement Options.
- (3) Dilutionary effect calculated based on:

$$(\text{Number of Shares issued to Sellers}) / (\text{Balance following completion of the Placement and Acquisition}).$$

Assumes that all the 440,865,639 Options on issue following Completion are exercised, resulting in a total Share balance of 2,853,266,480. See Section 3.5 (a) above for the post-Acquisition capital structure of the Company.

(d) The Company's Business Model in light of the Acquisition

Following completion of the Acquisition the Company will operate both Cloudten and its current business, Decipher Works as separate business units. Decipher Works will continue to focus on providing cybersecurity services, primarily in identity and access management. Cloudten will remain focused on providing cloud and cloud security services. The staff of both businesses will remain focused on the activities and services provided by the respective businesses.

While both businesses will be managed as separate business units, they will collaborate in selling and cross-selling services to clients. In addition, both businesses may develop new services that are based on the expertise of both businesses.

3.6 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1.

- (a) The Company will be further exposed to the cyber-security and cloud-based technology sectors and Shareholders can share in the future prospects of this rapidly expanding sector.
- (b) The proposed Acquisition is earnings accretive for the Company.
- (c) The structure of the consideration for the Acquisition allows the Company to acquire Cloudten with minimal dilution to existing Shareholders.
- (d) A significant portion of the consideration is linked to the growth of Cloudten's profit over the next four years.
- (e) The Sellers, who are the founders of Cloudten, will be engaged as full time executives of Cloudten post Completion and it is intended that they remain executives for at least four years from Completion with penalties if they leave during this period.
- (f) The Acquisition creates an increase in the size of the Company's existing operations and assets of the Company. This may enhance the prospects of the Company.
- (g) The Acquisition may result in increased cost efficiencies through the implementation of economies of scale.
- (h) The Acquisition may allow the Company to recoup income tax losses.

3.7 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote of Resolution 1.

- (a) The cyber-security and cloud technology business operated by Cloudten may have different risk and reward profiles to those historically attributed to the Company. The new risk profile may not suit all Shareholders.
- (b) The Acquisition will result in the issue of the Placement Shares which will have a dilutive effect, albeit minimal, on the holdings of Shareholders.
- (c) The Company will be required to make a number of future payments of consideration under the Acquisition Agreement. However if all of the Placement Options are exercised then no additional capital raising will be required to fund the Acquisition.
- (d) The Acquisition may result in dilution to existing Shareholders. Refer to Section 3.5(c). for examples of the potential dilutionary effect of the Acquisition.

3.8 Plans for the Company if the Acquisition is not completed

If the Company does not complete the Acquisition, the Company will continue with its current activities and continue to seek, and undertake due diligence on, new opportunities for growth.

3.9 Directors' Recommendation in relation to Acquisition

Based on the information available, including the information contained in this Explanatory Memorandum the Directors recommend that Shareholders vote in favour of the Resolutions.

3.10 Shareholder Approvals

Resolution 1 seeks Shareholder approval pursuant to Listing Rule 11.1.2 for the significant change in the scale of the Company's activities resulting from the Acquisition.

Resolution 1 is an ordinary Resolution and is subject to each of the other Resolutions being passed.

3.11 Listing Rule 11.1.2

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

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

ASX has indicated to the Company that given the change in the scale of the Company's activities resulting from the Acquisition it requires the Company to obtain Shareholder approval. The Company is not required to re-comply with the admission requirements set out in Chapters 1 and 2 of the Listing Rules. A voting exclusion is included in the Notice.

3.12 Regulatory Notices

Shareholders and investors should note that the Acquisition requires Shareholder approval under the Listing Rules (which is being sought pursuant to Resolution 1) and therefore the Acquisition may not proceed if that approval is not forthcoming.

ASX takes no responsibility for the contents of this Notice.

4. Resolutions 2 and 3 – Ratification of prior issue of Placement Shares, Class C Placement Options and Class D Placement Options.

4.1 General

As set out in Section 3.4, the Company has completed the Placement of the Placement Shares each at an issue price of \$0.0085 to raise \$1,974,750 (before costs). For every four Placement Shares subscribed for, the Placement Participants will receive six free attaching Options comprising:

- (a) two Class A Placement Options;
- (b) two Class B Placement Options;
- (c) one Class C Placement Option; and
- (d) one Class D Placement Option.

On 21 December 2018, the Company issued the Placement Shares, Class C Placement Options and Class D Placement Options. The issue of the Class A Placement Options and Class B Placement Options is subject to Shareholder approval (see Section 5 for further information).

Funds raised from the Placement will be used with the Company's existing cash to fund the initial tranche of the fixed component of consideration (\$3,000,000) pursuant to the Acquisition Agreement.

The Class C Placement Options are each exercisable at \$0.013 on or before 21 December 2020. The Class D Placement Options are each exercisable at \$0.015 on or before 21 December 2021. Further terms and conditions of the Class C Placement Options and Class D Placement Options are set out in Schedule 1.

14,923,531 Placement Shares and the Class C Placement Options and the Class D Placement Options were issued within the Company's 15% annual limit permitted under Listing Rule 7.1 and 217,400,000 Placement Shares were issued within the Company's additional 10% annual limit approved by Shareholders under Listing Rule 7.1A at the Company's 2018 Annual General Meeting, without the need for Shareholder approval.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12-month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12-month period.

Listing Rule 7.1A enables eligible entities to issue equity securities up to 10% of its issued share capital through placements over a 12-month period after the annual general meeting at which the Shareholders approve the 10% placement facility. The 10% placement facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

Listing Rule 7.4 provides that where a company in general meeting ratifies a previous issue of securities made pursuant to Listing Rule 7.1 (including the additional 10% capacity under Listing Rule 7.1A), providing that the previous issue did not breach Listing Rule 7.1, the issue of those securities will be deemed to have been with shareholder approval for the purpose of Listing Rule 7.1.

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.4 for the ratification of the issue of 14,923,531 Placement Shares, the Class C Placement Options and the Class D Placement Options which were issued pursuant to the 15% capacity under Listing Rule 7.1.

Resolution 3 seeks Shareholder approval pursuant to Listing Rule 7.4 for the ratification of the issue of 217,400,000 Placement Shares which were issued pursuant to the additional 10% capacity under Listing Rule 7.1A.

The effect of Shareholders passing Resolutions 2 and 3 will be to restore the Company's ability to issue securities within the 15% placement capacity under Listing Rule 7.1 during the next 12 months and within the additional 10% placement capacity under Listing Rule 7.1A during the

balance of the 12 months from the date of the Company's 2018 Annual General Meeting, without the requirement to obtain prior Shareholder approval.

Resolutions 2 and 3 are ordinary resolutions.

4.2 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5, information regarding the issue of the Placement Shares, the Class C Placement Options and the Class D Placement Options is provided as follows:

- (a) 232,323,531 Shares, 58,080,890 Class C Placement Options and 58,080,890 Class D Placement Options were issued by the Company on 21 December 2018.
- (b) The Placement Shares were issued at an issue price of \$0.0085 each to raise \$1,974,750. The Class C Placement Options and Class D Placement Options were free attaching Options issued on the basis of one Class C Placement Option and one Class D Placement Option for every four Placement Shares subscribed for. Accordingly no funds were raised from the issue of the Class C Placement Options and Class D Placement Options.
- (c) The Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (d) The Class C Placement Options are each exercisable at \$0.013 on or before 21 December 2020. The Class D Placement Options are each exercisable at \$0.015 on or before 21 December 2021. Further terms and conditions of the Class C Placement Options and Class D Placement Options are set out in Schedule 1.
- (e) Shares issued on exercise of the Class C Placement Options and the Class D Placement Options will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing Shares on issue.
- (f) The Placement Shares, Class C Placement Options and Class D Placement Options were issued to the Placement Participants, none of whom is a related party of the Company.
- (g) The funds raised from the issue of the Placement Shares will be used with the Company's existing cash to fund the initial tranche of fixed component of consideration (\$3,000,000) pursuant to the Acquisition Agreement.
- (h) A voting exclusion statement is included in the Notice.

5. Resolution 4 – Authority to issue Class A Placement Options and Class B Placement Options

5.1 General

As set out in Section 3.4, the Company has agreed, subject to Shareholder approval, to issue 116,161,764 Class A Placement Options and 116,161,764 Class B Placement Options to the Placement Participants as free attaching Options on the basis of two Class A Placement Options and two Class B Placement Options for every four Placement Shares subscribed for.

The Class A Placement Options will each be exercisable at \$0.010 on or before the date that is 6 months following the date of issue. The Class B Placement Options will each be exercisable at \$0.011 on or before the date that is 9 months following the date of issue. Further terms and

conditions of the Class A Placement Options and Class B Placement Options are set out in Schedule 1.

Given the issue of the Class A Placement Options and the Class B Placement will exceed the 15% threshold set out in Listing Rule 7.1 and none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is required under Listing Rule 7.1. A summary of Listing Rule 7.1 is provided in Section 4.1.

Resolution 4 is an ordinary resolution.

5.2 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the issue of the Class A Placement Options and the Class B Placement Options is provided as follows:

- (a) The maximum number of Class A Placement Options and Class B Placement Options that the Company may issue under Resolution 4 is 116,161,764 Class A Placement Options and 116,161,764 Class B Placement Options.
- (b) The Class A Placement Options and Class B Placement Options may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules) and it is intended that all of the Class A Placement Options and Class B Placement Options will be issued on the same date.
- (c) The Class A Placement Options will each be exercisable at \$0.010 on or before the date that is 6 months after the date of issue. The Class B Placement Options will each be exercisable at \$0.011 on or before the date that is 9 months after the date of issue. Further terms and conditions of the Class A Placement Options and Class B Placement Options are set out in Schedule 1.
- (d) Shares issued on exercise of the Placement Options will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing Shares on issue.
- (e) The Class A Placement Options and Class B Placement Options will be issued to the Placement Participants as free attaching Options on the basis of two Class A Placement Options and two Class B Placement Options for every four Placement Shares subscribed for. Accordingly, no funds will be raised from the issue of the Class A Placement Options and Class B Placement Options.
- (f) The Class A Placement Options and Class B Placement Options will be issued to the Placement Participants (and/or their nominees) none of whom is a related party of the Company.
- (g) A voting exclusion statement is included in the Notice.

6. Resolutions 5 and 6 – Authority for Directors to participate in the Placement

6.1 Background

As set out in Section 3.4, it is proposed that Directors, Mr Jeffrey Lai and Mr Howard Digby (and/or their nominees) participate in the Placement and accordingly seek Shareholder approval

to subscribe for up to a total of \$50,000 worth of Shares and corresponding free attaching Placement Options (being 588,352 Shares, 1,470,588 Class A Placement Options, 1,470,588 Class B Placement Options, 735,294 Class C Placement Options and 735,294 Class D Placement Options (together the **Director Placement Securities**)).

Listing Rule 10.11 provides that a company must not (subject to specified exceptions) issue or agree to issue equity securities to a related party without the approval of Shareholders. The Participating Directors are each a related party of the Company by virtue of being a Director. Therefore, approval is required under Listing Rule 10.11 for the issue of the Director Placement Securities to the Participating Directors under Resolutions 5 and 6.

If Shareholder approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1. Shareholder approval of the issue of the Director Placement Securities means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolutions 5 and 6 are ordinary resolutions.

6.2 Specific information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, information regarding the issue of the Director Placement Securities is provided as follows.

- (a) The maximum number of Shares and Options to be issued to the Participating Directors (or their nominees) is as follows:
 - (i) Mr Jeffrey Lai (and/or his nominee):
 - (A) 2,941,176 Placement Shares;
 - (B) 1,470,588 Class A Placement Options;
 - (C) 1,470,588 Class B Placement Options;
 - (D) 735,294 Class C Placement Options;
 - (E) 735,294 Class D Placement Options; and
 - (ii) Mr Howard Digby (and/or his nominee):
 - (A) 2,941,176 Placement Shares;
 - (B) 1,470,588 Class A Placement Options;
 - (C) 1,470,588 Class B Placement Options;
 - (D) 735,294 Class C Placement Options; and
 - (E) 735,294 Class D Placement Options.
- (b) The Company will issue the Director Placement Securities no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules), and it is intended that all of the Director Placement Securities will be issued on the same date.

- (c) Each of the Participating Directors is a related party of the Company by virtue of being a Director.
- (d) The Director Placement Shares will each be issued at an issue price of \$0.0085. The Director Placement will be free attaching Options issued on the basis of two Class A Placement Options, two Class B Placement Options, one Class C Placement Option and one Class D Placement Option for every four Director Placement Shares subscribed for by the Participating Directors. Accordingly no funds will be raised from the issue of the Director Placement Options.
- (e) The Director Placement Shares will be fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's existing Shares on issue.
- (f) The Director Placement Options will each be exercisable as follows:
 - (i) Class A Placement Options each exercisable at \$0.010 on or before 6 months from the date of issue;
 - (ii) Class B Placement Options each exercisable at \$0.011 on or before 9 months from the date of issue;
 - (iii) Class C Placement Options each exercisable at \$0.013 on or before 21 December 2020;
 - (iv) Class D Placement Options each exercisable at \$0.015 on or before 21 December 2021.

The full terms and conditions of the Director Placement Options are set out in Schedule 1.
- (g) Shares issued on exercise of the Director Placement Options will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing Shares on issue.
- (h) The funds raised from the issue of the Director Placement Securities will be aggregated with the funds raised from the issue of the Placement Shares to the Placement Participants and such funds will be used for the purposes set out in Section 3.4.
- (i) A voting exclusion statement is included in the Notice.

7. Resolution 7 – Approval to issue Adviser Options

7.1 General

The Company has executed a mandate for Red Leaf Securities to act as the lead manager and corporate adviser to the Placement. The Company will pay fees of 5% of the total amount raised under the Placement. In addition, the Company has agreed to grant 12,000,000 Adviser Options (each exercisable at \$0.015 on or before the date that is 12 months from the date of issue) to Red Leaf Securities (and/or its nominees) in as part of the consideration for its services as lead manager of the Placement.

Resolution 7 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of the Adviser Options to Red Leaf Securities.

A summary of Listing Rule 7.1 is provided in Section 4.1. Given that none of the exceptions contained in Listing Rule 7.2 apply, Shareholder approval is being sought under Listing Rule 7.1 for Resolution 7 to preserve the Company's 15% capacity under Listing Rule 7.1.

Resolution 7 is an ordinary resolution.

7.2 Specific information required by Listing Rule 7.3

The following information is provided for the purposes of Listing Rule 7.3 in relation to the Adviser Options:

- (a) The maximum number of securities to be issued under Resolution 7 is 12,000,000 Adviser Options.
- (b) The Company will issue the Adviser Options no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that all Adviser Options will be issued on the same date.
- (c) The Adviser Options are being issued as part of the consideration payable to Red Leaf Securities for acting as the lead manager and corporate adviser in relation to the Placement. Accordingly, no funds will be raised from the issue of the Adviser Options.
- (d) The Adviser Options will be issued to Red Leaf Securities (and/or its nominees) none of whom are a related party of the Company.
- (a) The Adviser Options will each be exercisable at \$0.015 on or before the date that is 12 months from the date of issue. Further terms and conditions of the Adviser Options are set out in Schedule 1.
- (b) Shares issued on exercise of the Adviser Options will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing Shares on issue.
- (e) A voting exclusion statement is included in the Notice.

8. Resolution 8 – Approval to issue Director Options to Mr Howard Digby

8.1 General

As announced on 13 November 2018, the Company has appointed Mr Howard Digby as an independent non-executive Director and is proposing, subject to Shareholder approval, to issue 1,000,000 Director Options to Mr Digby (and/or his nominee)..

The Director Options are being granted as part of the incentive component of Mr Digby's remuneration.

Resolution 8 seeks Shareholder approval pursuant to Listing Rule 10.11 for the issue of the Director Options to Mr Digby (and/or his nominee).

A summary of Listing Rule 10.11 is set out in Section 6.1. Mr Digby is a related party of the Company by virtue of being a Director. Therefore, Shareholder approval is required pursuant to Listing Rule 10.11 for the issue of the Director Options to Mr Digby.

If Shareholder approval is given under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1. Shareholder approval of the issue of the Director Options means that this issue will not reduce the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 8 is an ordinary resolution.

8.2 Specific information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, information is provided as follows:

- (a) The maximum number of Director Options to be issued to Mr Digby (and/or his nominee) is 1,000,000 Director Options.
- (b) The Company will issue the Director Options no later than one month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules), and it is intended that all of the Director Options will be issued on the same date.
- (c) Mr Digby is a related party of the Company by virtue of being a Director.
- (d) The Director Options are being issued to Mr Digby as part of the incentive component of Mr Digby's remuneration. Accordingly, no funds will be raised from the issue of the Director Options.
- (e) The Director Options will each be exercisable at 135% of the VWAP of Shares for the 5 trading days prior to the date of the Meeting, on or before the date that is two years from the date of grant. Further terms and conditions of the Director Options are set out in Schedule 3.
- (f) Shares issued on exercise of the Director Options will be fully paid ordinary shares in the capital of the Company ranking equally in all respects with the Company's existing Shares on issue.
- (g) A voting exclusion statement is included in the Notice.

9. Definitions

\$ means Australian Dollars.

Acquisition has the meaning given to it in Section 3.1.

Acquisition Agreement has the meaning given to it in Section 3.1.

Adviser Options mean an Option exercisable at \$0.015 on or before the date that is 12 months from the date of issue and otherwise with the terms and conditions in Schedule 1.

AFSL means Australian Financial Services License.

AWST means Australian western Standard Time, being the time in Perth, Western Australia.

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

Board means the board of Directors.

Capital Raising has the meaning given to it in Section 3.4.

Chairman means the chairman of this Meeting.

Class A Placement Option means an Option exercisable at \$0.010 on or before the date that is 6 months from the date of issue and otherwise with the terms and conditions in Schedule 1.

Class B Placement Option means an Option exercisable at \$0.011 on or before the date that is 9 months from the date of issue and otherwise with the terms and conditions in Schedule 1.

Class C Placement Option means an Option exercisable at \$0.013 on or before 21 December 2020 and otherwise with the terms and conditions in Schedule 1.

Class D Placement Option means an Option exercisable at \$0.015 on or before 21 December 2021 and otherwise with the terms and conditions in Schedule 1.

Cloudten means Cloudten Industries Pty Ltd ACN 601 905 104.

Company means Transaction Solutions International Limited ACN 057 335 672.

Completion means completion of the Acquisition.

Constitution has the meaning given to it in Section 3.3.

Constitution means the current constitution of the Company.

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

Director means a director of the Company.

Director Option means an Option exercisable at 135% of the VWAP of Shares for the 5 trading days prior to the date of the Meeting, on or before the date that is two years from the date of grant and otherwise with the terms and conditions in Schedule 3.

Director Placement Options has the meaning given to it in Section 3.4.

Director Placement Securities has the meaning given to it in Section 6.1.

Director Placement Shares has the meaning given to it in Section 3.4.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Listing Rules means the listing rules of ASX.

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

Notice means this notice of meeting.

Option means an option to acquire a Share.

Participating Directors means Mr Howard Digby and Mr Jeffrey Lai.

Placement has the meaning given to it in Section 3.4.

Placement Options means the Class A Placement Options, Class B Placement Options, Class C Placement Options and Class D Placement Options.

Placement Participants means the participants in the Placement, being sophisticated investors, none of whom is a related party of the Company.

Placement Shares has the meaning given to it in Section 3.4.

Proxy Form means the proxy form attached to this Notice.

Red Leaf Securities means Red Leaf Securities Pty Ltd.

Resolution means a resolution contained in this Notice.

Sellers means the two shareholders and co-founders of Cloudten, being Malcolm Duncanson and Richard Tomkinson.

Section means a section contained in this Explanatory Memorandum.

Security means a Share, an Option or any combination of these as the context provides.

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

Shareholder means a shareholder of the Company.

VWAP means the volume weighted average price.

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

Schedule 1 – Terms and Conditions of Placement Options and the Adviser Options

- (a) **(Entitlement)** The Placement Options and the Adviser Options (**Options**) entitle the holder to subscribe for one Share upon the exercise of each Option.

- (b) **(Exercise Price)** The exercise price of each Option is as set out below.

Class A Placement Options	\$0.010
Class B Placement Options	\$0.011
Class C Placement Options	\$0.013
Class D Placement Options	\$0.015
Adviser Options	\$0.015

- (c) **(Expiry Date)** Each Option will expire at 5.00pm (AWST) on the date set out below.

Class A Placement Options	The date that is 6 months from date of issue
Class B Placement Options	The date that is 9 months from date of issue
Class C Placement Options	21 December 2020
Class D Placement Options	21 December 2021
Adviser Options	The date that is 12 months from date of issue

- (d) **(Exercise period)** The Options are exercisable at any time from the date of issue to the Expiry Date.

- (e) **(Notice of exercise)** The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

- (f) **(Shares issued on exercise)** Shares issued on exercise of the Options rank equally with the Shares of the Company.

- (g) **(Options not quoted)** The Company will not apply to ASX for quotation of the Options.

- (h) **(Quotation of shares on exercise)** The Company will apply to ASX for official quotation of the Shares issued on the exercise of the Option.

- (i) **(Timing of issue of Shares)** After an Option is validly exercised the Company must as soon as possible following receipt of cleared funds equal to the sum payable on the exercise of the Options:

- (1) issue the Share;
- (2) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors;
- (3) do all such acts, matters and things to obtain the grant of quotation for the Share on ASX no later than 5 days from the date of exercise of the Option.

- (j) **(Participation in new issues)** There are no participation rights or entitlements inherent in the Options and a holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

- (k) **(Adjustment for rights issues)** If the Company makes an issue of Shares pro rata to existing Shareholders there will be no adjustment to the Exercise Price.
- (l) **(Adjustment for bonus issues of Shares)** If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestment):
 - (1) the number of Shares or other securities which must be issued on the exercise of an Option will be increased by the number of Shares or other securities which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and
 - (2) no change will be made to the Exercise Price.
- (m) **(Adjustments for reorganisation)** If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.
- (n) **(Options not transferable)** The Options are not transferable, except with the prior written approval of the Board of directors of the Company and subject to compliance with the Corporations Act
- (o) **(Lodgement Instructions)** Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged with the Company's Share Registry.

Schedule 2 – Proforma Balance Sheet following completion of the Acquisition

Pro-Forma Balance Sheet

	TSN 31-Oct 18 \$000	Cloudten 31-Oct 18 \$000	Adjustments \$000	Notes	Pro-Forma \$000
ASSETS					
Current assets					
Cash and cash equivalents	1,653	1,443	(1,100)	1, 2, 3	1,996
Trade receivables	695	627	-		1,322
Other receivables and prepayments	386	-	-		386
Total current assets	2,734	2,070	(1,100)		3,704
Non-current assets					
Financial assets at fair value through other comprehensive income (FVOCI)	15,340	-	-		15,340
Goodwill	3,163	-	7,107	4	10,270
Other non-current assets	43	5	-		48
Total non-current assets	18,546	5	7,107		25,658
TOTAL ASSETS	21,280	2,075	6,007		29,362
LIABILITIES					
Current liabilities					
Trade, other payables and provisions	761	582	-		1,343
Due to Cloudten owners	-	-	5,600	5	5,600
Total current liabilities	761	582	5,600		6,943
Non-Current liabilities					
Convertible Note	706	-	-		706
Total non-current liabilities	706	-	-		706
TOTAL LIABILITIES	1,467	582	5,600		7,649
NET ASSETS	19,813	1,493	407		21,713
EQUITY					
Contributed equity	36,640	-	1,900	1, 3	38,540
Reserves	10,682	-	(16)	6, 7	10,666
Accumulated losses	(27,509)	1,493	(1,477)	6, 8	(27,493)
	19,813	1,493	407		21,713

Notes

1. Receipt of \$2.0 million from capital raising
2. Initial payment of \$3.0 million to Cloudten owners on completion
3. Red Leaf Securities fee of \$100k
4. Goodwill is Total Cash Consideration of \$8.6 million less Net Assets of \$1.5 million
5. Amount due to Cloudten owners within one year
6. 12 million share options issued to Red Leaf Securities valued at \$13k based on Black Scholes model
7. One million share options issued to director, Howard Digby, valued at \$3k based on Black Scholes model
8. Offset of Cloudten Net Assets of \$1.5 million

Schedule 3 – Terms and Conditions of Director Options

- (a) Each Director Option (**Option**) entitles the holder to one Share.
- (b) The Options are exercisable at any time prior to 5.00 pm Western Standard Time two years after the date of issue (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The exercise price of the Options is 135% of the 5 day volume weighted average closing price of Shares prior to the date of the Meeting at which issue of the Options was approved.
- (d) The Options will not be listed on ASX and may only be transferred with the consent of the Board of the Company.
- (e) The Company will provide to each Option holder a notice that is to be completed when exercising the Options (**Notice of Exercise**). The Options may be exercised wholly or in part by completing the Notice of Exercise and delivering it together with payment to the secretary of the Company to be received any time prior to the Expiry Date (**Exercise Date**).
- (f) Within 15 Business Days after the later of the following:
 - (i) the Exercise Date; and
 - (ii) when excluded information in respect to the Company (as defined in section 708A(7) of the Corporations Act) (if any) ceases to be excluded information,but in any case no later than 20 Business Days after the Exercise Date, the Company will:
 - (iii) allot and issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company; and
 - (iv) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.
- (g) Shares issued on the exercise of the options rank equally with the then issued Shares.
- (h) There will be no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options.
- (i) If there is a bonus issue (**Bonus Issue**) to Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the Option had been exercised before the record date for the Bonus Issue (**Bonus Shares**). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue, and upon issue will rank equally in all respects with the other Shares on issue as at the date of issue of the Bonus Shares.
- (j) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Optionholder are to be changed in a manner consistent with the Listing Rules.

PROXY FORM
TRANSACTION SOLUTIONS INTERNATIONAL LIMITED
ACN 057 335 672

GENERAL MEETING

I/We being a Shareholder/Shareholders of the Company and entitled to attend and vote at the Meeting hereby appoint,

OR

the Chair as my/our proxy

or failing such appointment the Chair of the Meeting (**Chair**) as my/our proxy to act generally on my/our behalf at the Meeting of the Company to be held at Level 1, 16 Gympie Way, Willetton, Western Australia on 29 January 2019 at 10:00am (AWST) and at any adjournment or postponement thereof and to vote in the manner indicated below or, in the absence of indication, and to the extent permitted by law, as my/our proxy thinks fit.

IMPORTANT – IF THE CHAIR IS YOUR PROXY OR IS APPOINTED YOUR PROXY BY DEFAULT

The Chair intends to vote all available proxies in favour of all Resolutions. In exceptional circumstances, the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change. If the Chair is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box in relation to Resolution 8 you will be authorising the Chair to vote in accordance with the Chair's voting intentions on Resolution 8 even if Resolution 8 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

The proxy is to vote on the Resolutions referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Approval of Acquisition of Cloudten Industries Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of prior issue of Placement Shares, Class C Placement Options and Class D Placement Options under Rule 7.1 capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of prior issue of Placement Shares under Rule 7.1A capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Authority to issue Class A Placement Options and Class B Placement Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Authority for Mr Jeffrey Lai to participate in the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Authority for Mr Howard Digby to participate in the Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Approval to issue Adviser Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Approval to issue Director Options to Mr Howard Digby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

If 2 proxies are appointed, the proportion or number of votes that this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

Authorised signature/s

This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

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

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate 'Certificate of Appointment of Representative' should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received:

- (a) by delivery to the Company's registered office at 108 Forrest Street, Cottesloe, WA, 6011; or
- (b) by facsimile transmission to the Company on facsimile number +618 9431 9800; or
- (c) post to Transaction Solutions International Limited, PO Box 159, Fremantle, WA, 6959; or
- (d) email to the Company at pmacleod@gapcs.com.au;

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